



LUXEMBOURG – 2023

Key findings

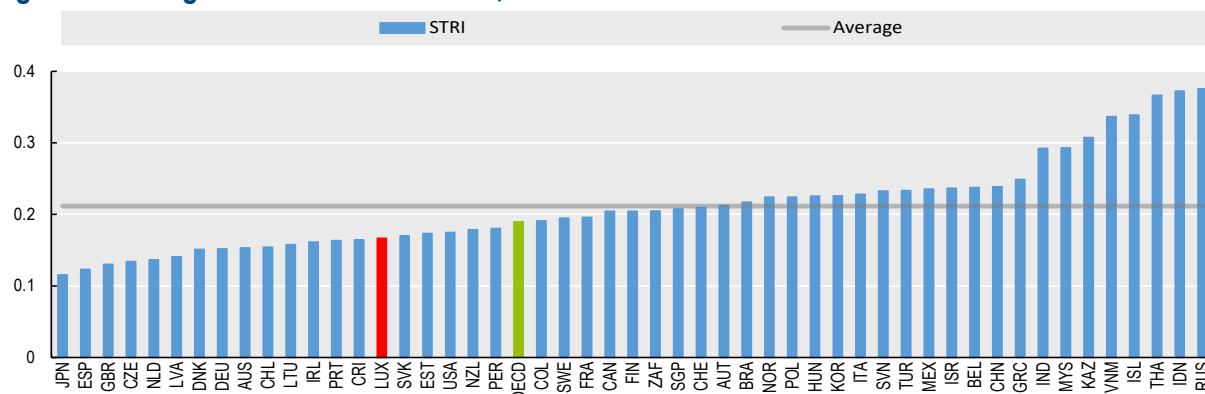
- The 2023 STRI of Luxembourg is below the OECD average and relatively low compared to all countries in the STRI sample. The index remains unchanged compared to 2022.
- Logistics cargo-handling is the most open service sector in Luxembourg while air transport services are the most restricted, relative to the sectoral average.
- Despite the overall favourable environment for services trade, certain rules regulating the entry of natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers remain more cumbersome than international best practice.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies

The 2023 STRI of Luxembourg is below the OECD average, and relatively low compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023ⁱ



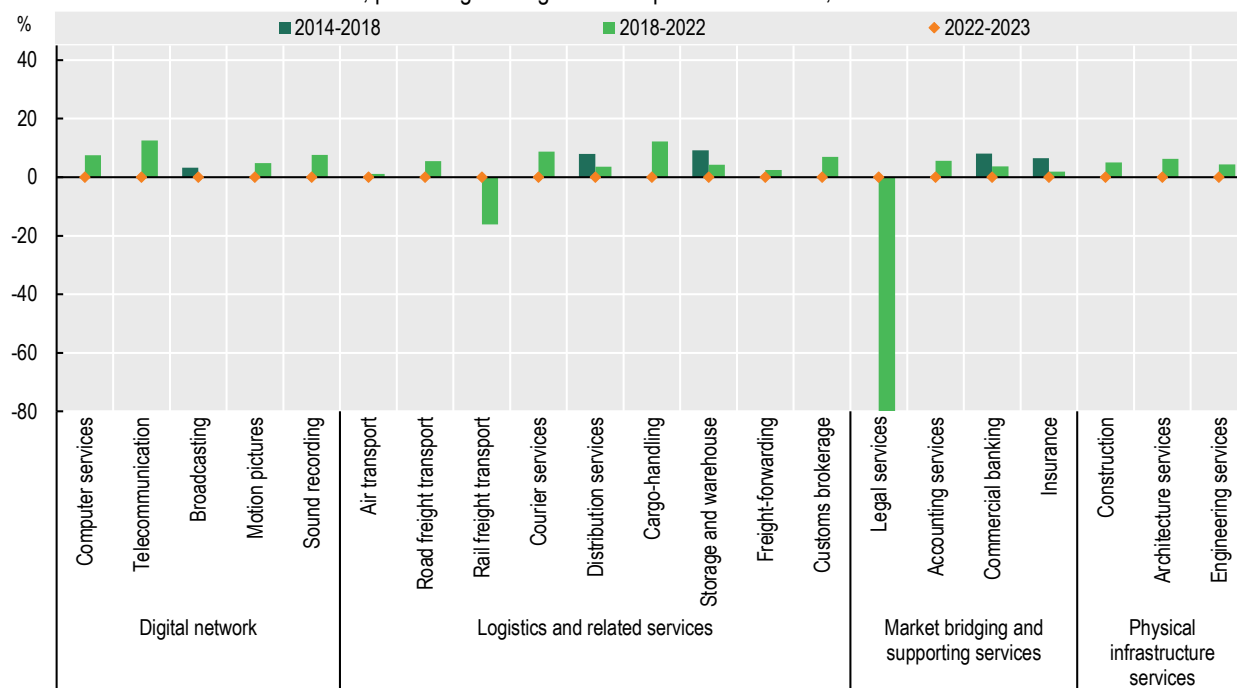
Source: OECD (2023). STRI and TiVA databases.

The 2023 STRI can largely be explained by a favourable general regulatory framework, though some barriers remain. Luxembourg applies labour market tests to natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers and independent services suppliers. Intra-corporate transferees are also subject to such tests. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. A minimum amount of capital must be deposited in a bank or with a notary in order to register a business. The standards for cross-border transfer of personal data are set at the EU level. Transfers to non-EEA economies can take place when these ensure an adequate level of data protection or, in the absence of this, appropriate safeguards are in place e.g. binding corporate rules or standard data protection clauses. Finally, consulting stakeholders during the legislative process is not mandatory and the statutory period to publish final and voted laws prior to entry into force is significantly less than best practice.

There has been little change in the STRI of Luxembourg since 2014, except some liberalising reforms in rail freight transport, and a moderate tightening of regulation in telecommunications, cargo-handling, distribution, storage and warehouse and financial services. In 2021, the STRI for legal services saw a sharp decrease due to the abolition of the nationality and reciprocity requirements concerning licenses to practice law (Figure 2a).

Figure 2a. Evolution of STRI indices by sector in Luxembourg

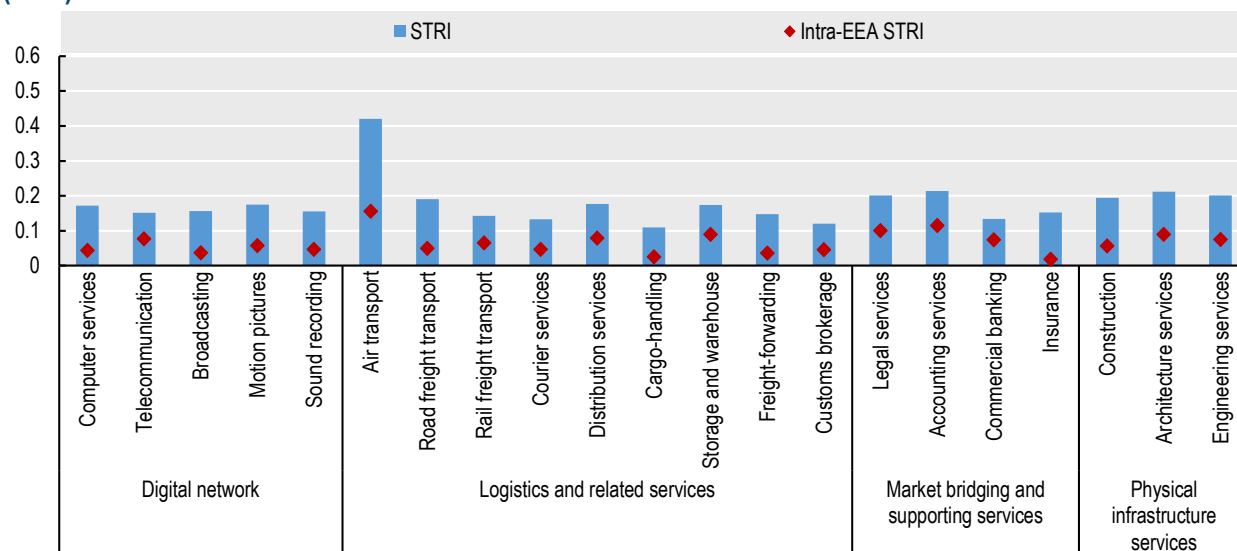
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



Source: OECD (2023). STRI database.

Services trade barriers are significantly lower within the European Economic Area across all services sectors (Figure 2b). Luxembourg maintains an open market for services suppliers from other EU Member States.

Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)

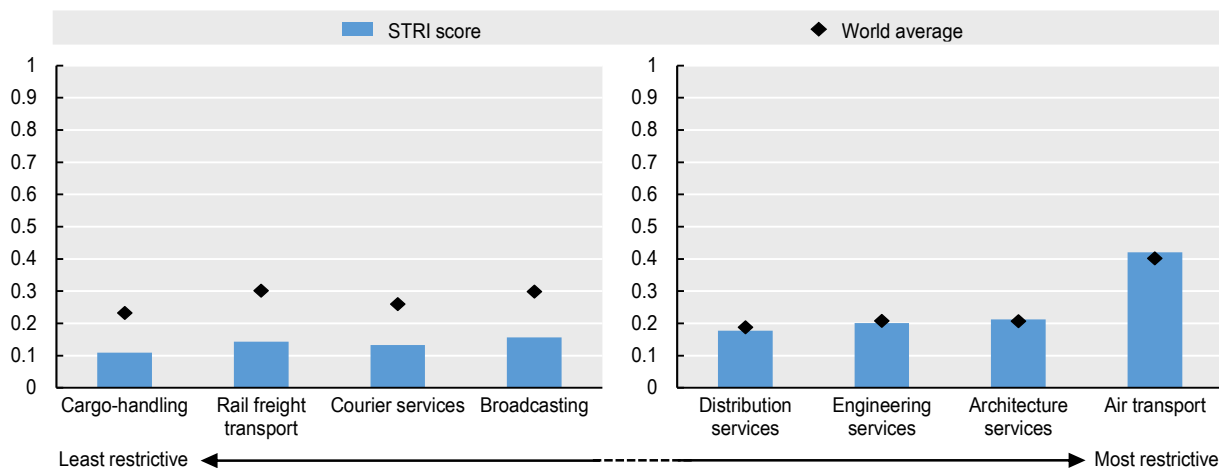


Note: The traditional STRI indicates the level of restrictiveness on a most favoured nation (MFN) basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden).

Source: OECD (2023). STRI database.

Figure 3 ranks Luxembourg's sectors relative to the respective sector's world average. Logistics cargo-handling, rail freight transport, courier services and broadcasting are the sectors the relatively lowest scores. Conversely, distribution services, engineering services, architecture services and air transport are the sectors with the relatively highest scores.

Figure 3. Sectoral breakdown - The least and most restricted sectors in Luxembourg compared to world average



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

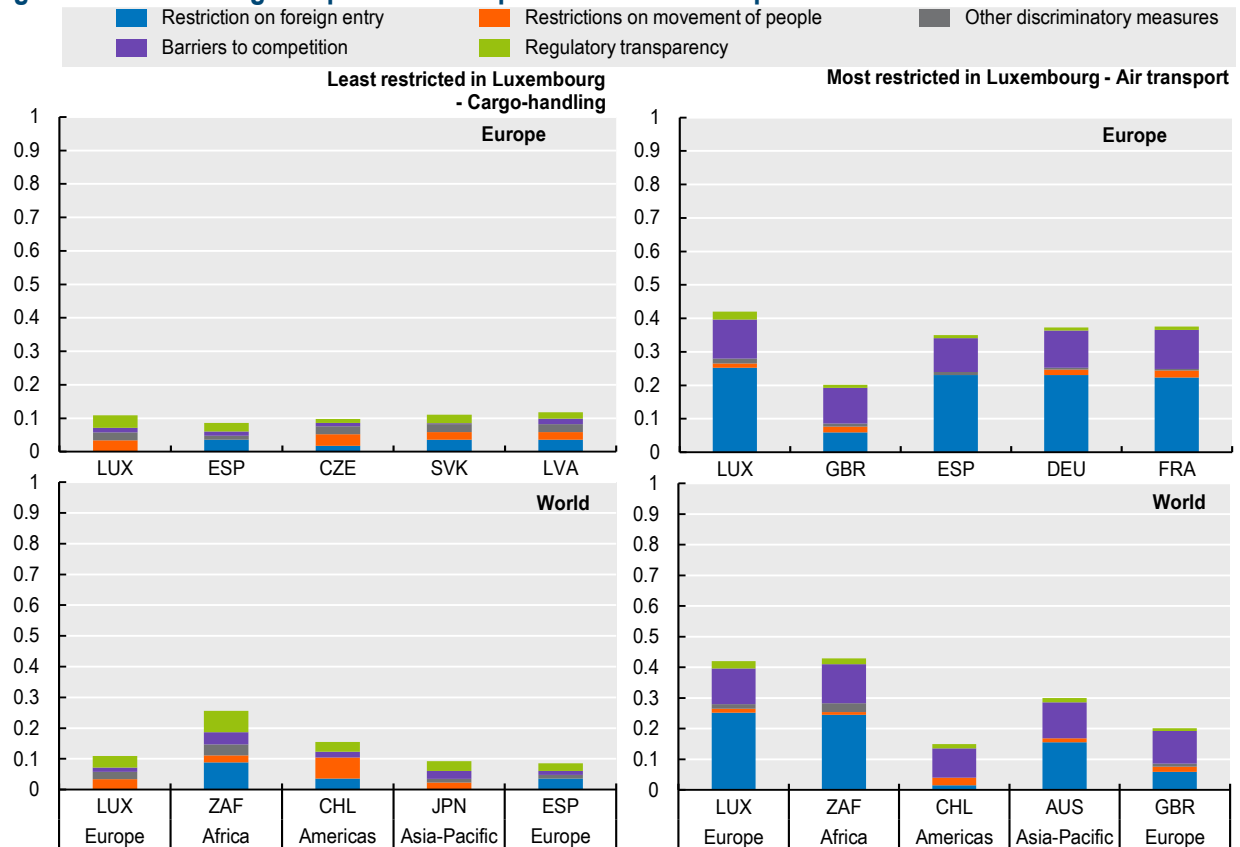
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2023). STRI database.

Logistics cargo-handling is the least restricted sector in Luxembourg compared to the sectoral average STRI across all countries. The absence of restrictions on foreign entry, and relatively low barriers to competition have contributed to the overall low index compared to other countries (Figure 4).

On the other hand, air transport is the most restricted services sector in Luxembourg compared to the average STRI across all countries. Luxembourg has foreign equity restrictions applying to airlines as a result of a common EU regulation on air services. Pursuant to this regulation, non-EU nationals cannot own more than 49% in local airlines. Lease of foreign aircrafts with crew from outside the EU can be refused on grounds of reciprocity or conditioned on approval granted on the basis of economic needs. The EU-wide exemption of certain airline arrangements from competition law and regulations on airport slot allocation and slot trading further contribute to the score in this sector.

Figure 4. Luxembourg compared to Europe and World's best performers



Source: OECD (2023). STRI database.

Recent policy changes

In 2021, the STRI for legal services in Luxembourg saw a sharp decrease due to the abolition of the nationality and reciprocity requirements concerning licenses to practice law.

Several recent changes affecting Luxembourg were due to changes in EU law. In August 2022, Regulation 2022/1031 (EU) entered into force, aiming to regulate access of third-country (non-EU) goods and services to the EU's public procurement and concession markets. At this stage, no implementing act restricting access to the EU procurement market has been adopted by the European Union. The Regulation applies to public procurement and concessions where the EU has not undertaken market access commitments in an international agreement.

In air transport, a series of temporary rules allowing airlines to retain historic slots, despite not using their slots according to the 80/20 grandfathering rule, were in place from 1 March 2020 to 25 March 2023 on grounds of reduced air traffic levels due to the COVID-19 pandemic. As of 26 March 2023, such slot relief rules are no longer in force.

In telecommunications, maximum Union-wide voice termination rates defined by Commission Delegated Regulation (EU) 2021/654 took effect on 1 July 2021. These maximum termination rates do not, however, generally apply to calls originating from countries outside the EU.

From 1 July 2021, the EU abolished the VAT de minimis regime for goods valued under EUR 22. In maritime transport, Commission Regulation (EU) 2020/436 extended the existing block exemption to liner shipping consortia from competition law until April 2024.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about [Services Trade Policies and the Global Economy](#)
- » More information about measuring the regulatory environment for services trade in the Intra-EEA region: oe.cd/intraeeaSTRI
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2023. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.