OECD Services Trade Restrictiveness Index (STRI)

CZECH REPUBLIC – 2022

Key findings

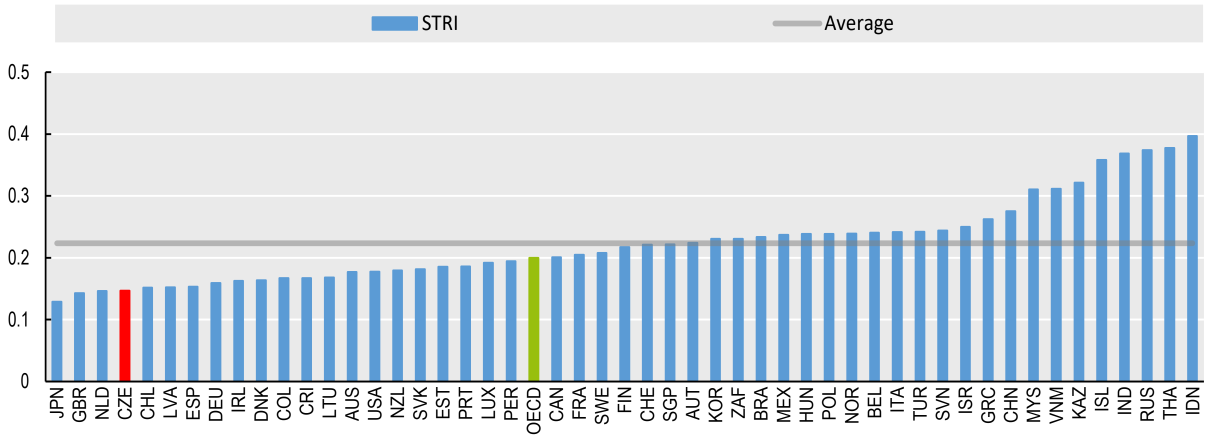
- The 2022 STRI of the Czech Republic is relatively low compared to other countries in the STRI sample, indicating an open regulatory environment for trade in services. The Czech Republic is also one of the most open countries for services trade within the EU Single Market.
- Conditions on the entry of natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers remains more cumbersome than international best practice.
- Courier services is the most open sector in the Czech Republic while air transport is the most restricted.

Recommendation

- Open and well-regulated services markets are essential to facilitate economic recovery, strengthen resilience to future shocks, and promote a more sustainable trading system. To ensure that the benefits of open markets and a rules-based international trading system are preserved, policy makers should focus on minimising barriers that increase trade costs for services providers, weaken the gains from digital transformation and undermine competitiveness.

The 2022 STRI of the Czech Republic is relatively low compared to the STRI sample average (Figure 1).

Figure 1. Average STRI across countries, 2022



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations 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 2022. 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.

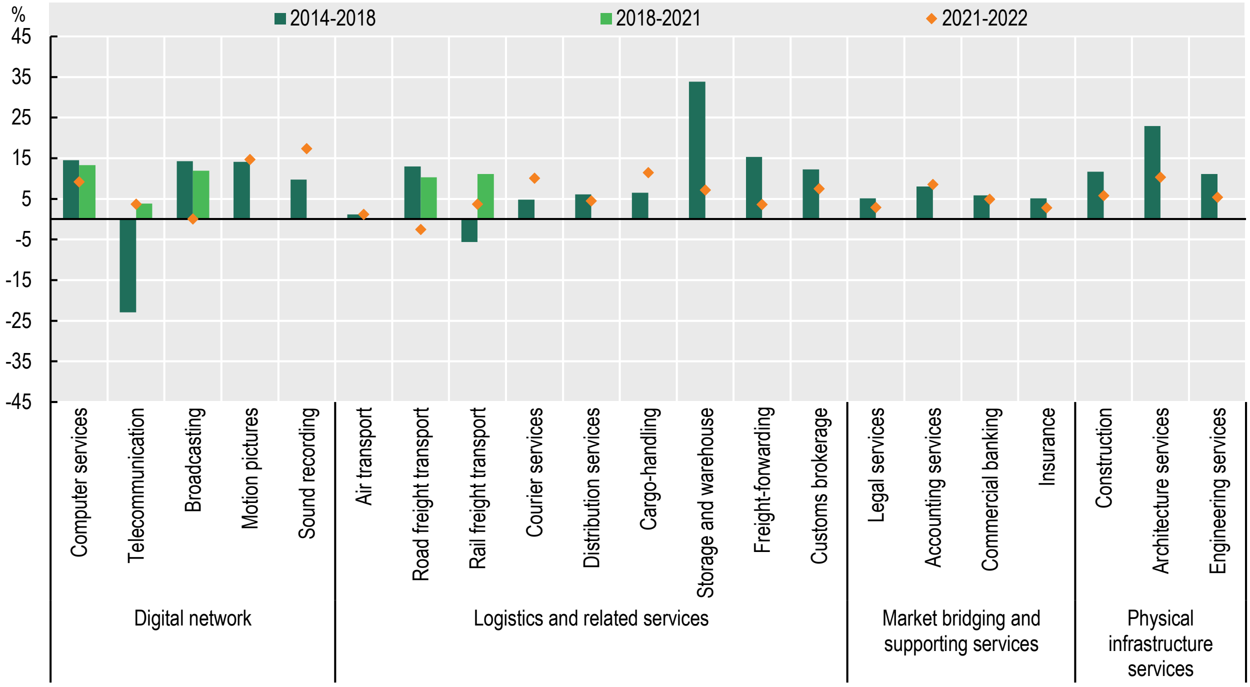
Source: OECD (2022). STRI and TiVA databases.

The Czech Republic applies labour market tests for workers seeking to provide services in the country on a temporary basis as contractual services suppliers but not as intra-corporate transferees or independent services suppliers. The duration of stay is limited to 36 months for intra-corporate transferees, 24 for contractual services suppliers, and 12 months for independent services suppliers on their first entry permit. 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 (e.g. binding corporate rules or standard data protection clauses) are in place.

The services regulatory regime of the Czech Republic saw increases across most sectors during 2014-2018 but remained stable in the period until 2021 in all sectors, except in computer services, broadcasting, road freight and rail freight transport. New provisions on screening of foreign investments were introduced in October 2020 by the Act on the Examination of Foreign Investments and affected services sectors such as computer services, telecommunication, broadcasting, road freight transport and rail freight transport. In 2022 the STRI increased for most sectors is due to new EU-wide measures affecting access to procurement markets (Figure 2).

Figure 2. Evolution of STRI indices by sector in the Czech Republic

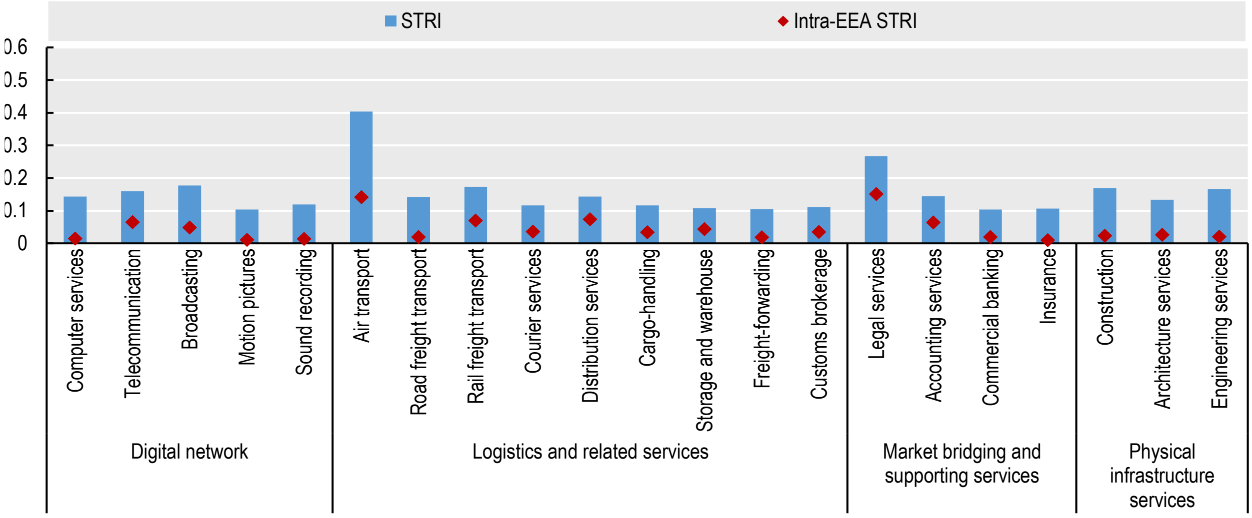
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



Source: OECD (2022). STRI database.

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

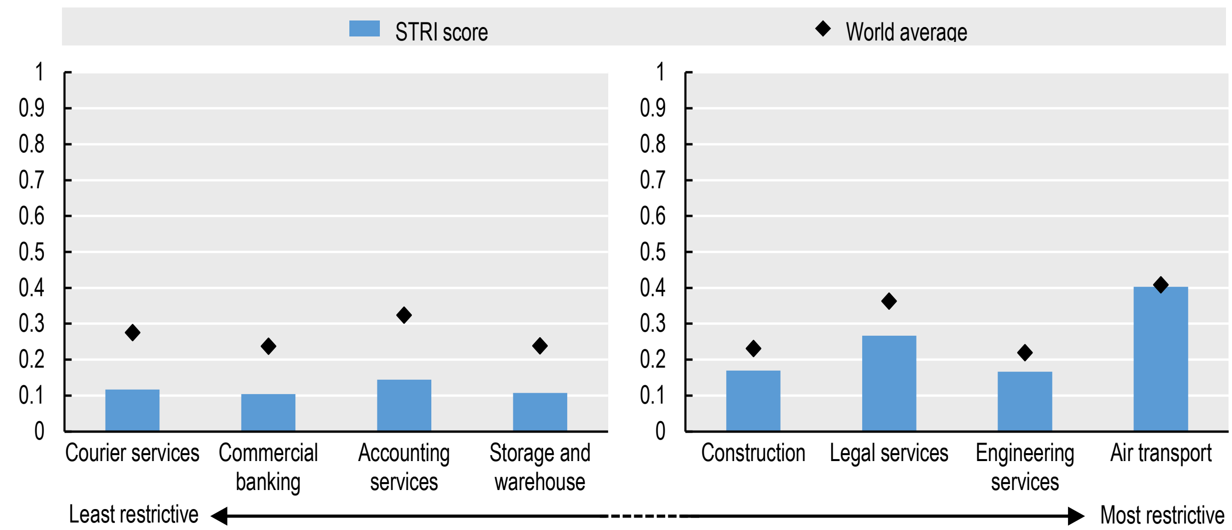
Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



Note: The traditional STRI indicates the level of restrictiveness on a Most-Favoured Nation 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 (2022). STRI database.

Courier services, commercial banking, accounting services and logistics storage and warehousing services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Conversely, construction services, legal services, engineering services, and air transport are the sectors with the highest score relative to the average STRI across all countries covered by the STRI database.

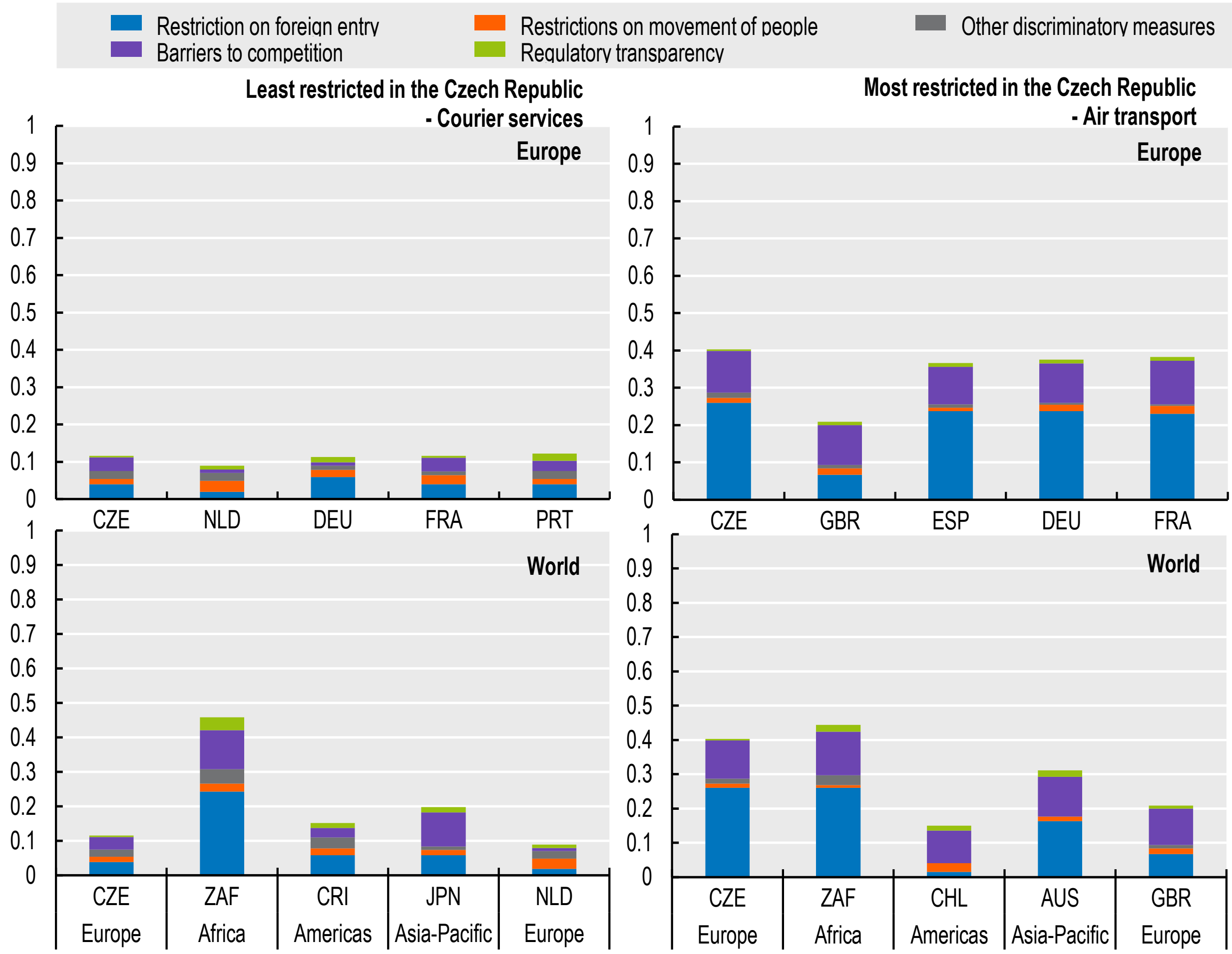
Figure 3. Sectoral breakdown - The least and most restricted sectors in the Czech Republic



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 (2022). STRI database.

Courier services in Czech Republic is one of the least restricted in Europe. The composition of the scores suggests that barriers to foreign entry have had an impact compared to other countries. The STRI for courier services covers also postal services. While the sector is mostly regulated according to best practice, the state maintains control of the main postal services provider, *Česká pošta*. Air transport are the most restricted services sector in the Czech Republic. Restriction on foreign entry and barriers to competition are significant compared to best performers. The Czech Republic has foreign equity restrictions as a result of common European Union (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).

Figure 4. the Czech Republic compared to Europe and World's best performers



Source: OECD (2022). STRI database.

Recent policy changes

In February 2021, a new Act on the Examination of Foreign Investments entered into force creating a new screening mechanism of foreign investments based on national security considerations. These new screening provisions apply to sectors such as computer, telecommunication, broadcasting, road freight transport and rail freight transport services.

Other recent changes affecting the Czech Republic were due to changes in EU law. In August 2022, EU Regulation 2022/1031 entered into force aiming to regulate access of third-country (non-EU) goods and services to the EU's public procurement and concession markets. No relevant measure has been adopted by the European Union at this stage. It applies to public procurement and concessions where the EU has not undertaken market access commitments in an international agreement.

From the 1st of July 2021, the EU abolished the VAT de minimis regime for goods valued under 22 EUR. In air transport, EU Regulation 2020/459 waived the 80/20 grandfathering rule for airport slot allocations. In December 2021, the Commission adopted an extension to the slot relief rules to cover the 2022 summer scheduling season, running from 28 March 2022 until 29 October 2022.

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

More information

» Access all country notes, sector notes, and interactive STRI tools at http://oe.cd/stri

» Read more about services trade policies and their impacts in Services Trade Policies and the Global Economy

» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org