



UNITED KINGDOM – 2022

Key findings

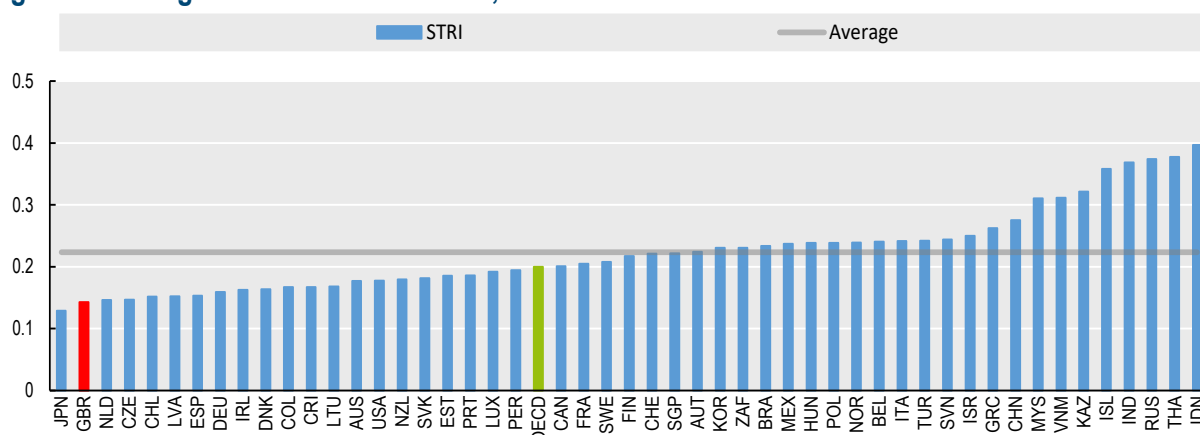
- The 2022 STRI of the United Kingdom (UK) is the second lowest in the STRI sample, indicating an open regulatory environment for services trade.
- Regulations for most sectors and in most policy areas are less strict in the UK than in most OECD countries. However, regulations related to the movement of people, which affect all sectors, are relatively stringent.
- Reforms to enhance market access could bring sizeable gains. Closing half the gap to best performers in terms of services trade regulations, as measured by the STRI, could result in an average decrease in services trade costs of about 3.5% of export values in the medium term (Mourougane et al., 2021).

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 United Kingdom is low compared to the average of the STRI sample (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 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 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. OECD (2022). STRI and TiVA databases.

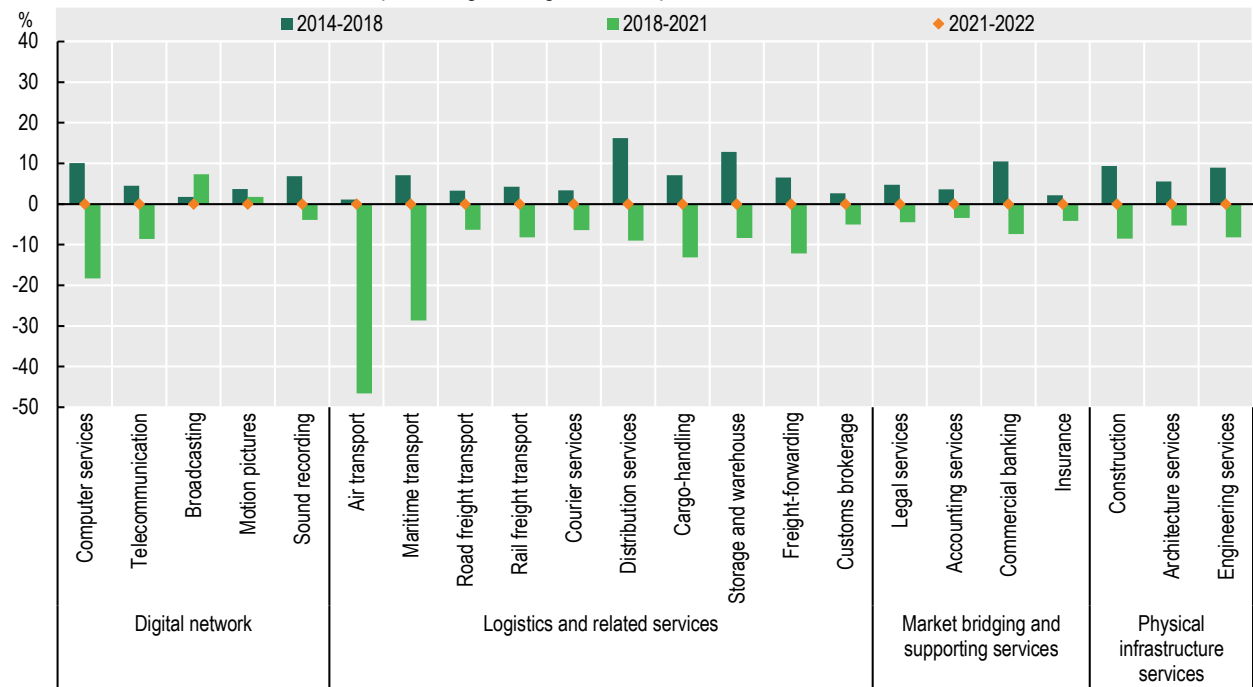
While regulations are less restrictive in the UK than in many OECD countries in most policy areas, regulations related to movements of people, which affect all sectors, are relatively stringent. There are also some limitations on rights of access to public procurement.

Since 2014, regulations have become more stringent in most sectors, especially distribution, logistics (storage and warehousing), computer, architecture and commercial banking (Figure 2). However, in 2020-2021, the STRI values have decreased substantially across all sectors particularly due to new regulations introduced following the end of the transition period for the UK's departure from the European Union (31 December 2020). After this period of considerable change, no significant changes were observed in 2021-2022.

Reforms to enhance market access could bring sizeable gains. Closing half of the gap to best performers in terms of services trade regulations, as measured by the STRI, could lead to an average decrease in services trade costs of about 3.5% of export values in the medium term (Mourougane et al., 2021).

Figure 2. Evolution of STRI indices by sector in the United Kingdom

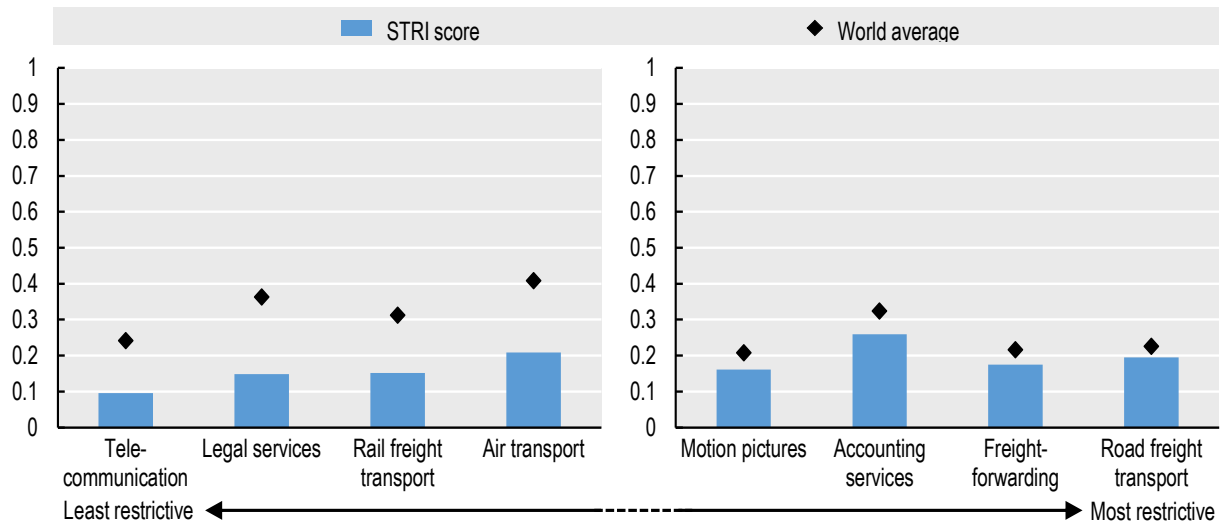
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



OECD (2022). STRI database.

Telecommunications, legal services, rail freight transport and air transport are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Motion pictures, accounting services, logistics freight-forwarding, and road freight transport are the sectors with the highest score relative to the average STRI across all countries.

Figure 3. Sectoral breakdown - The least and most restricted sectors in the United Kingdom



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

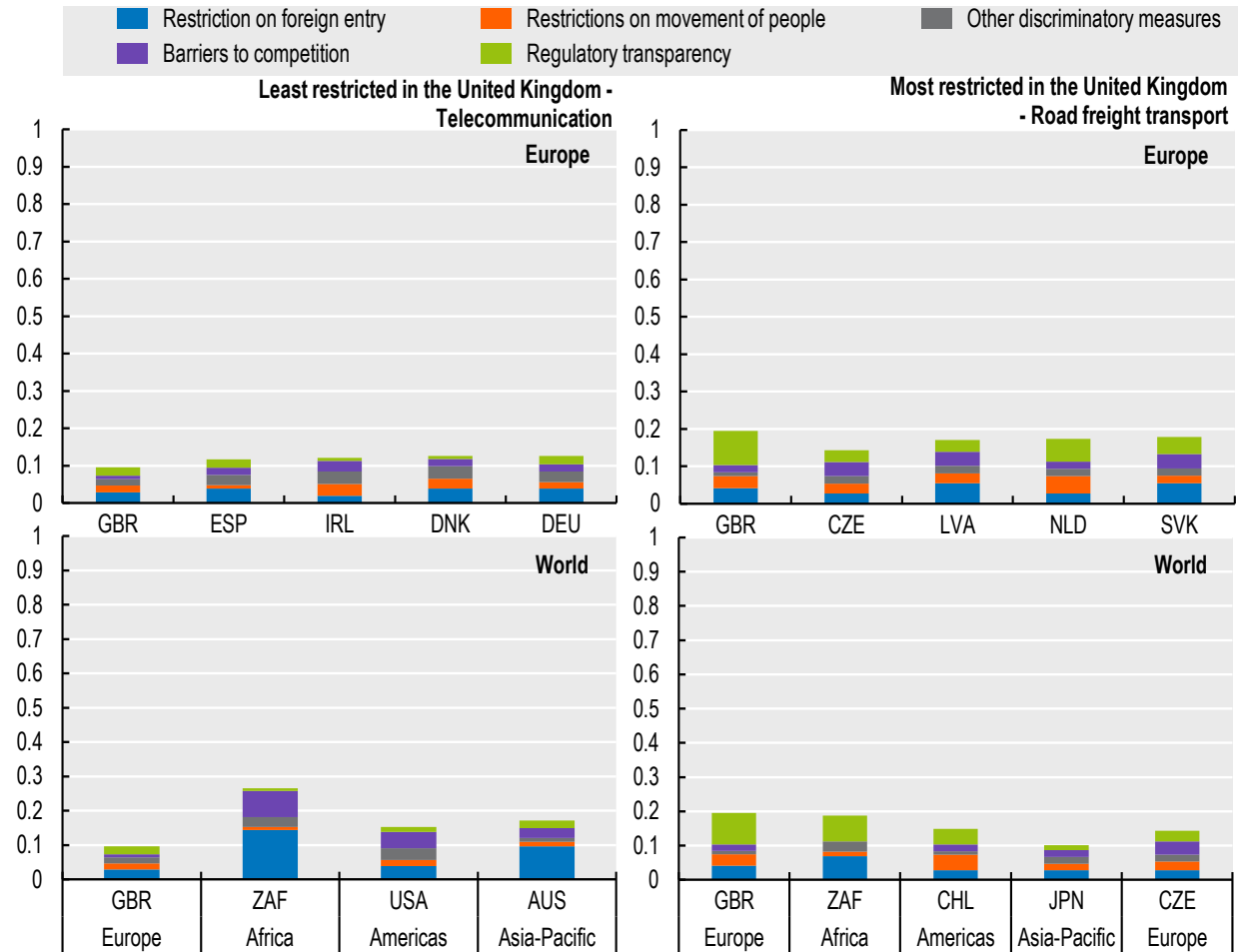
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2022). STRI database.

Telecommunications are the least restricted in the United Kingdom compared to Europe. The composition of the scores indicates that an absence of barriers to competition had an impact compared to other countries. The measures that contributed to the remaining restrictions include the existence of screening without the exclusion of economic interests and a “use it or lose it” approach to spectrum rights. Road freight services are the most restricted services sector in the United Kingdom. The

restriction on regulatory transparency is significant compared to best performers. Some of the measures that contribute the most to the score include economy-wide measures while sector specific limitations include exemptions of certain types of road freight agreements from competition law and the absence of visa exemptions or similar facilitation measures for truck drivers (Figure 4).

Figure 4. The United Kingdom compared to Europe and World's best performers



Source: OECD (2022). STRI database.

Recent policy changes

The United Kingdom left the European Union in January 2020 and entered into a transition phase which ended on 31 December 2020. A large number of new legislations and regulatory amendments were introduced as a result, and some of these have implications for the STRI. A few examples are described below.

Contractual services providers and independent professionals can enter the UK on the T5 (Temporary Worker) International Agreement Worker immigration route which replaced the Tier 5 (Temporary Worker) route as of 1 December 2020. In addition, a new Skilled Worker visa route was introduced to replace the Tier 2 (General) visa route together with a new points-based system. Under this route, previous caps on the maximum number of Tier 2 (General) visas have been suspended and there is no longer a requirement for employers to undertake a Resident Labour Market Test. However, rules on sponsorship control continue and include the need to obtain a sponsorship license and pay the Immigration Skills Charge for the duration of the employment. As of January 2021, this charge must also be paid for EU/EEA nationals applying for a Skilled Worker route. An updated Intra-Company

Transfer route was also set up for workers transferred by their employer for skilled positions in the United Kingdom.

In air transport services, the Operation of Air Services (Amendment etc.) (EU Exit) Regulations 2018 implemented EU Regulation 1008/2008 into the UK domestic regulatory environment. One of the main changes include the lifting of majority nationality-based ownership and control requirements for the issue of a UK Operating Licence which entails a substantial liberalisation for investment in the sector.

The Maritime Transport Access to Trade and Cabotage (Revocation) (EU Exit) Regulations 2019 revoked prior EU legislation that limited cabotage traffic only to EU vessels. Cabotage operations for foreign vessels are now permitted in certain circumstances under an "Open Coast" policy that applies to all nations.

On 29 April 2021, a new Financial Services Act 2021 was adopted which introduces several changes to the UK's regulatory framework. For instance, it changes some aspects of the UK's prudential regulatory regime, and implements the Basel III standards.

As of January 2021, the UK abolished the Low Value Consignment Relief, which relieved import VAT on consignments of goods valued at GBP 15. All imported goods up to GBP 135 will now be subjected to domestic VATs. The threshold for relief from customs duty continues to be GBP 135.

The UK adopted a new National Security and Investment Act (NSIA) 2021 that entered into force in 2022. The Act establishes new procedures for the screening of investments for the purposes of protecting national security.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Mourougane, A., S. Benz and F. Gonzales (2021), "Services trade in the United Kingdom and the global economy", *OECD Trade Policy Papers, No. 257*, OECD Publishing, Paris, <https://doi.org/10.1787/b602b468-en>
- » 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