



ICELAND – 2022

Key findings

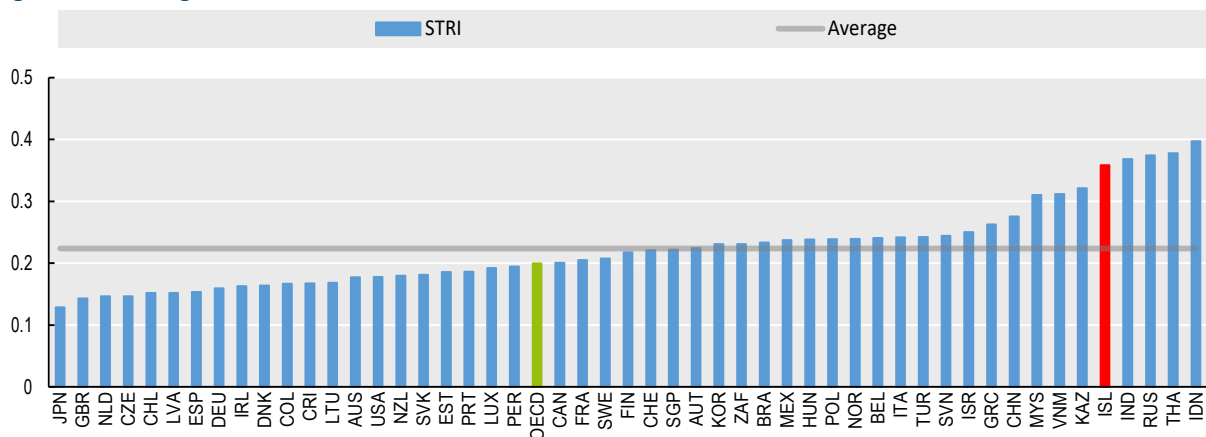
- The 2022 STRI of Iceland is relatively high compared to other countries in the STRI sample.
- Just as in 2021, Iceland further eased conditions on financial services in the commercial banking sector in 2022 by lowering its barriers to competition.
- Legal services is the most open sector in Iceland while construction services is the most restricted relative to the average STRI across all countries.

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 Iceland is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2022



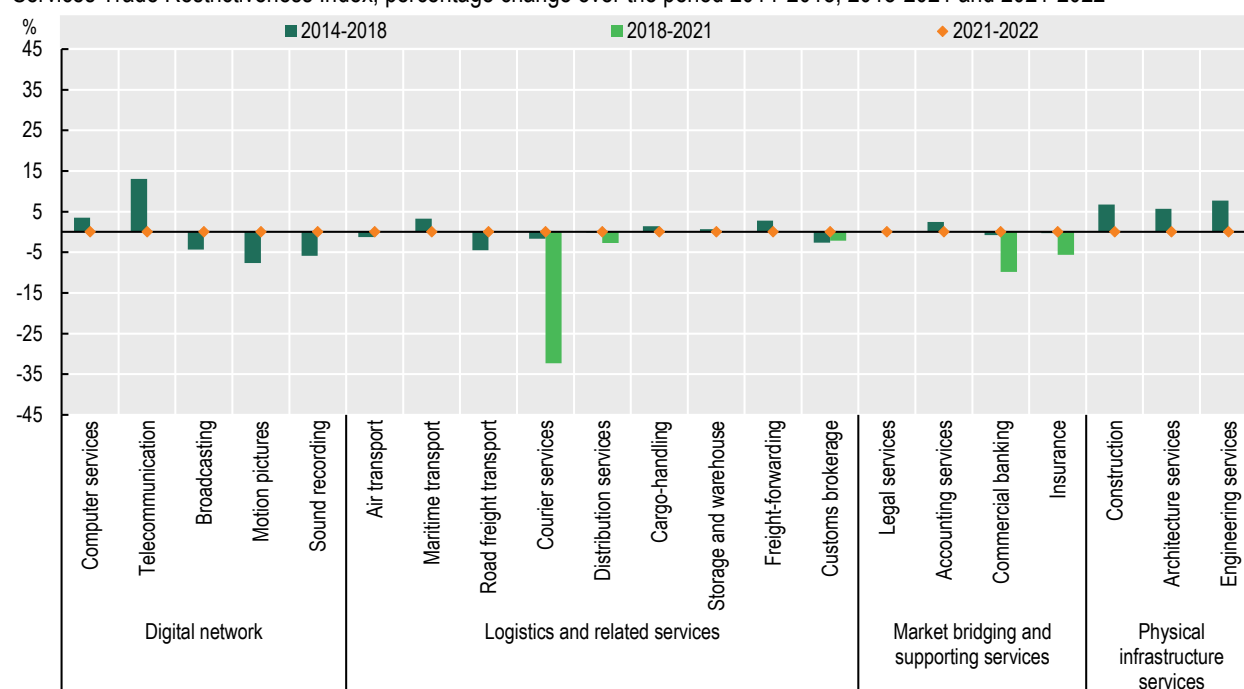
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations 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. Source: OECD (2022). STRI and TiVA databases.

The results are largely attributed to horizontal regulations that affect all sectors in the economy. Iceland requires that half of the board members and the manager of corporations must be resident in Iceland or a European Economic Area (EEA) member country. Foreign direct investment is subject to screening and is approved unless the investment is considered a threat to national interest. Additional authorisation procedures apply to foreign state-owned enterprises, and access to ownership of land is subject to restrictions. Economic needs tests are applied for natural persons from countries outside the EEA coming to Iceland to provide services on a temporary basis and the duration of stay is limited compared to best practice. Intra-corporate transferees and independent services suppliers may stay in the country for up to 12 months on their first entry permit. Contractual services suppliers are only permitted in education and R&D activities. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. 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. A minimum amount of capital must be deposited in a bank or with a notary in order to register a corporation.

The regulatory environment in Iceland has been relatively stable over the past years with moderate increases in the STRI scores in some sectors such as telecommunications, computer services, and professional services (Figure 2). Reforms between 2018 and 2021 in the postal and courier services sector contributed to lowering Iceland's STRI score in 2021 by more than 25% in that sector. Iceland also introduced some reforms in financial services in 2021 lowering certain barriers to competition.

Figure 2. Evolution of STRI indices by sector in Iceland

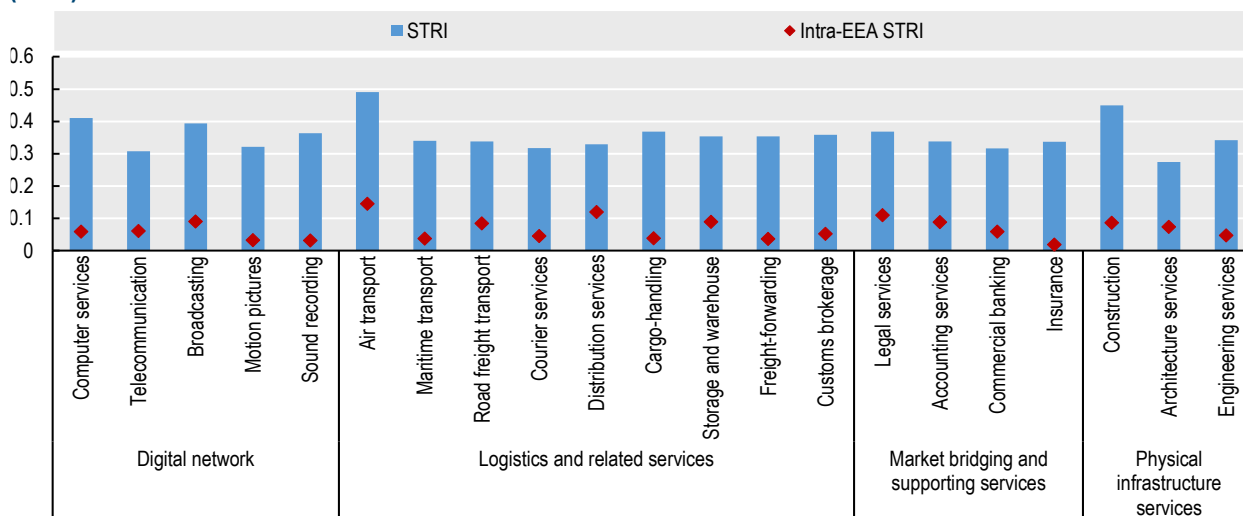
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



Source: OECD (2022). STRI database.

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

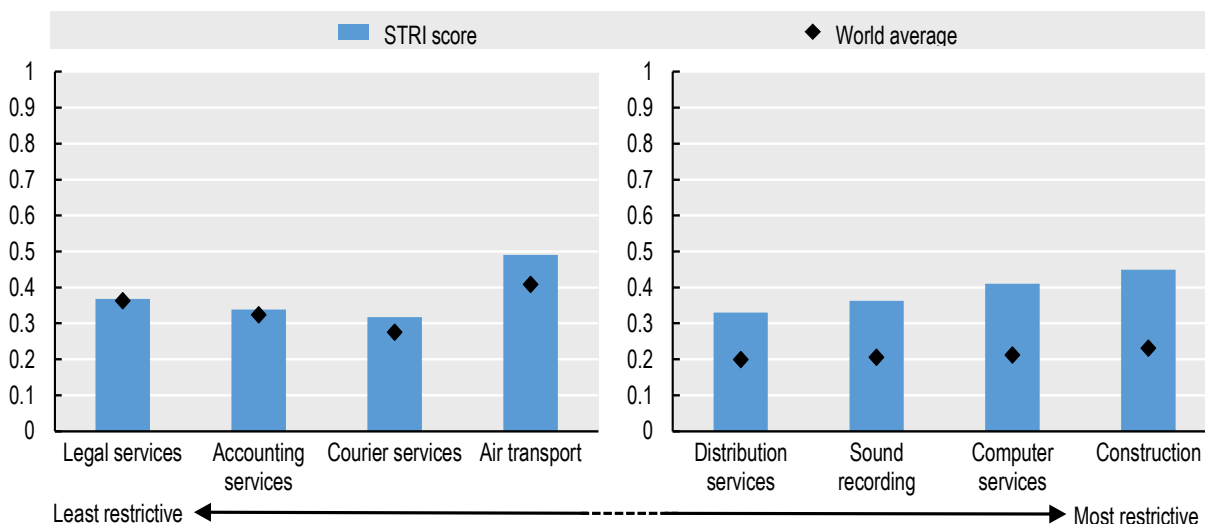
Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



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.

Legal services, accounting services, courier services and air transport are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Conversely, distribution services, sound recording, computer services and construction 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 Iceland

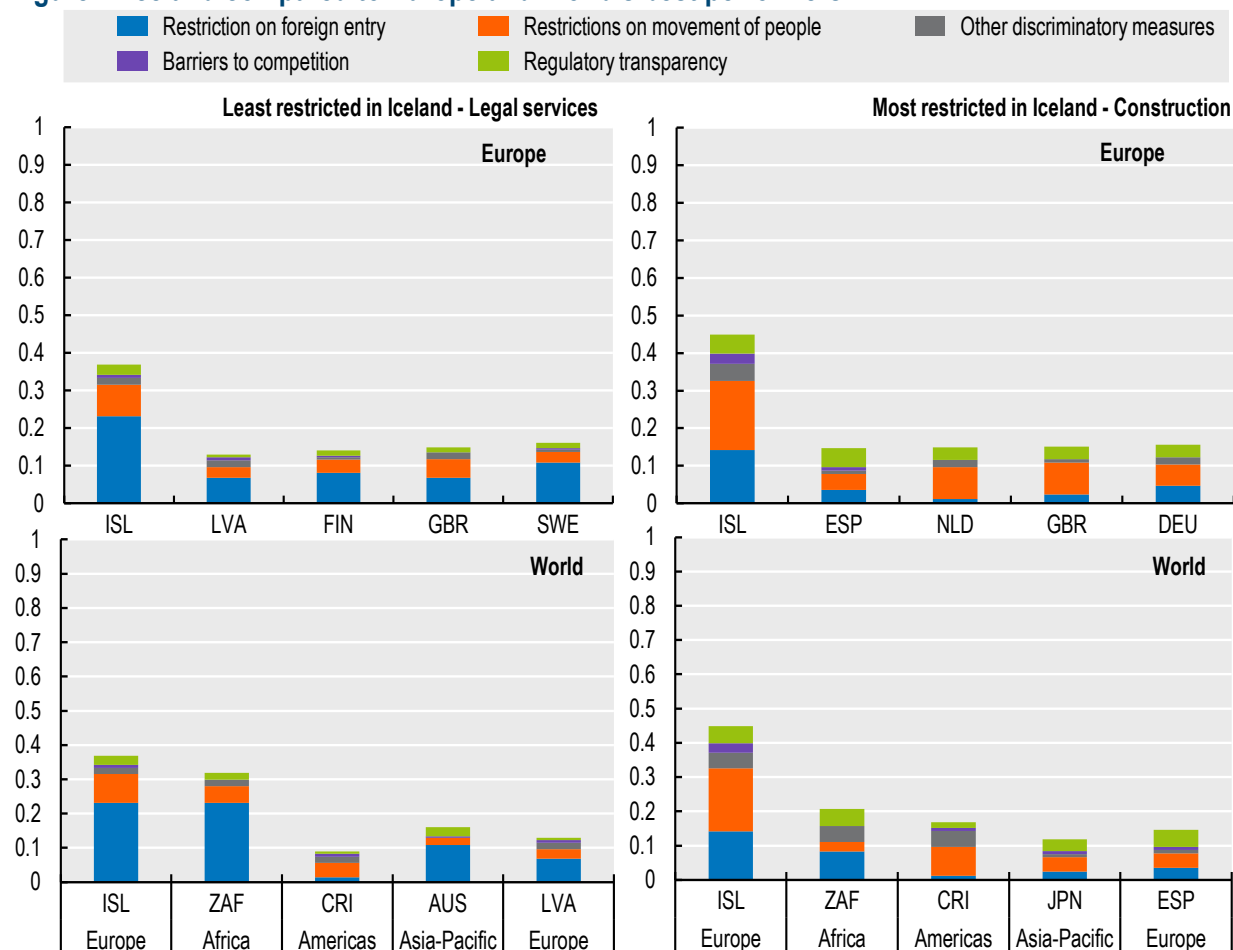


Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference
 i.e. $(STR I_{country, sector} - STR I_{world\ average, sector}) / STR I_{world\ average, sector}$
 Source: OECD (2022). STRI database.

Legal services are the least restricted in Iceland relative to the average STRI across all countries. The composition of the scores suggests that restrictions on foreign entry have had an impact compared to other countries. The measures that contributed to this score include limitations on the duration of stay for contractual services suppliers, residence requirements for board of members, and acquisition and

use of land and real estate by foreigners. Construction services, conversely, are the most restricted services sector in Iceland relative to the average STRI across all countries. Restrictions on the movement of people and foreign entry are significant compared to best performers. Some of the measures that contribute the most to the score include limitations on the duration of stay for contractual services suppliers, quotas and labour market tests (Figure 4).

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



Source: OECD (2022). STRI database.

Recent policy changes

In June 2021, a new Foreign Exchange Act came into force removing the last of the capital account restrictions imposed in November 2008. Foreign exchange transactions, and cross-border payments and capital movements are now free. In January 2020, the state's monopoly on letters weighing less than 50 grammes has been abolished. Also in 2020, the Financial Supervisory Authority has become part of the Central Bank of Iceland. The length of term for heads of the Authority has been extended to five years compared to four year before. Deregulation of mobile telecommunications services took effect.

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

