

Please cite this paper as:

Geloso Grosso, M. *et al.* (2014), “Services Trade Restrictiveness Index (STRI): Legal and Accounting Services”, *OECD Trade Policy Papers*, No. 171, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/5jxt4nkg9g24-en>



OECD Trade Policy Papers No. 171

Services Trade Restrictiveness Index (STRI): Legal and Accounting Services

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JEL Classification: F13, F14, K33, L84

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Abstract

SERVICES TRADE RESTRICTIVENESS INDEX (STRI): LEGAL AND ACCOUNTING SERVICES

by

Massimo Geloso Grosso, Hildegunn Kyvik Nordås, Frederic Gonzales, Iza Lejarraga,
Sébastien Miroudot, Asako Ueno and Dorothée Rouzet

This paper presents the services trade restrictiveness indices (STRIs) for the regulated professions of legal and accounting services. The STRIs are composite indices taking values between zero and one, zero representing an open market and one a market completely closed to foreign services providers. The indices are calculated for 40 countries, the 34 OECD members and Brazil, China, India, Indonesia, Russia and South Africa. This report presents the first vintage of indicators for legal and accounting services and captures *de jure* regulations in force in 2013. The STRI supports the view that legal and accounting services are subject to a relatively high level of regulation. Restrictiveness for legal services ranges from 0.11 to 0.73, with an average of 0.31. Accounting and auditing services show an average of 0.3 and STRI values ranging from 0.13 to 1. The results provide useful policy insights, particularly in order to identify priorities for reform at the national and international levels. Notably, in the case of legal and accounting services, easing a few prominent restrictions could result in a significantly more liberal and competitive market environment.

Keywords: Services trade, services trade restrictions, legal services, accounting services, auditing services, regulation.

JEL classification: F13, F14, K33, L84

Acknowledgements

The STRI project for legal and accounting services started with an expert meeting where the list of measures was discussed. The STRI team is grateful for the insights and advice that the participants brought to the meeting. The STRI database has been put together by going through laws and regulation in each of the 40 countries included. Each entry is documented by the source and a web link to the law or regulation and each government has fact-checked the database. Needless to say this has been an enormous task and the OECD Secretariat would like to thank Member governments for reviewing and peer reviewing the databases. We will also like to thank Mariam Abdova, Beatriz Cano Buchholz, Ekaterina Burdina, Stellina Galitopoulou, Ahmet Gulsen, Dora Hajdu, Anthony Halley, Anna Jankowska, Gimin Kang, Fatma Kayhan, Yunhee Kim, Maria Kopyta, Hendric Richter, Humberto Lopez Rizzo, Baron Sacharidis, Katharina Sass, Jonathan Senft, Marie Sudreau, Lucie Vondrackova, Jozefien Willemen and Aviad Ben Yehuda who provided excellent research assistance in creating the database. Also thanks to the University of Adelaide and project managers Christopher Findlay and Uwe Kaufman for creating the database for Key Partners. Special thanks to Rainer Lanz and Alexander Ragoussis for their contribution to the design of the STRI methodology, and to Alison Hook and Jeremy Jennings for very helpful comments throughout the process. The weighting scheme for the STRI indices is derived from an online survey. Thanks to everybody that took time to do the survey. Finally, the authors would like to thank Dale Andrew, Crawford Falconer and Raed Safadi for useful comments and inputs. The paper benefitted from discussions in the OECD Working Party of the Trade Committee, which has agreed to make the study more widely available through declassification on its responsibility.

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Executive summary

This paper presents the Services Trade Restrictiveness Indices (STRI) for the regulated professions of legal and accounting services. The indices are developed for OECD countries and the Key Partners (Brazil, the People's Republic of China, India, Indonesia, the Russian Federation and South Africa). Legal and accounting services are among the fastest growing business services sectors and play an important role in the functioning of modern economies. Trade in these services has also undergone solid expansion over the past 15 years. They can in principle be traded through the four modes of supply as defined by the General Agreement on Trade in Services (GATS); commercial presence (mode 3) and accompanying movement of people (mode 4) are the preferred modes in both sectors.

The STRI results support the view that legal and accounting services are subject to a relatively high level of regulation. Restrictiveness for legal services ranges from 0.11 to 0.73 on a scale from 0 to 1, with an average of 0.31. This overall level, while higher than in other sectors, is lessened somewhat by the possibility of service provision in other than host-country law. The results for accounting services show an average of 0.3. The STRI values range from 0.13 to 1, suggesting that there is significant variation in trade restrictiveness among the countries covered in the analysis.

A prominent feature of regulatory measures affecting trade in these services is their linkages. Perhaps more than in any other services sectors, impediments to international trade in legal and accounting services act together as opposed to each of them working in isolation. There are two primary types of linkages: hierarchies and joint effects of restrictions. These complementarities find their root in the prevalence of qualification and licensing requirements, and their relationship with many other measures affecting trade in these services.

Accordingly, the results in both legal and accounting services are driven primarily by these sectoral characteristics, which are taken into account by the STRI methodology. The more restrictive countries have in place the key impediments to trade in these services, particularly nationality requirements to practice and equity limits on the basis licensing. These are coupled with availability (or lack thereof) of limited licensing as an additional channel for entry into the market. In accounting services, where the latter is not as developed, foreign competition in the sector is completely closed in some countries (apart from any preferential trade).

The contribution of the five categories of measures which form the basis for the creation of the STRI is similar in legal and accounting services. Restrictions on the movement of people and on foreign ownership and other market entry conditions contribute the most to the results. This is in line with the perception of business representatives and of other experts. Besides the above-mentioned impediments, commonly used restrictions include those on board members and managers, limitations on the movement of people, particularly labour market tests, restrictions on fee-setting and on advertising.

The weighting scheme used for the calculation of the STRI relies on expert judgment. Alternative weighting schemes, particularly equal and random weights have been used as robustness checks. Comparison of the results across weighting methodologies and Spearman rank correlations of country rankings indicate that the STRI is robust in both legal and accounting services.

1. Introduction

As part of the OECD project developing a services trade restrictiveness index (STRI), this paper constructs STRIs for two professional services sectors, namely legal and accounting services. The STRI project was launched by the Trade Committee in June 2007 as a tool for quantifying barriers to trade in services at the sectoral level (OECD, 2007). The major outputs from the project are:

- A regulatory database, providing detailed information on current laws and regulations affecting international trade in services; and
- Trade restrictiveness indices which provide a snapshot of the trade policy stance at a particular point in time.

The STRI database contains information on market access, national treatment, relevant domestic regulation and administrative procedures in all 34 OECD Member countries, Brazil, China, India, Indonesia, the Russian Federation and South Africa.¹ The database records policy measures applied on a most-favoured nation (MFN) basis and does not consider preferential treatment entailed in regional trade agreements.² The sources of information for the database are laws and regulations in each country.³ Each entry is documented by reference to the source. The countries included have verified their data and subsequently the database has been subject to peer review assessing their factual accuracy. The qualitative information contained in the database is transformed into numerical values in the STRI indices.

The index methodology to quantify services trade barriers was pioneered by the Australian Productivity Commission in the late 1990s and applied to a range of services sectors, including professional services (Nguyen-Hong, 2000). It was subsequently adopted with some methodological improvements in Trade Committee work focusing on a number of services sectors in non-OECD economies (see e.g. Dihel and Shepherd, 2007). More recently, a similar approach was used to assess restrictiveness of services barriers by the World Bank.⁴

The STRI project builds upon these efforts, but goes beyond them in several ways. First, it creates regulatory profiles and indices for a large number of countries with a harmonised dataset based on actual laws and regulations, which allows for cross-country and cross-sector

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1. It should be noted that the STRIs for OECD Members are based on regulation as it stood in early 2012, while for the Key Partners regulation is updated to the end of 2013.
 2. Some countries have different degrees of liberalisation towards different trading partners, as a result of regional integration or of international agreements. In these cases, the STRI records the level of openness towards third countries and does not take into account preferential agreements. For instance, the database for European Union members records legal provisions applying to suppliers from outside the European Economic Area.
 3. For federal states, where the sector may be regulated at the sub-federal level in addition to federal laws and regulations, a representative state or province was chosen based on output, population and/or the location of the largest city: New South Wales (Australia), Sao Paulo (Brazil), Ontario (Canada), Province of Beijing (China), Bavaria (Germany), National Capital Territory of Delhi (India), Special Capital Region of Jakarta (Indonesia), Federal District of Mexico (Mexico), Oblast of Moscow (Russian Federation), Canton of Zürich (Switzerland), State of New York (United States).
 4. See Borchert *et al.* (2012). The World Bank has developed services trade restrictiveness indices for 103 countries. Throughout this project there have been consultations with the World Bank on the list of measures as well as the methodology.

comparisons of trade barriers. The STRI is also presented in aggregate form as well as decomposed into several classifications. These include according to the GATS framework and modes of supply, discriminatory versus non-discriminatory measures, and restrictions on firms' establishment versus those on their on-going operations. This should increase the relevance of the indices for policy reforms at the national and multilateral levels.

Table 1 presents the definitions of legal and accounting services according to the World Trade Organization (WTO) Services Sectoral Classification List (W/120), which is based on the United Nations Provisional Central Product Classification (CPC Prov.). W/120 is used by most WTO member countries for GATS scheduling purposes. The coverage of these services is broadly comparable in the Extended Balance of Payments Services classification (EBOPS) and the International Standard Industrial Classification (ISIC Rev. 3), which are commonly used to report statistics on trade in services and FDI or foreign affiliates sales, respectively.

The STRI focuses on the regulated aspects of the professions. Legal services cover advisory and representation services with emphasis on the types of practice (e.g. host country law, home country law and international law), rather than fields of law (criminal and other than criminal). Services in relation to the administration of public justice (e.g. judges) are excluded and so are notaries, which typically perform their activities as public officials and are subject to a different regulatory regime. The scope of accounting services broadly includes several activities which are closely related: compilation of financial statements and of business tax returns, examination and certification of accounting records, and classification and recording of business transactions.

Table 1. Legal and accounting services in W/120 (CPC Prov.)

861. Legal services	862. Accounting services
8611. Legal advisory and representation services in the different fields of law	8621. Accounting and auditing services
8612. Legal advisory and representation services in statutory procedures of quasi-judicial tribunals, boards, etc.	86211. Financial auditing services
8613. Legal documentation and certification services	86212. Accounting review services
	86213. Compilation of financial statements services
	86219. Other accounting services
8619. Other legal advisory and information services	8622. Book-keeping services, except tax returns

The next section of the paper describes the principal characteristics of legal and accounting services. Sections 3 and 4 present a description of the measures included in the indices and the different classification schemes used in the analysis, respectively. Section 5 then sets out the methodology for developing the STRI for these services and Section 6 presents the results along with sensitivity analysis. The last section concludes.

2. Characteristics of legal and accounting services

Legal and accounting services are among the fastest growing business services sectors. Legal services have experienced continuous expansion in the past decades, particularly as a result of the increase in international trade and investment, and strong economic growth in emerging economies and developing countries. Similarly, as large firms become more international and finance more global, the demand for international accounting and auditing services has expanded. In Germany and the United Kingdom, two of the largest traders of these services, turnover in the legal and accounting sectors in 2007 accounted for around 4% of total services turnover⁵ (USD 72 183 up from 59 691 and USD 42 200 up from 32 625

5. OECD Structural and Demographic Business Statistics database.

in 2004, respectively). Employment in these countries represented over 6% of total services employment in the same year (USD 911 255 up from 780 506 and USD 1 031 462 up from 918 335 in 2004, respectively).

Business law and international law are the segments most affected by international trade in legal services, with most of the demand in these fields of law coming from businesses and organisations involved in international transactions. Foreign lawyers, for the most part, provide advisory legal services in the law of their home country, in the law of any third country for which they possess a qualification, or in international law. Domestic law has traditionally played a marginal role due to qualification requirements, which, like domestic law, are shaped along national lines. Host country law is however gaining ground in international trade in the sector, with foreign owned firms increasingly servicing the local legal services market in advanced economies (WTO, 2010a).

Accounting and auditing services constitute the core activities of accounting firms, with the latter having gained importance more recently with the growing significance of publicly traded companies and securities markets. A wide range of other services may be additionally be provided, notably merger audits and tax services, or activities which are generally not regulated (e.g. management consulting). In addition, the boundaries with other regulated professions, particularly legal services are not clearly defined. The accounting sector is the most important employer of lawyers worldwide: the largest accounting entities such as KPMG and Ernst & Young employ more lawyers than the biggest legal services firms.

Legal and accounting services are highly skilled-labour intensive. The legal services sector has experienced continued consolidation in recent years resulting in the creation of a growing number of large multinational law firms with vast international networks; such firms are still largely limited to a few common law countries (particularly the United States). More recently, though, larger firms have also emerged in Asian economies, such as Hong Kong, China and Singapore, which often serve as hubs for service provision to the broader Asian market. The international market for accounting services is dominated by the “Big Four”⁶, which also have a marked North American and Western European orientation. Each of them is organised as a network of firms, generally owned and managed independently, with presence in a large number of countries where they are often the prominent providers. For example, in Japan the largest auditors are local affiliates of the Big Four.⁷

Trade and investment patterns in legal and accounting services were studied in detail in Geloso Grosso and Shepherd, 2008. The study shows that cross-border trade and investment have increased rapidly over the past 15 years in the OECD area. These services can in principle be traded through the four modes of supply as defined by the GATS; commercial presence (mode 3) and accompanying movement of people (mode 4) are the preferred modes in both sectors. In the case of accounting services, this is evident through the extensive network of firms developed by the Big Four. These four firms are responsible for most of the audits of publicly-traded companies and other private companies in the world (the vast majority of the Fortune 500 companies are audited by them). However, as noted, due in large part to the pervasiveness of restrictions in the accounting sector, the structure of these firms is similar to that of a system of franchising arrangements (WTO, 2010b).

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6. Pricewaterhousecoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG. This group was once known as the “Big Eight” before a series of mergers and Arthur Andersen’s conviction for obstruction of justice in the wake of the 2001 Enron scandal.
 7. ShuinNihon (affiliate of Ernst & Young), AZSA & Co. (affiliate of KPMG), MISUZU Audit Corporation (affiliate of Pricewaterhousecoopers) and Tohmatsu (affiliate of Deloitte Touche).

Commercial establishment is also of particular relevance to modern legal services. This is especially the case as a result of the significant increase in the demand for multi-jurisdictional advice (often with a strong element of local knowledge) and for a fully integrated service covering all aspects of a transaction. Law firms seeking to support the commercial aspirations of international companies often endeavour to build their own international networks through commercial presence in order to have sufficient geographical coverage to provide the advice required by their clients. Law firms also attempt to develop a pool of lawyers with knowledge of the many countries (including the host country) and international practices relevant to their clients' business.

Legal and accounting services have traditionally been subject to a high level of regulation. The greatest source of market failure associated with the provision of these services is asymmetric information. Since their defining characteristic is the high level of technical knowledge of the professional, the information available to the provider and the consumer is different. In addition, these services are often credence goods, the quality of which can almost never be adequately assessed and external quality assurances may therefore be required. Mechanisms to ensure quality of the service through high standards of education and training are thus generally viewed to be appropriate. Though terminology differs across countries, such mechanisms typically take the form of licensing and qualification requirements.

From a trade perspective, the main question surrounding these measures relates to whether they are transparent and non-arbitrary in light of their public-policy objectives. The fundamental basis for such measures arises from the variability of international qualifications, and from the inability of local regulators to assess foreign professional qualifications, training and experience. Foreign professionals may be required to demonstrate their skill and familiarity with local requirements through education, training and examinations. Another aspect relates to ensuring transparency and that procedural steps needed to acquire licenses do not unduly restrict international trade.

In legal services, qualification requirements are particularly stringent since the profession is divided across national lines and reflects the national character of the law. As noted, firms wishing to operate in foreign markets often do not provide legal services in host country law. Rather, they limit themselves to services for which they are qualified. This has led to the introduction of so-called "limited licensing" in some countries, which creates an additional channel for entry into foreign markets. Limited licensing concepts, though not so developed, are also relevant in accounting services, whereby for example foreign accountants licensed in their home country may practice temporarily on professional business incidental to their regular practice in their home country.

3. Identifying measures to be included in the STRI

The development of the STRI for legal and accounting services is a complex task since these services are subject to a wide range of sector-specific regulatory measures. Although the index should include information sufficiently detailed to inform policy makers and trade negotiators, the primary barriers should not be overshadowed by less important restrictions that add little to the essence of trade restrictiveness. Annexes B and C show the restrictions included in the STRI for these services. Their identification has been carried out according to the following criteria:

- Regulations that are mentioned explicitly in the GATS;
- Regulations that are mentioned explicitly in regional trade agreements; and

- Regulations that experts identified as relevant (during the June 2008 OECD Experts Meeting on Business Services).

Governments apply a range of restrictions to legal and accounting services. These can be specific to these services (e.g. nationality or residency requirements) or can apply to all sectors in the economy (e.g. economic needs tests). Regulations can explicitly discriminate against foreign providers or, although non-discriminatory, can still affect trade by favouring the local incumbent. Restrictions are also often designed to meet social objectives, such as ensuring quality and protecting consumers. Measuring their restrictiveness represents a useful input for policy evaluation, particularly with a view to explore the availability of more efficient ways to achieve the intended objectives.

The measures included in the STRI for legal and accounting services have been divided into five categories. This typology of measures forms the basis for the creation of the STRI. For further detail see the methodology for deriving the STRI (OECD, 2012).

Restrictions on foreign entry

This category contains barriers to foreign ownership and other impediments to market entry for legal and accounting services suppliers. Limitations on foreign ownership or equity for legal and accounting services may be related to nationality, typically as part of general investment legislation, or based on qualification and licensing. Restrictions can also take the form of economic needs tests (granting the right to practice from the perspective of how the local community would benefit) or limit the types of legal entity allowed, for example prohibiting corporate forms. Countries often further impede foreign investment by maintaining restrictions on board members and managers, or equity and managing partners in the context of these services. These restrictions may be based on holding a local license as well.

Other measures in this category include restrictions on multidisciplinary cooperation and limitations on entering into partnerships with or hire locally qualified professionals. It is common for foreign law firms and lawyers to enter into partnership with or hire locals as a means to expand into the practice of host country law without the need to obtain a local license. This is viewed as important for modern law firms since, as noted earlier, their international clients increasingly demand multijurisdictional advice and an integrated service covering all aspects of a transaction.

Restrictions to movement of people

The movement of professionals may be affected notably by nationality and residency requirements. Nationality requirements condition practice on the basis of nationality or citizenship and typically entail a ban on foreign provision in the practice concerned. Residency requirements can take several forms. Prior and permanent residency are grouped together as they are the most restrictive, for example leading to the loss of the home country residency for foreign providers. Domicile and local presence require limited extra burden for foreign providers to establish in the host country. Yet, by requiring foreigners to have a commercial presence in order to export, these measures can act as an impediment to cross-border trade.

Foreign provision is also typically regulated by licensing and qualifications requirements. As noted, the fundamental impediment here arises from the non-recognition of foreign professional qualifications, training and experience. The stringency of these measures in most countries has been a key factor in the development of limited licensing systems, which allow foreign services providers to practice the law for which they are qualified, without the need to fully license in the host country. Other, typically horizontal, restrictions relate to quotas and labour market tests, which are often referred to as economic needs tests,

though they focus on the likely impact of foreign providers on the local labour force. Finally, limitations on duration of stay for foreign professionals are also contained in this category of measures.

Other discriminatory measures

Restrictions may additionally affect government procurement markets for legal and accounting services, typically discriminating between national and foreign providers. Other impediments included in the STRI are discriminatory taxes and other forms of subsidies, as well as lack of adoption of internationally harmonised standards. The use of foreign firm names may further be restricted, including a complete prohibition or instances where it is allowed only alongside that of a local partner.

Barriers to competition

Another layer of restrictions can limit effective competition, distorting the level playing field and discouraging foreign participation in legal and accounting services markets. Regulations on prices or fee-setting reduce competition on the basis of prices usually through binding or recommended set prices. Other impediments include restrictions on advertising and marketing by professionals. Additional measures under this category involve dispute resolution, such as whether appropriate mechanisms are in place for foreign providers seeking redress when business practices are perceived to restrict competition. Furthermore, appeal procedures relating to regulatory decisions may not be open to interested foreign parties.

Regulatory transparency

Measures concerning regulatory transparency and procedures related to regulations are also included in the STRI. Opaque regulatory regimes increase the cost of compliance and uncertainty in business operations. By providing a measure of the overall business climate in the host country, they may have the effect of preventing establishment altogether. The level of administrative practices in business start-ups can further have a detrimental impact on the operations of legal and accounting services' firms. Excessive visa processing time represents an additional constraint for the movement of professionals.

4. Classifying restrictions

Classifying regulations under different typologies can increase the usefulness of the STRI by highlighting different dimensions of the data specifically for negotiators, regulators and industry analysts. Annexes B and C list the measures included in the STRI by policy area. The first column indicates which category according to the GATS classification the measure belongs to; the second column to which mode of supply the restriction applies; the third column whether the measure applies to the establishment of a service supplier or to ongoing operations; whereas the subsequent column indicates whether or not the measure is discriminatory.

The GATS terminology should increase the relevance of the indices at the multilateral level. However, as with any classification, it is not always possible to clearly identify to which category of measures certain restrictions belong and there are overlaps in the classification of some barriers. For example, quotas belong to both market access and national treatment when they are discriminatory against foreign providers. Thus, *market access and national treatment* measures are classified together. This grouping also allows making a distinction between restrictions subject to scheduling under the GATS, and consequently to

negotiations for their removal; and other largely domestic regulatory measures which do not need to be scheduled.⁸

As indicated in Annexes B and C, prominent examples of market access and national treatment measures in the context of legal and accounting services are foreign ownership requirements, quotas on both firms and professionals and economic needs/labour market tests. Other important measures are nationality and residency requirements, and restrictions on partnerships with locally licensed professionals and on hiring locally qualified professionals. Discriminatory taxes and other forms of subsidies further apply; while discrimination in government procurement is currently excluded from main GATS disciplines, WTO Members have a mandate to negotiate disciplines in this area.

Restrictions not captured by either market access or national treatment are classified under *domestic regulation and other*. This category casts a broad net with the aim of capturing the wide range of possibly relevant measures, including as part of supplementary documents such as the *Accountancy Disciplines*.⁹ Domestic regulatory measures are subject to both existing disciplines and further negotiations with a view to reinforce them. This negotiating mandate includes further talks on increasing regulatory transparency beyond what is required in existing broader rules on transparency. Examples of domestic regulatory measures are qualification and licensing requirements and procedures, and restrictions on multidisciplinary partnerships.

Indices according to the GATS modes of supply can provide useful information for negotiators. Separate indices according to modes of service delivery have already been constructed for other services sectors (see Nguyen-Hong and Wells, 2003; Dihel and Shepherd, 2007; and Marouani and Munro, 2008). It has proved difficult to distinguish between regulation that applies to modes 1 and 2, and so these are combined with modes 3 and 4 into one category of measures affecting all modes. For example, nationality requirements, as well as qualification and licensing requirements and procedures can affect the movement of people but also commercial presence and cross-border trade in these services. Similarly, lack of transparency of regulations can also have an impact across different modes of supply.

This study further classifies measures according to two distinctions often used in the literature on restrictiveness indices for services: regulations that apply to establishment of firms versus those affecting their ongoing operations; and measures that are discriminatory versus non-discriminatory ones. Establishment restrictions can generally be regarded as impediments to the movement of capital, while those applying to firms' operations constrain service provision after establishment. Non-discriminatory measures affect total demand whereas discriminatory ones typically distort the composition of demand in favour of local suppliers. These classifications could prove useful in helping regulators and industry analysts identifying priority areas for reform given defined economic policy objectives.

5. Methodology for developing the STRI

The STRI is derived by aggregating regulations that are potentially trade restricting into a composite measure of restrictiveness. The construction of the index involves decisions concerning three main issues: scoring, weighting and aggregation. Scoring relates to how

8. This classification is without prejudice to WTO Members' commitments and obligations under the GATS.

9. These disciplines were developed in 1998 as part of the negotiating mandate on domestic regulation and are yet to enter into force. They cover qualification requirements, licensing procedures and technical standards in the accountancy sector.

regulatory measures are recorded. Weighting captures the relative importance of impediments in terms of trade restrictiveness (the higher the weight the more restrictive a category of measures is considered relative to other categories). The aggregation method determines how weights are applied to scores of regulations for calculating the index number. OECD (2012) explains the methodology in detail, while a technical paper explaining the alternative methodologies, their advantages and disadvantages and the robustness of the chosen methodology is available for interested readers (OECD, 2009). Here, a brief non-technical summary is presented.

The approach taken to scoring in the STRI is to transform qualitative information on regulation into binary variables.¹⁰ A majority of the measures included in the regulatory database are Yes/No questions. Regulatory information of a more complex nature (e.g. foreign equity limits) can easily be transformed into binary variables by introducing multiple thresholds. Therefore, for each type of impediment in a given country a score is assigned either 0 or 1, with the former representing the absence and 1 the presence of the restriction. This method ensures that all variables are measured on the same scale such that comparison across different countries and over time is possible.

It is important that the STRI captures as much of the variance in the underlying data as possible. The scoring of foreign equity limits, for instance, should reflect that an equity limit of, say, 49% is more restrictive than a limit of 66%. This is captured by introducing multiple thresholds. For foreign equity the thresholds are less than 33%, less than 50%, and less than 100%. A country with a limit of 49% will receive a score of one on the less than 50% threshold as well as less than 100% (i.e. two scores of one), while the country with a limit of 66% will receive one score of one (on the less than 100% threshold). The same approach is used in the case of other variables for which more detailed information is available (e.g. duration of stay of intra-corporate transferees).

The scoring methodology should account also for the hierarchy and the joint effect of regulation. For instance, if no foreign equity is allowed, measures related to foreign firms such as restrictions on the board of directors become irrelevant. Other examples are nationality requirements for local licences, which render residency requirements and restrictions regarding the recognition of foreign qualifications irrelevant. In such cases where a measure of higher hierarchy is binding, the related measures of lower hierarchy are scored as restrictive.

Besides their hierarchical nature, some measures are linked to each other and have, when combined, a stronger effect on restricting trade as opposed to when each measure acts in isolation. Notably, if a nationality requirement to practice legal services is combined with no possibility for limited licensing for foreign providers, these two impediments alone effectively prohibit market entry through the movement of people. If in addition there is a requirement that only locally licensed lawyers can own equity in a law firm, the sector would be completely closed.

Aggregating individual restrictions into the STRI consists of two steps. The first step involves assigning weights to the policy measures. The second step involves aggregation into the overall STRI. A number of weighting schemes have been explored to develop the STRI. These are equal weights, expert judgement and random weights. Equal weights are the most common weighting scheme applied for constructing composite indicators. It is a transparent way of creating an index in the absence of any clear alternative. Lack of clear alternatives could be due to insufficient knowledge of causal relationships, absence of an empirical basis

10. When compiling a composite indicator, it is not advisable to include both binary and continuous variables in the same dataset as the resulting indicator would not have a clear interpretation (see OECD, 2008).

for deciding which is more important, or lack of clarity of what the index is supposed to measure. Equal weights are, however, not as free of judgement as is often claimed. With equal weights, the relative importance of each measure depends on how many measures are included and how individual restrictions are organised into sub-indicators, leaving rather a lot to subjective judgement or arbitrariness.

As noted, equal weights are used when there is a lack of clear alternatives. For trade restrictiveness indices, however, it is clear that the measures should be weighted according to their contribution to trade costs, which in turn consist of entry costs and operational costs. Services trade data are, however, not sufficiently detailed for estimating the trade cost equivalent of trade barriers and behind the border regulation that affects services trade. Nevertheless, there is a growing literature on measuring trade costs on the basis of observed trade patterns in services, but usually at a higher level of aggregation than what is required for the STRI (Miroudot *et al.*, 2012). Furthermore, the different approaches to measuring trade costs on the basis of observed trade flows have strengths and weaknesses (Nordås, 2011) and as of yet a widely accepted methodology is not available.

Being constrained by lack of data, alternative ways of weighting the measures in a manner that reflects contribution to trade costs have to be sought. Asking those directly and indirectly involved in services trade is one option. Such expert judgement has the advantage that relative importance can be captured in a realistic and meaningful way. One objection to using expert judgement is subjectivity. As argued above this objection also applies to other methodologies and the problem can be reduced, for instance, by asking a large group of experts.

A third methodology for weighting measures is principal component analysis (PCA). This is a statistical methodology that assigns the highest weight to the variables that contribute the most to the variation in the dataset. The disadvantage of PCA is that the assigned weights do not reflect the relative trade restrictiveness of a measure, and the weights are based on the sample of countries for which they are estimated. Thus, when the index is extended to new countries, the scores of countries already included may change. We have therefore chosen not to use PCA.

The weighting scheme used for the calculation of the STRI relies on expert judgment. A large number of experts were asked to allocate 100 points among the five policy areas presented above. These are translated into weights by assigning the weight experts allocated to the policy area to each measure that falls under it and correct for differences in the number of measures under the policy areas.¹¹ The sensitivity of the indices to the weighting scheme has been tested by experimenting with alternatives and by picking 3000 weighting schemes at random (i.e. Monte Carlo simulations).

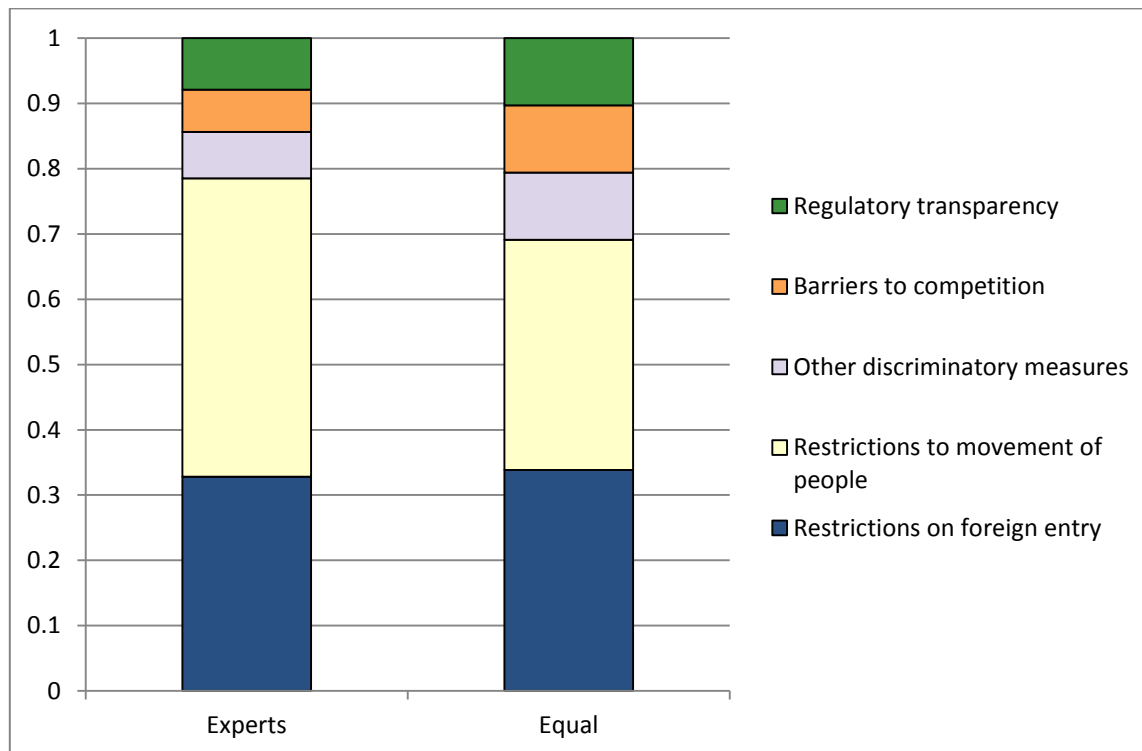
Figures 1 and 2 illustrate the difference the weighting scheme makes respectively in legal and accounting services.¹² They depict the STRI for a hypothetical country which scores one on all the regulatory measures included in the index, thus having the most restrictive regime possible. In both legal and accounting services, restrictions on the movement of people and on foreign ownership and other market entry conditions contribute the most to the index when expert judgment and equal weights are used. With the former scheme, though, these two

11. The formula for measure j under category i is the following: $w_{ji} = \text{score}_j w_i / \sum_i n_i w_i$ where n_i is the number of measures under category i and w_i is the share of the total number of points allocated to policy area i by the experts.

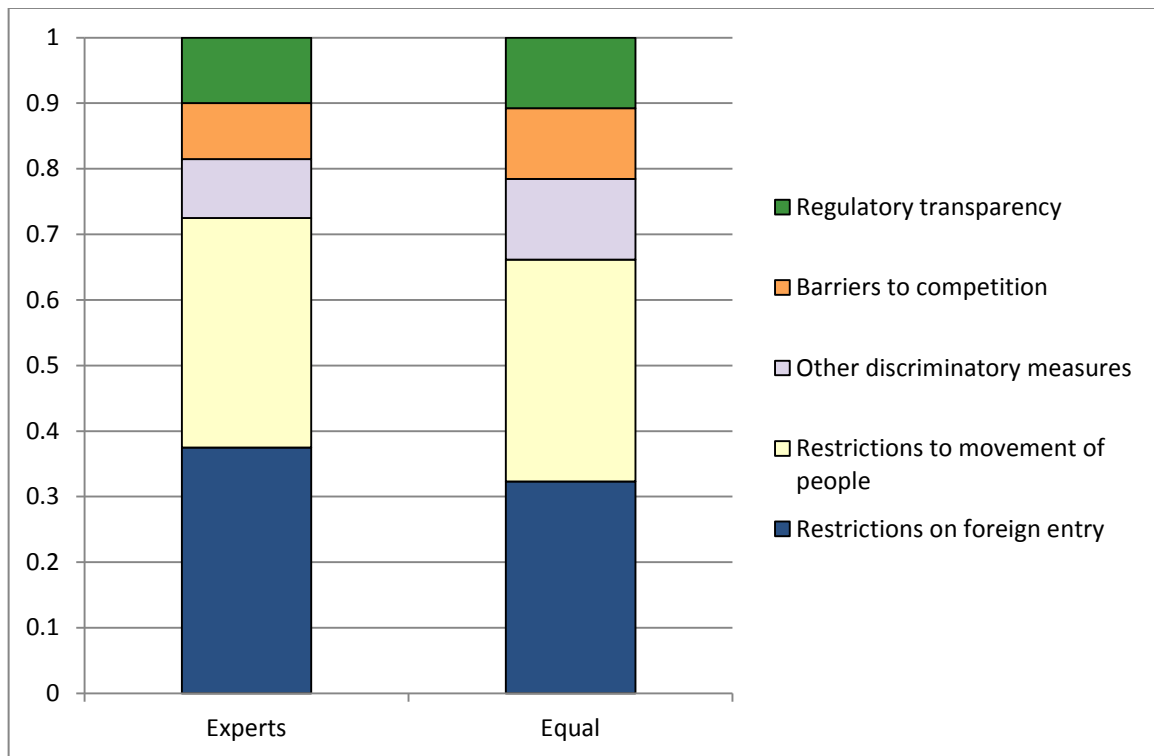
12. Equal weights are defined as $w_i = 0.20$ for all i in the formula above.

categories are slightly more important.¹³ The other categories of restrictions have a smaller impact on the STRIs for these services.

Figure 1. The composition of the STRI for legal services in a totally restrictive country



13. The fact that weighting schemes yield a different regulatory profile should not be confused with the impact of the weighting scheme on the overall restrictiveness index. Indeed the overall index value is one regardless of the weighting scheme in a closed economy and zero regardless of the weighting scheme in a totally open economy. The sensitivity of the value of the index to the weighting scheme depends on the extent to which countries have a similar level of regulation in all categories or an uneven regulatory profile. The weighting scheme matters much more for the overall index in the latter case.

Figure 2. The composition of the STRI for accounting services in a totally restrictive country

The method for aggregating the categories into one single index chosen is linear, taking the weighted average (using the expert judgement weights) of the scores. An advantage of assigning a unique weight to each measure is that measures can be aggregated in different ways into different classifications in a consistent manner as shown in the charts below. The disadvantage is a high degree of compensation such that a high score in one category can be compensated by a low score on another category, with the result that there is less variation among countries in the aggregate index than in the sub-indicators. It may, however, well be the case that restrictions are complementary rather than additive. This problem has been dealt with through the scoring system creating hierarchies and bundles of complementary measures when they are logically linked as explained in the methodology paper (OECD, 2012).

6. STRI results¹⁴

Results with the expert judgment methodology

Legal services

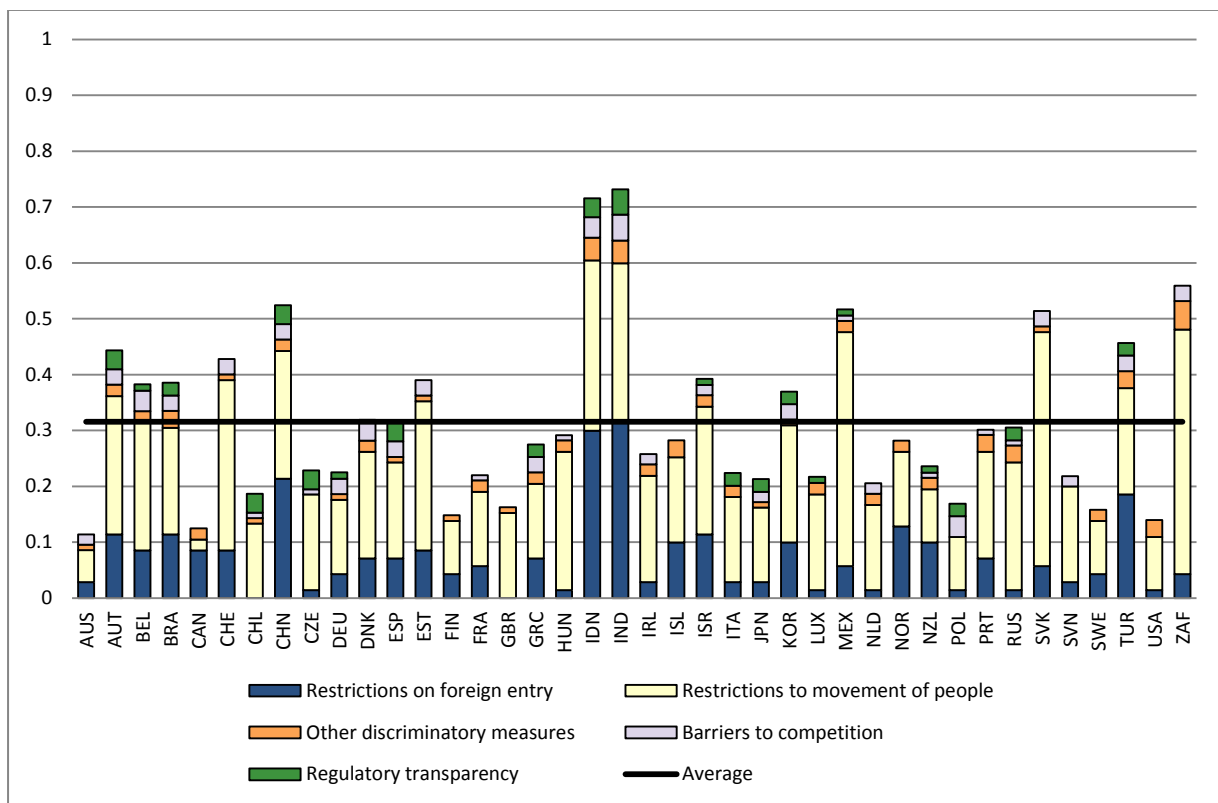
Figure 3 below presents the results for legal services using the expert judgment methodology, together with a line indicating the sample average. The level of restrictiveness ranges from 0.11 to 0.73, with an average of 0.31. This overall level, while higher than in other sectors, is lessened somewhat by the possibility of service provision in other than host-country law. India and Indonesia are the most restricted countries, followed by South Africa and China. Australia, Canada and the United States are the most open economies.

14. 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.

The results are driven by the linkages between measures, which are taken into account by the scoring methodology (Section V). The more restrictive countries have in place the prominent impediments to trade in legal services such as nationality requirements to practice and foreign equity limits, including on the basis of licensing. In both India and Indonesia, for example, foreign lawyers are not allowed to set up a commercial presence or practice. In India they can visit the country for a temporary period on a fly in and fly out basis, for the purpose of giving legal advice regarding foreign law. In Indonesia, they can only be hired by Indonesian advocates to advice on foreign law.

In Figure 3, the indices are also broken down by policy category. Restrictions to movement of people and on foreign entry contribute the most to the results. Other discriminatory measures, barriers to competition and regulatory transparency have a small impact in most countries. Widespread restrictions, in addition to the core impediments mentioned above, are limitations on the movement of people, particularly labour market tests, restrictions on fee-setting and on advertising.

Figure 3. STRI for legal services



Accounting services

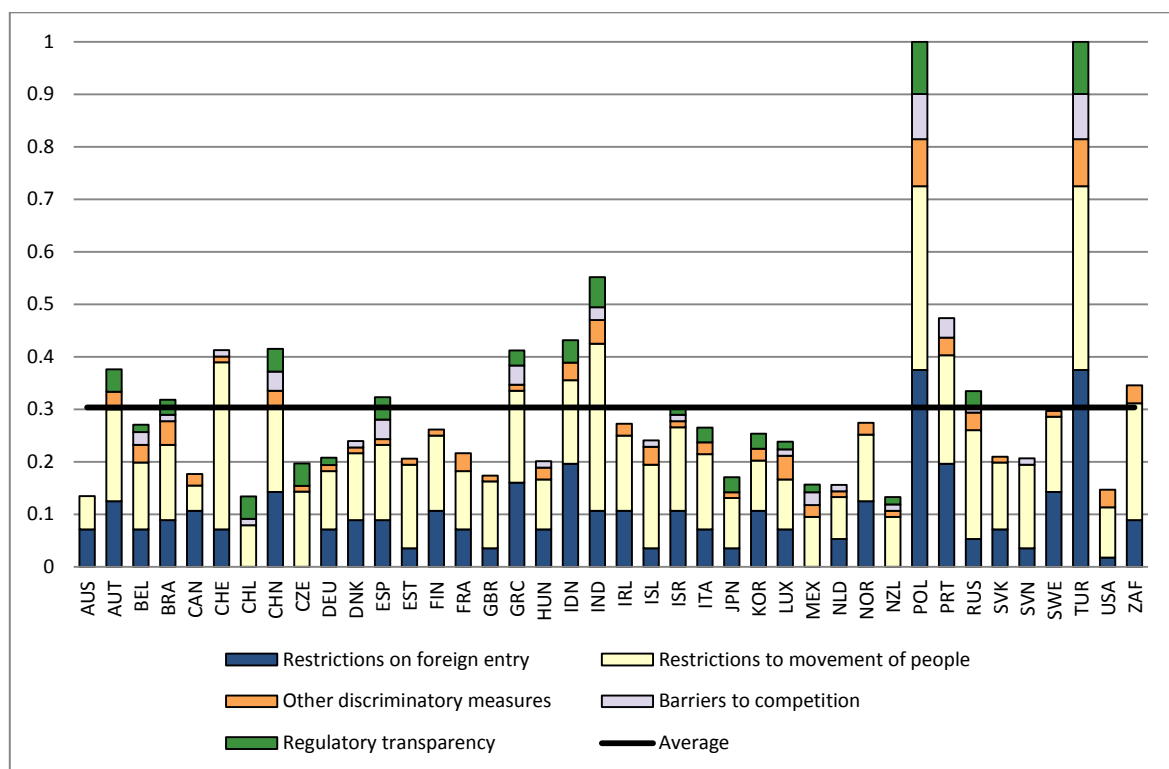
Figure 4 introduces the same results for accounting services, showing a sample average of 0.3. The STRI values range from 0.13 to 1, suggesting that there is significant variation in trade restrictiveness among the countries covered in the analysis. The results indicate a higher level of restrictiveness in accounting services than in legal services for the more restricted countries. Turkey and Poland have the most restrictive regimes, followed by India and Portugal; while the more liberal are New Zealand, Chile and Australia.

Perhaps in light of the more limited role played by limited or temporary licensing in accounting services, the importance of hierarchies and combinations of core restrictions is

more evident in these services. The two most restrictive countries have in place nationality requirements to practice in combination with ownership restrictions on the basis of qualifications and licensing, and no limited or temporary licensing system in place. Accordingly, foreign competition in the sector is prevented (apart from any preferential or reciprocal trade).

The contribution of the different categories is similar to legal services. Restrictions to movement of people and on foreign entry contribute the most to the results. This is in line with the perception of business representatives and of other experts and stakeholders. Besides the above-mentioned measures, commonly used restrictions include those on board members and managers, limitations on the movement of people, particularly labour market tests, restrictions on firm names, on fee-setting and on advertising.

Figure 4. STRI for accounting services

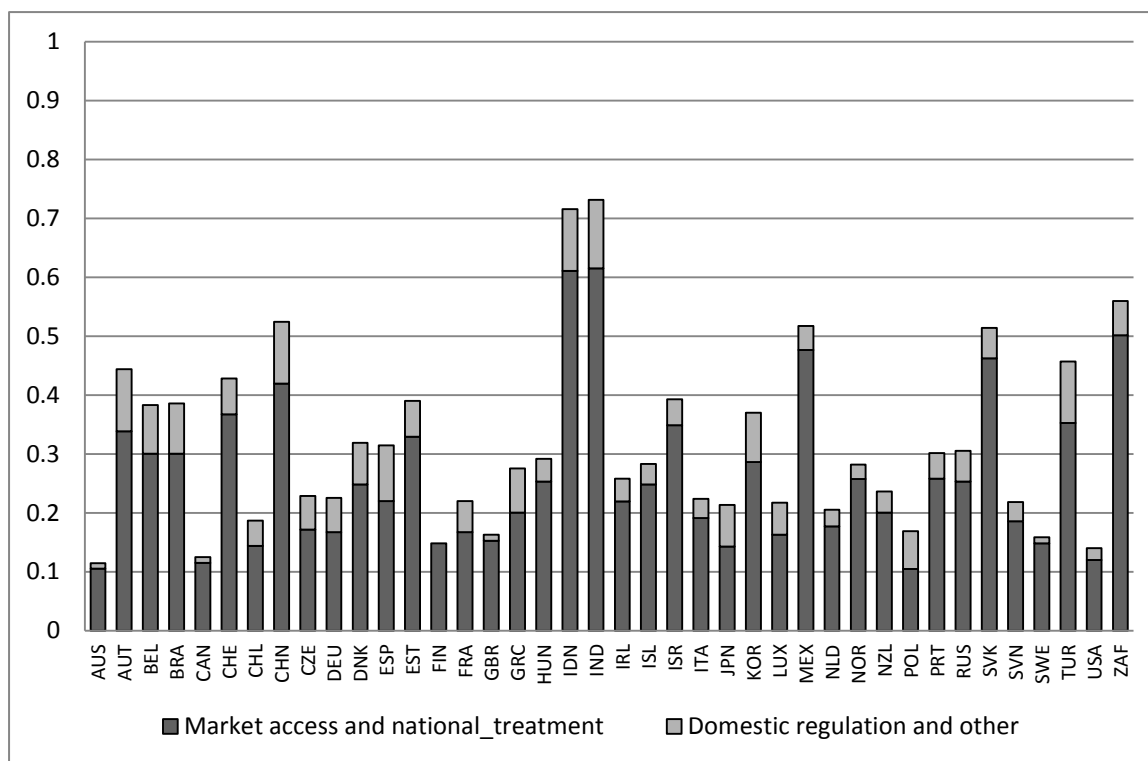


A breakdown of the STRI according to the GATS framework and modes of service supply is presented respectively for legal and accounting in Figures 5 and 6 below. As noted, the individual regulatory measures are classified along several dimensions in order to highlight different aspects of trade restrictiveness in legal and accounting services.

Panel A shows that in both legal and accounting services market access and national treatment measures are predominant, though domestic regulatory and other measures do play a role, particularly in the case of legal services. Panel B indicates that restrictions affecting all modes of supply contribute considerably to the index in both sectors. Focusing on impediments to specific modes, the results suggest that barriers on both modes 3 and 4 are significant in most countries.

Figure 5. STRI for legal services according to the GATS framework

Panel A: by GATS category



Panel B: by GATS mode of supply

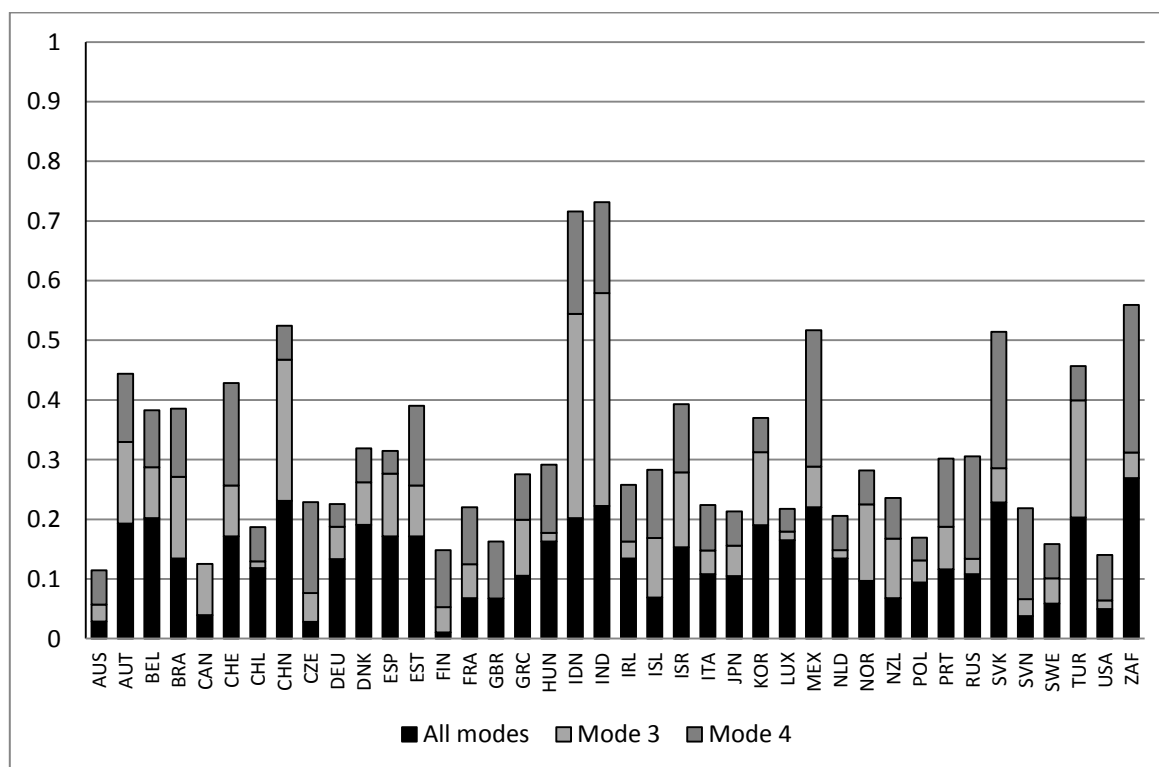
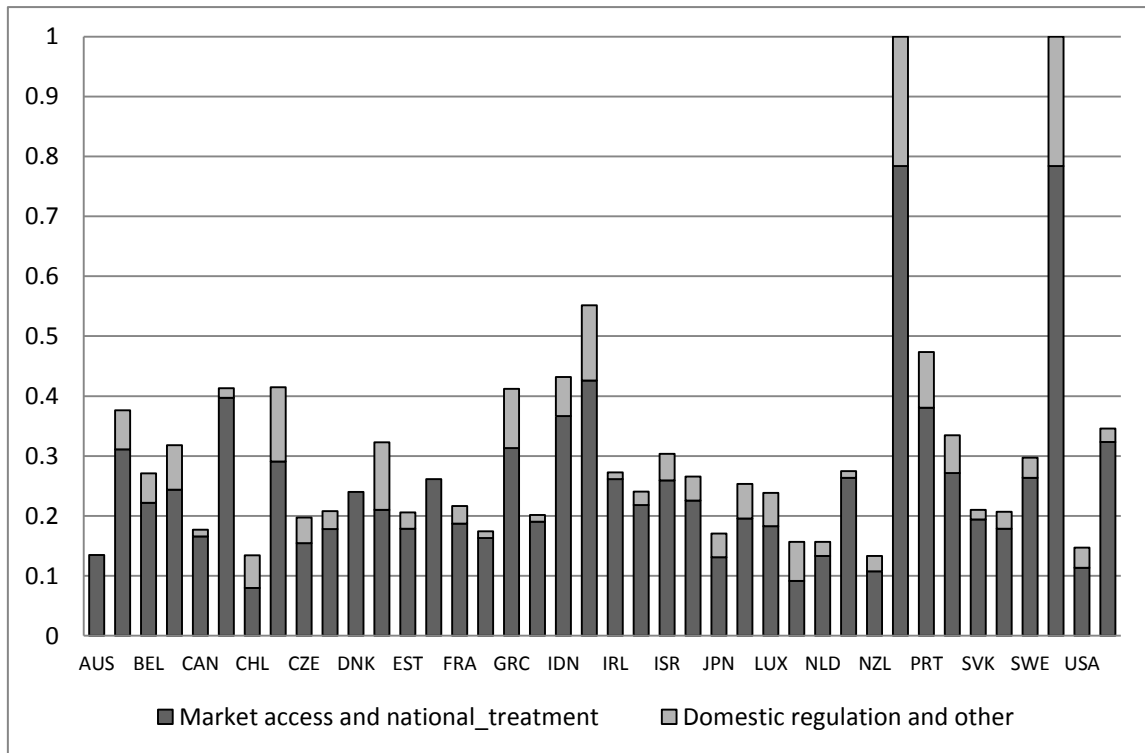
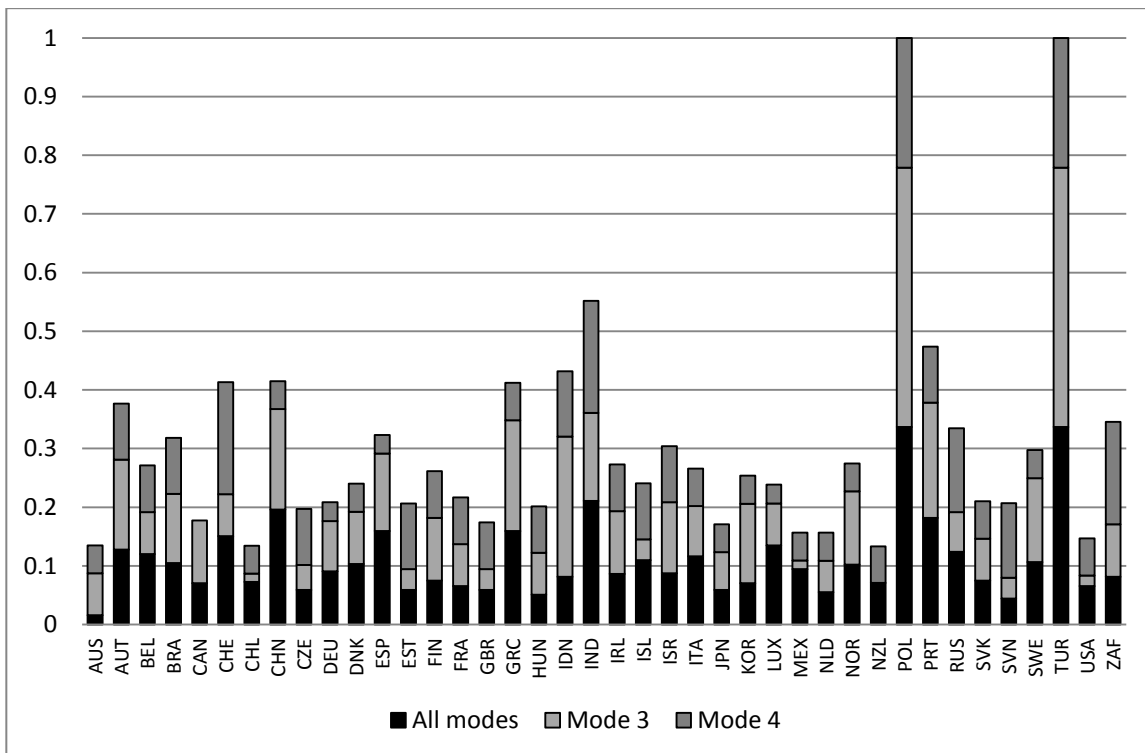


Figure 6. STRI for accounting services according to the GATS framework

Panel A: by GATS category



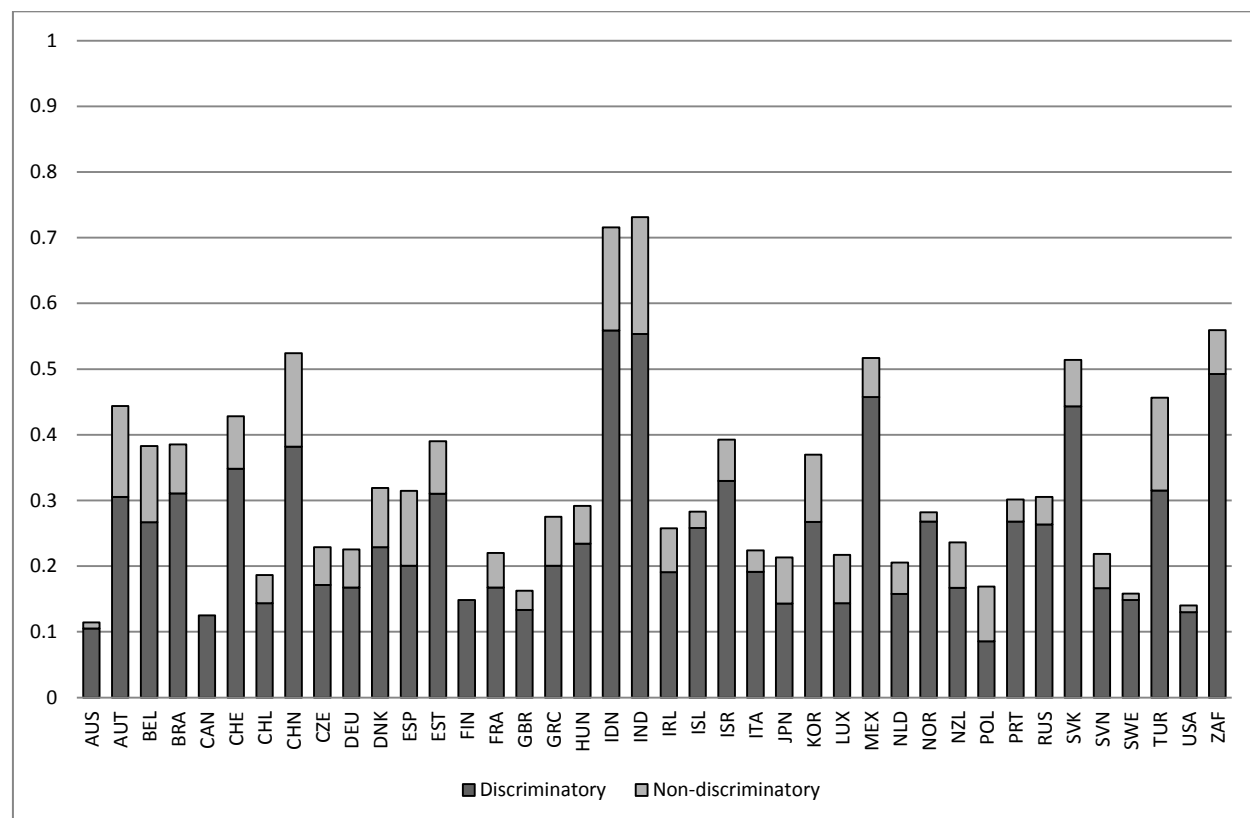
Panel B: by GATS mode of supply



In line with results for the GATS framework, Figures 7 and 8 indicate that discriminatory measures have a considerable bearing on the results for both legal and accounting services. Restrictions on firms' establishment play a more significant role in the index than those affecting their ongoing operations (see Panel B below), particularly for legal services. The contribution of restrictions on firms' operations is non-negligible in both sectors, however.

Figure 7. STRI for legal services by other classifications

Panel A: by discriminatory versus non-discriminatory measures



Panel B: by firms' establishment versus ongoing operations

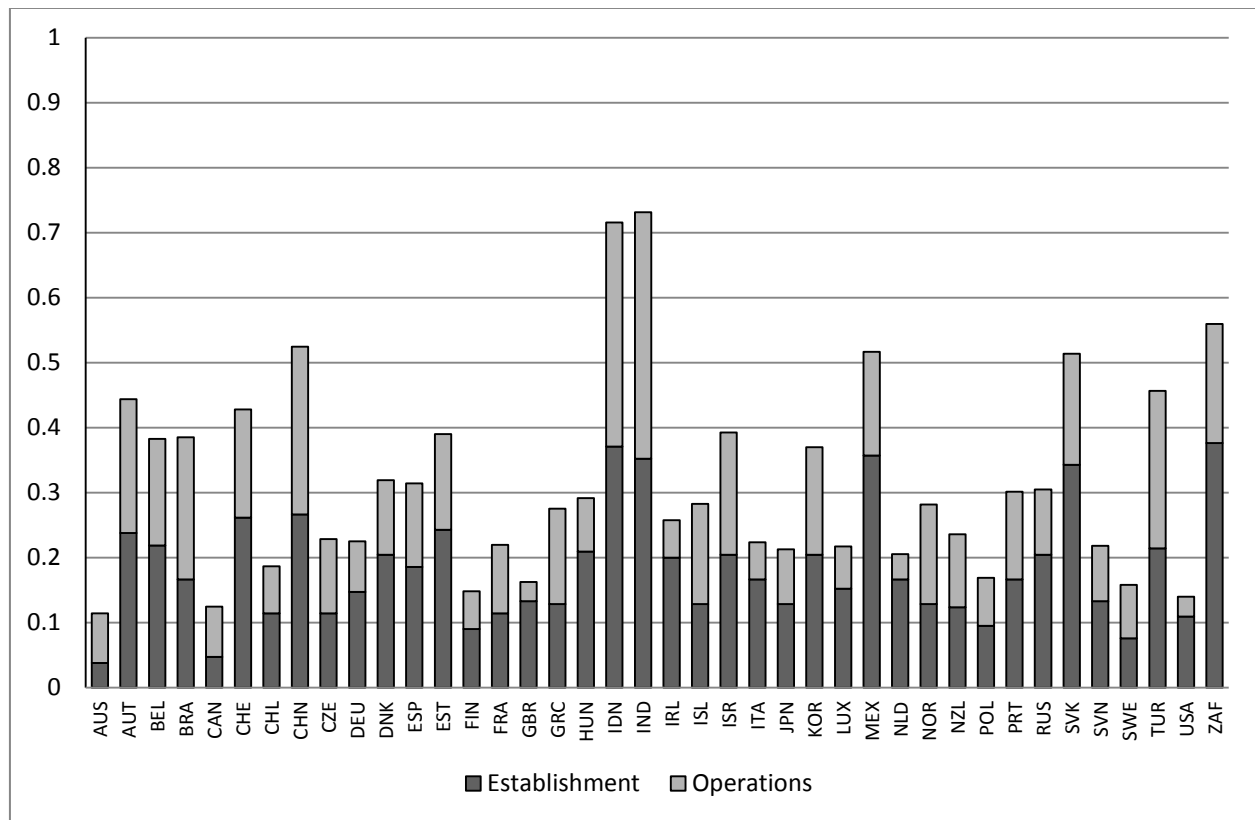
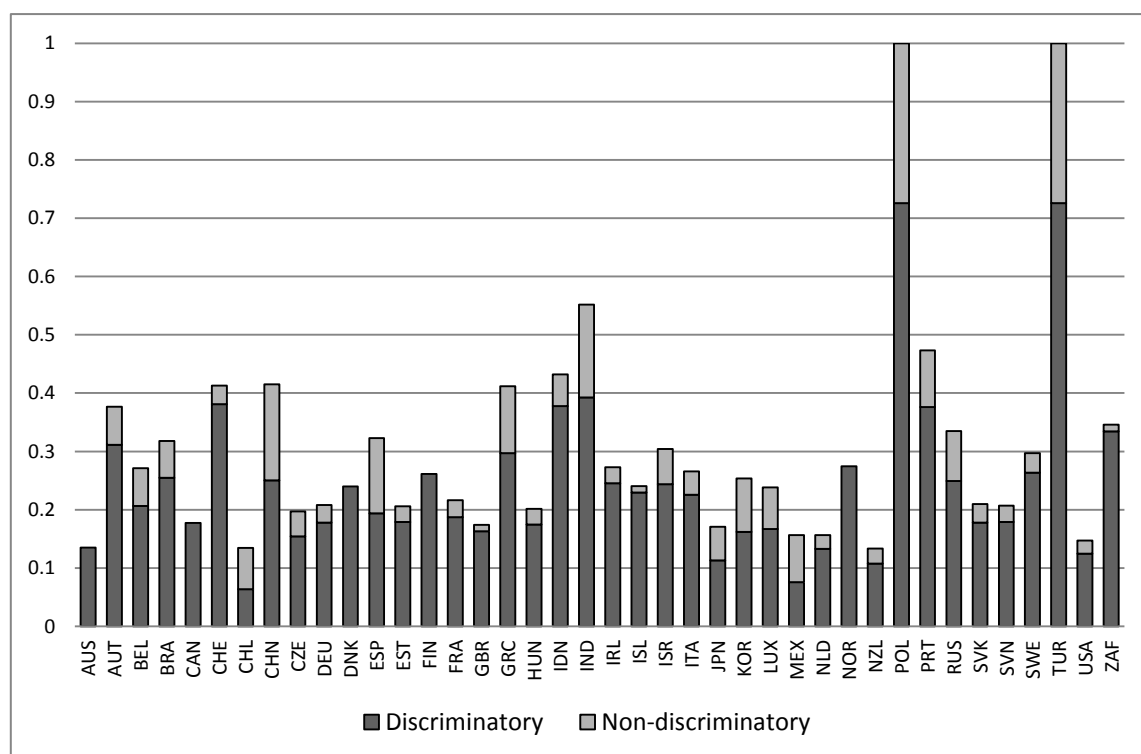
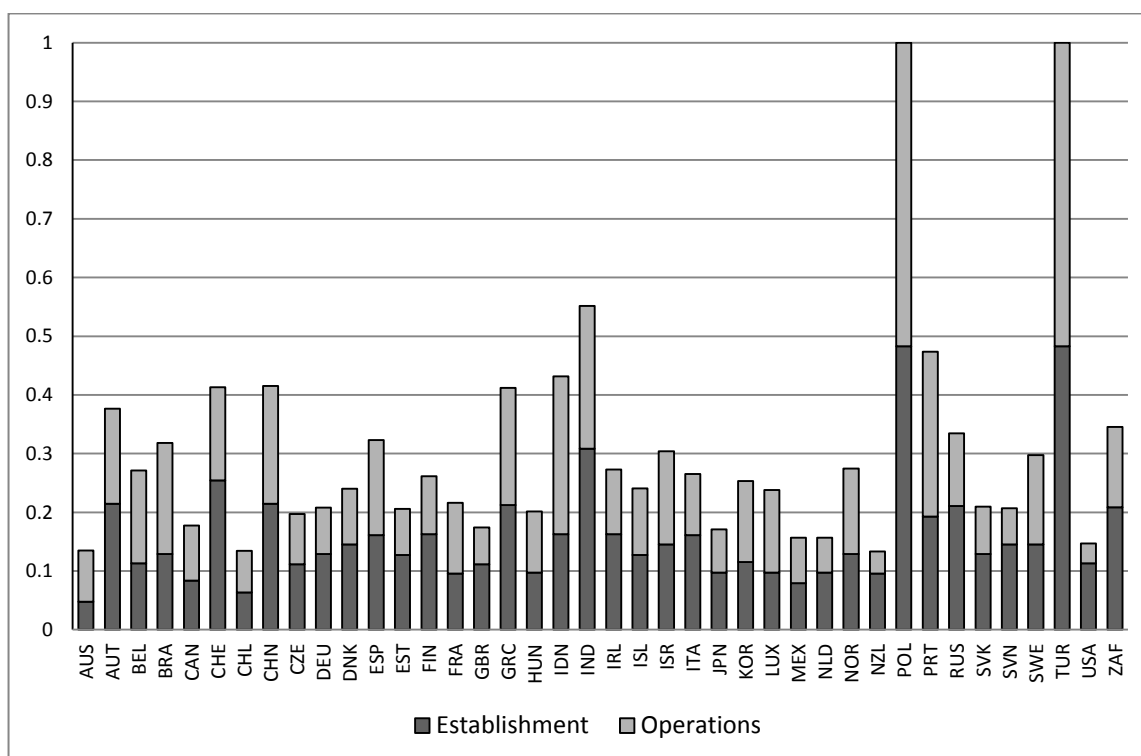


Figure 8. STRI for accounting services by other classifications

Panel A: by discriminatory versus non-discriminatory measures



Panel B: by firms' establishment versus ongoing operations



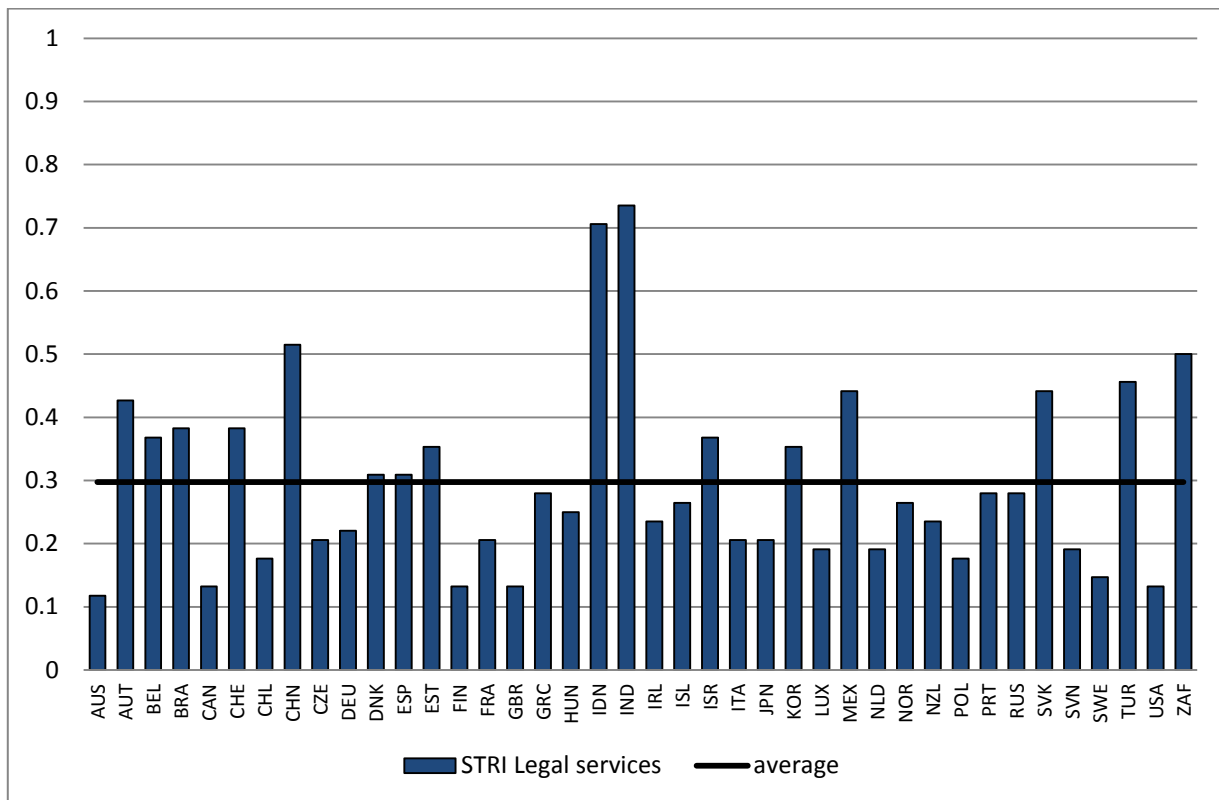
Sensitivity analysis

This section tests the sensitivity of results to the weighting scheme that has been chosen. A comparison of STRIs calculated from different weighting methodologies (Figures 9 and 10), shows how much the chosen weighting scheme drives the STRI results for legal and accounting services. Panel A shows the overall index when equal weights are used, Panel B presents the results of random weights, including the mean for all simulations and the lowest and the highest simulation result, from 3000 Monte Carlo simulations.

The STRIs for both legal and accounting services are very similar when expert judgment and equal weights are used. While the rankings of some countries slightly change with equal weights, e.g. Mexico becomes somewhat less restrictive in legal services, there are hardly any movements between the middle and different ends of the spectrum. The Spearman rank correlation between the STRI calculated with expert judgment and equal weights is 0.99 for legal services and accounting services. As expected from the results with equal weights, the mean from random weights also aligns closely with the STRIs in both services sectors.

Figure 9. STRI for legal services using different weighting schemes

Panel A: equal weights



Panel B: random weights

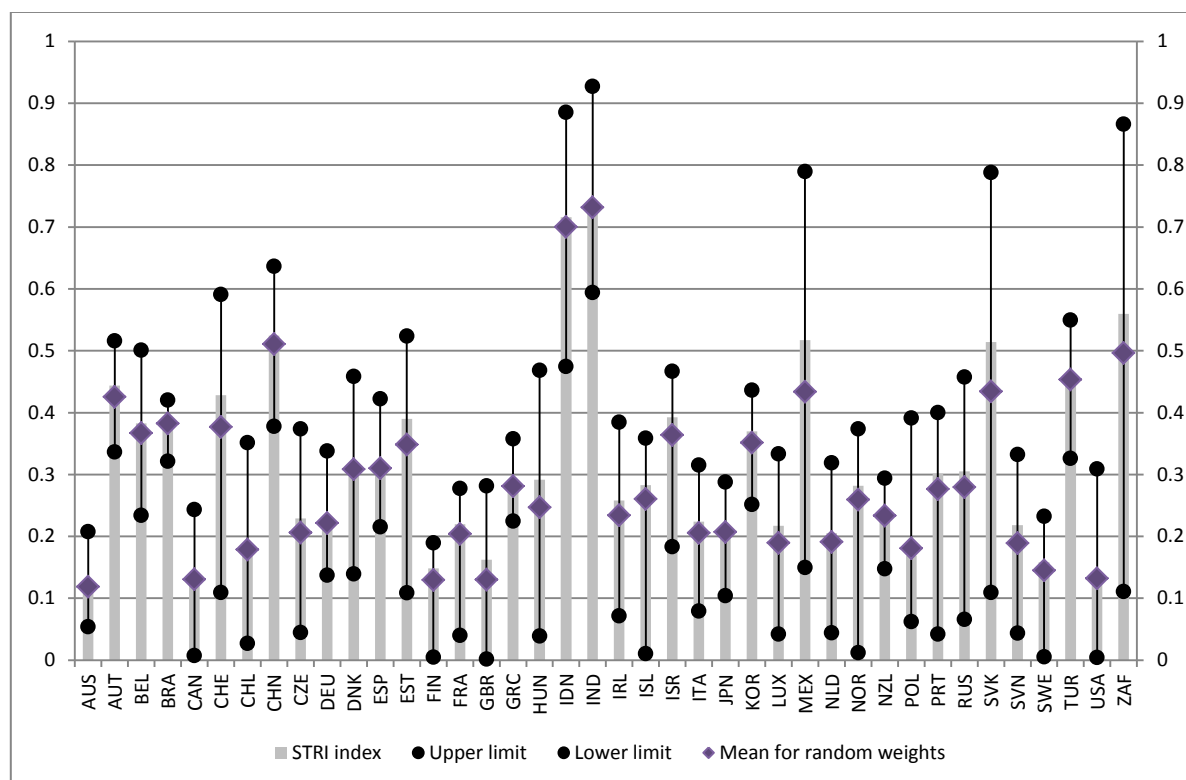
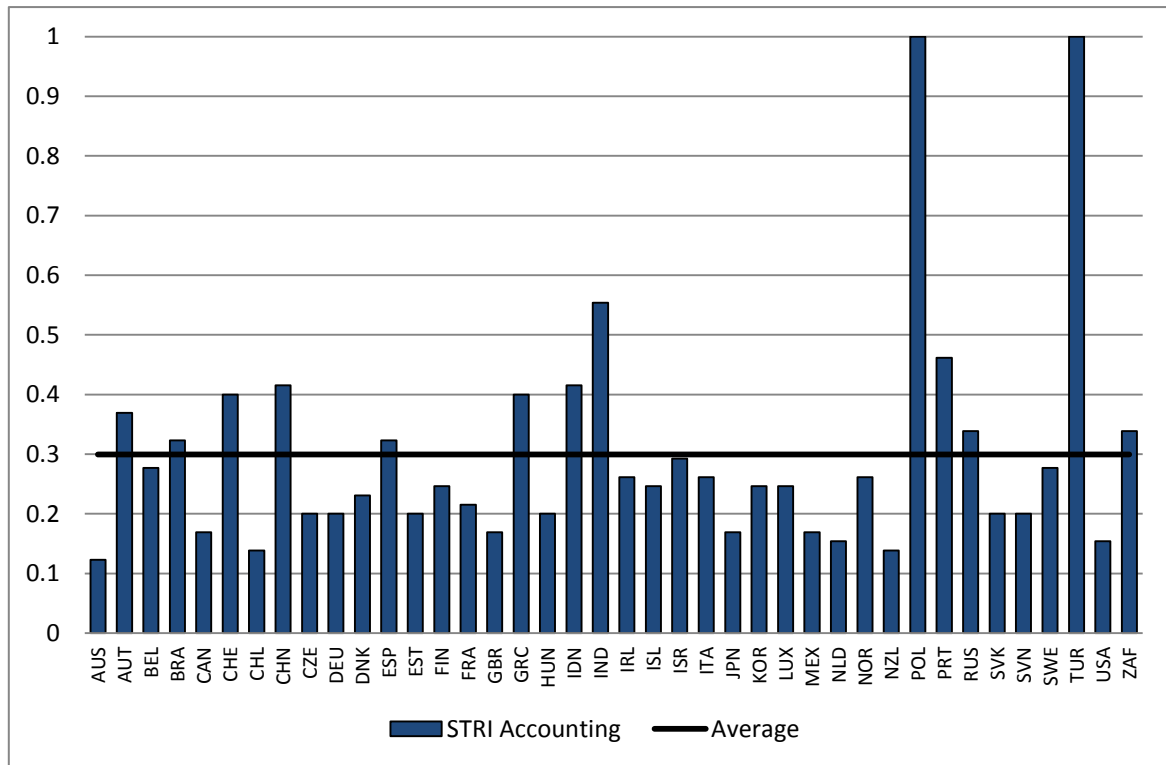
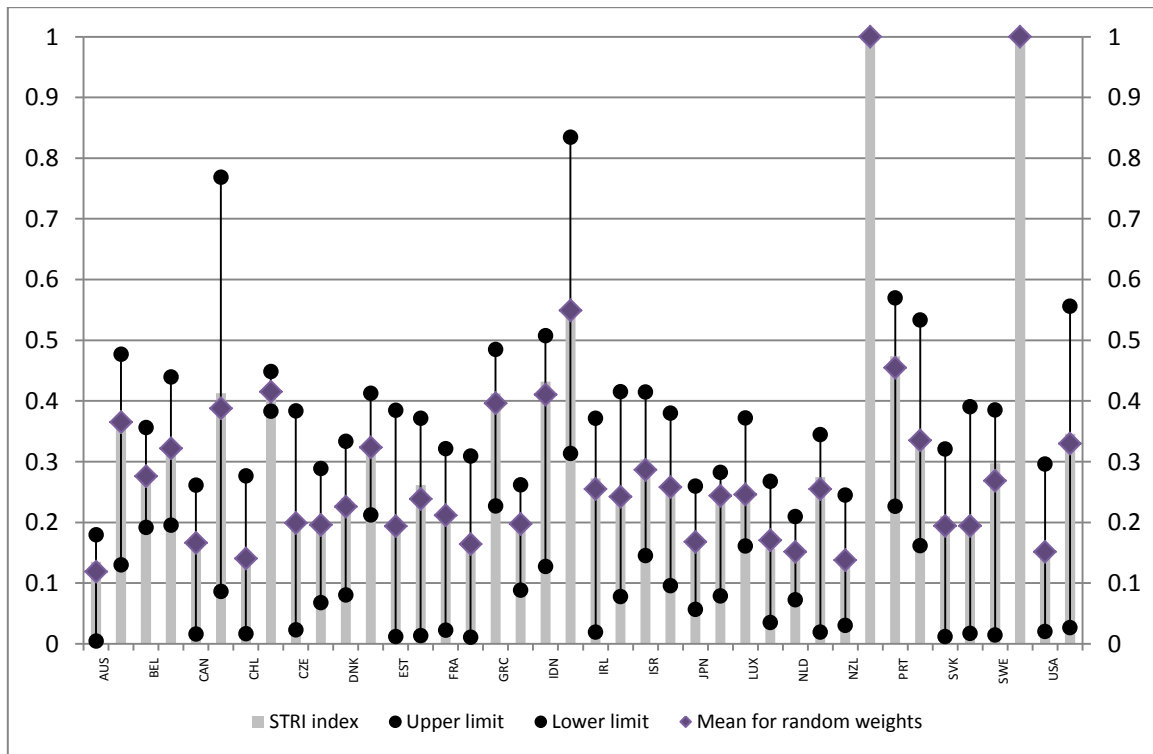


Figure 10. STRI for accounting services using different weighting schemes

Panel A: equal weights



Panel B: random weights



7. Conclusions

This paper has presented the STRIs for the regulated professions of legal and accounting services. Trade in these services has undergone solid expansion in recent years and is an increasingly important feature of the international economic landscape. The preferred modes of supply in both legal and accounting services are modes 3 and 4, and so the importance of barriers affecting trade through these modes is unsurprising. The STRI results support the view that both sectors are subject to a relatively high level of regulation.

A prominent feature of restrictions to trade in legal and accounting services is their linkages. Perhaps more than in any other services sectors, impediments to trade in these services act together as opposed to each of them working in isolation. There are two primary types of linkages: hierarchies and joint effects of restrictions. These complementarities find their root in the prevalence of qualification and licensing requirements, and their relationship with many other measures affecting trade in these services.

Accordingly, the STRI results in both legal and accounting services are driven primarily by these sectoral characteristics, which are taken into account by the methodology. The more restrictive countries have in place the key impediments to trade in these services, particularly nationality requirements to practice and equity limits on the basis licensing. These are coupled with availability (or lack thereof) of limited licensing as an additional channel for entry into the market. In accounting services, where the latter is not as developed, foreign competition is closed in some countries (apart from any preferential trade).

These results provide useful policy insights, particularly in order to identify priorities for reform at the national and international levels. Notably, in the case of legal and accounting services, easing a few prominent restrictions could result in a significantly more liberal and competitive market environment. The ensuing benefits could in turn be considerable, particularly in light of the increasing role both sectors play in international trade and finance.

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Annex A. Index values by policy area

Legal services

Country	Restrictions on foreign entry	Restrictions to movement of people	Other discriminatory measures	Barriers to competition	Regulatory transparency	Overall indicator
AUS	0.07	0.06	0.00	0.00	0.00	0.14
AUT	0.12	0.18	0.03	0.00	0.04	0.38
BEL	0.07	0.13	0.03	0.02	0.01	0.27
BRA	0.09	0.14	0.04	0.01	0.03	0.32
CAN	0.11	0.05	0.02	0.00	0.00	0.18
CHE	0.07	0.32	0.01	0.01	0.00	0.41
CHL	0.00	0.08	0.00	0.01	0.04	0.13
CHN	0.14	0.16	0.03	0.04	0.04	0.41
CZE	0.00	0.14	0.01	0.00	0.04	0.20
DEU	0.07	0.11	0.01	0.00	0.01	0.21
DNK	0.09	0.13	0.01	0.01	0.00	0.24
ESP	0.09	0.14	0.01	0.04	0.04	0.32
EST	0.04	0.16	0.01	0.00	0.00	0.21
FIN	0.11	0.14	0.01	0.00	0.00	0.26
FRA	0.07	0.11	0.03	0.00	0.00	0.22
GBR	0.04	0.13	0.01	0.00	0.00	0.17
GRC	0.16	0.18	0.01	0.04	0.03	0.41
HUN	0.07	0.10	0.02	0.01	0.00	0.20
IDN	0.20	0.16	0.03	0.00	0.04	0.43
IND	0.11	0.32	0.04	0.02	0.06	0.55
IRL	0.11	0.14	0.02	0.00	0.00	0.27
ISL	0.04	0.16	0.03	0.01	0.00	0.24
ISR	0.11	0.16	0.01	0.01	0.01	0.30
ITA	0.07	0.14	0.02	0.00	0.03	0.27
JPN	0.04	0.10	0.01	0.00	0.03	0.17
KOR	0.11	0.10	0.02	0.00	0.03	0.25
LUX	0.07	0.10	0.04	0.01	0.01	0.24
MEX	0.00	0.10	0.02	0.02	0.01	0.16
NLD	0.05	0.08	0.01	0.01	0.00	0.16
NOR	0.12	0.13	0.02	0.00	0.00	0.27
NZL	0.00	0.10	0.01	0.01	0.01	0.13
POL	0.37	0.35	0.09	0.09	0.10	1.00
PRT	0.20	0.21	0.03	0.04	0.00	0.47
RUS	0.05	0.21	0.03	0.01	0.03	0.33
SVK	0.07	0.13	0.01	0.00	0.00	0.21
SVN	0.04	0.16	0.00	0.01	0.00	0.21
SWE	0.14	0.14	0.01	0.00	0.00	0.30
TUR	0.37	0.35	0.09	0.09	0.10	1.00
USA	0.02	0.10	0.03	0.00	0.00	0.15
ZAF	0.09	0.22	0.03	0.00	0.00	0.35

Accounting services

Country	Restrictions on foreign entry	Restrictions to movement of people	Other discriminatory measures	Barriers to competition	Regulatory transparency	Overall indicator
AUS	0.03	0.06	0.01	0.02	0.00	0.11
AUT	0.11	0.25	0.02	0.03	0.03	0.44
BEL	0.09	0.23	0.02	0.04	0.01	0.38
BRA	0.11	0.19	0.03	0.03	0.02	0.39
CAN	0.09	0.02	0.02	0.00	0.00	0.12
CHE	0.09	0.30	0.01	0.03	0.00	0.43
CHL	0.00	0.13	0.01	0.01	0.03	0.19
CHN	0.21	0.23	0.02	0.03	0.03	0.52
CZE	0.01	0.17	0.00	0.01	0.03	0.23
DEU	0.04	0.13	0.01	0.03	0.01	0.23
DNK	0.07	0.19	0.02	0.04	0.00	0.32
ESP	0.07	0.17	0.01	0.03	0.03	0.31
EST	0.09	0.27	0.01	0.03	0.00	0.39
FIN	0.04	0.10	0.01	0.00	0.00	0.15
FRA	0.06	0.13	0.02	0.01	0.00	0.22
GBR	0.00	0.15	0.01	0.00	0.00	0.16
GRC	0.07	0.13	0.02	0.03	0.02	0.28
HUN	0.01	0.25	0.02	0.01	0.00	0.29
IDN	0.30	0.30	0.04	0.04	0.03	0.72
IND	0.31	0.29	0.04	0.05	0.05	0.73
IRL	0.03	0.19	0.02	0.02	0.00	0.26
ISL	0.10	0.15	0.03	0.00	0.00	0.28
ISR	0.11	0.23	0.02	0.02	0.01	0.39
ITA	0.03	0.15	0.02	0.00	0.02	0.22
JPN	0.03	0.13	0.01	0.02	0.02	0.21
KOR	0.10	0.21	0.01	0.03	0.02	0.37
LUX	0.01	0.17	0.02	0.00	0.01	0.22
MEX	0.06	0.42	0.02	0.01	0.01	0.52
NLD	0.01	0.15	0.02	0.02	0.00	0.21
NOR	0.13	0.13	0.02	0.00	0.00	0.28
NZL	0.10	0.10	0.02	0.01	0.01	0.24
POL	0.01	0.10	0.00	0.04	0.02	0.17
PRT	0.07	0.19	0.03	0.01	0.00	0.30
RUS	0.01	0.23	0.03	0.01	0.02	0.31
SVK	0.06	0.42	0.01	0.03	0.00	0.51
SVN	0.03	0.17	0.00	0.02	0.00	0.22
SWE	0.04	0.10	0.02	0.00	0.00	0.16
TUR	0.19	0.19	0.03	0.03	0.02	0.46
USA	0.01	0.10	0.03	0.00	0.00	0.14
ZAF	0.04	0.44	0.05	0.03	0.00	0.56

Annex B. Classification of trade barriers for legal services

Measures	MA&NT/ DR&Other	Mode	Establishment/ operations	Disc./ Non- discr.
Restrictions on foreign entry				
Foreign equity restrictions: maximum foreign equity share allowed (%)	MA&NT	3	E	D
Equity restrictions applying to not locally-licensed lawyers/firms	MA&NT	3	E	D
Legal form: sole proprietorship is prohibited	MA&NT	3	E	ND
Legal form: corporation is prohibited	MA&NT	3	E	ND
Legal form: partnership is prohibited	MA&NT	3	E	ND
Commercial association is prohibited between not fully integrated (limited license) lawyers and fully integrated lawyers	MA&NT	3	O	D
Commercial association is prohibited between lawyers and other professionals	DR&Other	3	O	ND
Prohibitions on hiring locally-licensed lawyers	MA&NT	3	O	D
The number of law firms permitted to practice is restricted by quotas	MA&NT	3	E	D
Board of directors: majority must be nationals	MA&NT	3	O	D
Board of directors: majority must be residents	MA&NT	3	O	D
Board of directors: majority must be locally-licensed lawyers	MA&NT	3	O	D
Board of directors: at least one must be national	MA&NT	3	O	D
Board of directors: at least one must be resident	MA&NT	3	O	D
Board of directors: at least one must be locally-licensed lawyers	MA&NT	3	O	D
Manager must be national	MA&NT	3	O	D
Manager must be resident	MA&NT	3	O	D
Manager must be locally-licensed lawyer	MA&NT	3	O	D
The establishment of foreign law firms is restricted by economic needs tests	MA&NT	3	E	D
Restrictions to movement of people				
Quotas: intra-corporate transferees	MA&NT	4	O	D
Quotas: contractual services suppliers	MA&NT	4	E	D
Quotas: independent services suppliers	MA&NT	4	E	D
Labour market tests: intra-corporate transferees	MA&NT	4	O	D
Labour market tests: contractual services suppliers	MA&NT	4	E	D
Labour market tests: independent services suppliers	MA&NT	4	E	D
Limitation on duration of stay for intra-corporate transferees (months):	MA&NT	4	O	D
Limitation on duration of stay for contractual services suppliers is limited to (months):	MA&NT	4	E	D
Limitation on duration of stay for independent services suppliers is limited to (months):	MA&NT	4	E	D

Measures	MA&NT/ DR&Other	Mode	Establishment/ operations	Disc./ Non- discr.
Nationality or citizenship required for license to practice as a fully integrated lawyer	MA&NT	All	E	D
Prior or permanent residency required for license to practice as a fully integrated lawyer	MA&NT	All	E	D
Prior or permanent residency required for license to practice under a limited license	MA&NT	All	E	D
Domicile required for license to practice as a fully integrated lawyer	MA&NT	All	E	D
Domicile required for license to practice under a limited license	MA&NT	All	E	D
Recognition of foreign qualifications to become a fully integrated lawyer: laws or regulations establish a process for recognising higher education degrees in law gained abroad	DR&Other	All	E	ND
Recognition of foreign qualifications to become a fully integrated lawyer: foreign lawyers are required to undertake local examinations to qualify for full membership of the profession	MA&NT	All	E	D
Recognition of foreign qualifications to become a fully integrated lawyer: foreign lawyers are required to undertake at least 1 year of local practice to become a full member of the profession	MA&NT	All	E	D
Recognition of foreign qualifications to become a fully integrated lawyer: compulsory membership in a professional association for foreign lawyers is automatically granted if the lawyer has the required qualifications	MA&NT	All	E	D
There is a limited licensing system in place	MA&NT	All	E	D
Foreign providers have to completely re-do the university degree, practice and exam in the domestic country	MA&NT	All	E	D
Other discriminatory measures				
Foreign suppliers are treated less favourably regarding taxes or eligibility to subsidies	MA&NT	All	O	D
Foreign participation in public procurement: foreign suppliers are prohibited from supplying legal services to the government or preferences are given to local suppliers	DR&Other	All	O	D
There is a formal requirement that regulators consider comparable international standards and rules before setting new domestic standards	DR&Other	All	O	ND
Use of foreign/international firm names: the use of foreign firm names is prohibited	MA&NT	3	O	D
Use of foreign/international firm names: the use of foreign firm names is allowed only alongside that of a local partner	MA&NT	3	O	D
Use of foreign/international firm names: only locally-licensed lawyers may use the name or title Lawyer	MA&NT	3	O	D
Barriers to competition				
When appeal procedures are available in domestic regulatory systems, they are open to affected or interested foreign parties as well	MA&NT	3	O	D
Foreign firms have redress when business practices are perceived to restrict competition in a given market	MA&NT	3	O	D
Fee-setting: mandatory minimum and/or maximum fees	DR&Other	All	O	ND
Fee-setting: recommended minimum and/or maximum fees	DR&Other	All	O	ND

Measures	MA&NT/ DR&Other	Mode	Establishment/ operations	Disc./ Non- discr.
Advertising and marketing: lawyers are either prohibited to advertise or subject to restrictions on advertising	DR&Other	All	O	ND
Advertising and marketing: only locally-licensed lawyers are permitted to advertise and market legal services	MA&NT	All	O	D
Regulatory transparency				
Regulations are published or otherwise communicated to the public prior to entry into force	DR&Other	All	O	ND
There is a public comment procedure open to interested persons, and/or the regulator has a formal mechanism for consultation with stakeholders, including foreign suppliers	DR&Other	All	O	ND
Range of visa processing time (days)	DR&Other	4	O	ND
Time to complete all official procedures required to register a company (in calendar days)	DR&Other	3	O	ND
Total cost to complete all official procedures required to register a company (in USD)	DR&Other	3	O	ND
Number of official procedures required to register a company	DR&Other	3	O	ND

Annex C. Classification of trade barriers for accounting services

Measures	MA&NT/ DR&Other	Mode 3	Establishment/ operations	Disc./ non-disc.
<i>Restrictions on foreign entry</i>				
Foreign equity restrictions: maximum foreign equity share allowed (%)	MA&NT	3	E	D
Equity restrictions applying to not locally-licensed accountants and auditors/firms	MA&NT	3	E	D
Legal form: sole proprietorship is prohibited	MA&NT	3	E	ND
Legal form: corporation is prohibited	MA&NT	3	E	ND
Legal form: partnership is prohibited	MA&NT	3	E	ND
Commercial association is prohibited between accountants and auditors and other professionals	DR&Other	3	O	ND
The number of accounting firms permitted to practice is restricted by quotas	MA&NT	3	E	D
The establishment of foreign accounting firms is restricted by economic needs tests	MA&NT	3	E	D
Board of directors: majority must be nationals	MA&NT	3	O	D
Board of directors: majority must be residents	MA&NT	3	O	D
Board of directors: majority must be locally-licensed accountants and auditors	MA&NT	3	O	D
Board of directors: at least one must be national	MA&NT	3	O	D
Board of directors: at least one must be resident	MA&NT	3	O	D
Board of directors: at least one must be locally-licensed accountants and auditors	MA&NT	3	O	D
Manager must be national	MA&NT	3	O	D
Manager must be resident	MA&NT	3	O	D
Manager must be locally-licensed accountant and auditor	MA&NT	3	O	D
<i>Restrictions to movement of people</i>				
Quotas: intra-corporate transferees	MA&NT	4	O	D
Quotas: contractual services suppliers	MA&NT	4	E	D
Quotas: independent services suppliers	MA&NT	4	E	D
Labour market tests: intra-corporate transferees	MA&NT	4	O	D
Labour market tests: contractual services suppliers	MA&NT	4	E	D
Labour market tests: independent services suppliers	MA&NT	4	E	D
Limitation on duration of stay for intra-corporate transferees (months):	MA&NT	4	O	D
Limitation on duration of stay for contractual services suppliers is limited to (months):	MA&NT	4	E	D
Limitation on duration of stay for independent services suppliers is limited to (months):	MA&NT	4	E	D

Measures	MA&NT/ DR&Other	Mode 3	Establishment/ operations	Disc./ non-disc.
Nationality or citizenship required for license to practice accounting and auditing	MA&NT	All	E	D
Residency required for license to practice accounting and auditing: prior or permanent residency	MA&NT	All	E	D
Residency required for license to practice accounting and auditing: domicile	MA&NT	All	E	D
Recognition of foreign qualifications for accountants and auditors: laws or regulations establish a process for recognising higher education degrees in accounting and auditing gained abroad	DR&Other	All	E	ND
Recognition of foreign qualifications for accountants and auditors: foreign accountants and auditors are required to undertake local examinations to qualify for full membership of the profession	MA&NT	All	E	D
Recognition of foreign qualifications for accountants and auditors: foreign accountants and auditors are required to undertake at least 1 year of local practice to become a full member of the profession	MA&NT	All	E	D
Recognition of foreign qualifications for accountants and auditors: compulsory membership in a professional association for foreign accountants and auditors is automatically granted if the accountant or auditor has the required qualifications	MA&NT	All	E	D
A limited or temporary licensing system is available	MA&NT	All	E	D
Foreign providers have to completely re-do the university degree, practice and exam in the domestic country	MA&NT	All	E	D
Other discriminatory measures				
Foreign suppliers are treated less favourably regarding taxes or eligibility to subsidies	MA&NT	All	O	D
Foreign participation in public procurement: foreign suppliers are prohibited from supplying accounting and auditing services to the government or preferences are given to local suppliers	DR&Other	All	O	D
Laws, regulations or relevant standard-setter require the use of or have adopted the international standards on auditing (ISAs)	DR&Other	All	O	ND
There is a formal requirement that regulators consider comparable international standards and rules before setting new domestic standards	DR&Other	All	O	ND
Use of foreign/international firm names: the use of foreign firm names is prohibited	MA&NT	All	O	D
Use of foreign/international firm names: the use of foreign firm names is allowed only alongside that of a local partner	MA&NT	All	O	D
Use of foreign/international firm names: only locally-licensed accountants and auditors may use the name or title Accountants and Auditors	MA&NT	All	O	D
Barriers to competition				
When appeal procedures are available in domestic regulatory systems, they are open to affected or interested foreign parties as well	MA&NT	3	O	D
Foreign firms have redress when business practices are perceived to restrict competition in a given market	MA&NT	3	O	D
Fee-setting: mandatory minimum and/or maximum fees	DR&Other	All	O	ND
Fee-setting: : recommended minimum and/or maximum fees	DR&Other	All	O	ND

Measures	MA&NT/ DR&Other	Mode 3	Establishment/ operations	Disc./ non-disc.
Advertising and marketing: accountants and auditors are either prohibited to advertise or subject to restrictions on advertising	DR&Other	All	O	ND
Advertising and marketing: only locally-licensed accountants and auditors are permitted to advertise and market these services	MA&NT	All	O	D
Regulatory transparency				
Regulations are published or otherwise communicated to the public prior to entry into force	DR&Other	All	O	ND
There is a public comment procedure open to interested persons, and/or the regulator has a formal mechanism for consultation with stakeholders, including foreign suppliers	DR&Other	All	O	ND
Range of visa processing time (days)	DR&Other	4	O	ND
Time to complete all official procedures required to register a company (in calendar days)	DR&Other	3	O	ND
Total cost to complete all official procedures required to register a company (in USD)	DR&Other	3	O	ND
Number of official procedures required to register a company	DR&Other	3	O	ND