

Services Trade Restrictiveness Index (STRI) [UPSC Notes]

The Organisation for Economic Cooperation and Development (OECD) released Services Trade Restrictiveness Index (STRI) for the year 2022. India's ranking is 47th and it improved from last year by one position.

In this context, what is the Services Trade Restrictiveness Index? Who releases it and what does India's ranking imply? Know more for the [IAS exam](#).

Services Trade Restrictiveness Index

The OECD Services Trade Restrictiveness Index provides a snapshot of services regulatory regimes to help policymakers to assess reform options.

- Launched in 2014, and updated annually, the OECD Services Trade Restrictiveness Index is a unique, evidence-based tool that provides information on regulations affecting trade in services in 22 sectors across all OECD member countries and India, Brazil, China, Kazakhstan, Indonesia, Malaysia, Singapore, Peru, South Africa, Vietnam and Thailand. These sectors and countries represent over 80% of global trade in services.
- The index takes into consideration different sectors like road freight cover, air transport, government regulations, etc.

Services Trade Restrictiveness Index Report Highlights

- **Liberalisation:** India had been progressively introducing reforms between 2018 and 2021 contributing to a better [liberalisation](#) of services trade in some sectors.
- **Sectors with the relatively lowest score (least restricted):** In India, it is easier to trade and work in sectors like computer services, engineering services, sound recording and road freight transport.
- **Sectors with the relatively highest score (most restrictive):** In India, some sectors which are difficult to trade are architecture service, rail freight transport, accounting services and legal services.
- **Government dominance:** The railway sector in India is highly restrictive due to the dominance of the Indian government in it.
- **Market access for foreigners:** Market access to certain key service sectors remains prohibited for foreigners or is subjected to stringent conditions.

Suggestions by OECD:

- **Open and well-regulated services markets in India:** It is important to expedite economic recovery, strengthen resilience to future shocks, and promote a more sustainable trading system in India.
- **Reduce limitations on foreign ownership:** Sectors like distribution, commercial banking and insurance have more limitations on foreign ownership.

STRI Ranking Method

- The STRI indices take into consideration government policies in several sectors that determine the ease of trading in those sectors and industries.
- Based on these factors, STRI indices assign value to countries between zero and one where 0 is completely open and 1 is completely closed.
- Most Favoured Nation ([MFN](#)) status is also considered in the ranking.

Problems with OECD's STRI Rankings

- Due to its structural bias and some loopholes, the Indian government has raised objections to the OECD's STRI rankings in the year 2019.
- **The Ministry of Commerce argued that the index showed India to be one of the most restrictive countries for trading, which is not true because India has introduced many [reforms post-1991](#).**
- The ministry also highlighted the theoretical and empirical inconsistencies in the methodology used by OECD.
- The use of arbitrary measures in methodology creates an advantage for developed countries in the rankings.