

OECD's STRI Index and India

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Manifest Pedagogy

Various reports, indices and organisations are important in terms of organisations who are involved, criterion they take into picture and steps which countries take to improve rankings. They are of particular relevance for prelims and policy analysis related to attractiveness of nations may be subject for mains examination.

In news

India finds OECD index for services trade faulty

Placing it in the syllabus

Important International institutions, agencies, and for-their structure, mandate.

Static dimensions

- Services Trade Restrictiveness Index (STRI) and Its advantages.
- OECD and its other reports and functions

Current dimension

- Criticisms of STRI by India

Content

Services Trade Restrictiveness Index (STRI) and its advantages

- It was launched in 2014.
- STRI is a unique, **evidence-based tool that provides information on regulations affecting trade in services in 22 sectors** across all OECD member countries and Brazil, the People's Republic of China, Costa Rica,

India, Indonesia, Malaysia, the Russian Federation, and South Africa.

- The STRI toolkit can **support policymakers to scope out reform options**, benchmark them relative to global best practice, and assess their likely effects.
- It is also helpful for trade negotiators to clarify restrictions that most impede trade, and for businesses to shed light on the requirements that traders must comply with when entering foreign markets.
- **It provides policymakers and negotiators with information and measurement tools** to improve the domestic policy environment, negotiate international agreements and open up international trade in services
- It can also **help governments identify best practice** and then focus their domestic reform efforts on priority sectors and measures.
- The main findings from STRI analytical work on trade and services suggest that policymakers consider adopting whole-of-government strategies to capitalize on the demonstrated potential of co-ordinated services trade policy and regulatory reforms to help make globalization work for all
- The STRI database is based on regulations currently in force. STRI indices take the value from 0 to 1, where 0 is completely open and 1 is completely closed. They are calculated on the basis of information provided in the STRI database.

Components of the OECD STRI project

- Annual **monitoring** of the regulatory environment for services trade
- An easily accessible STRI database of laws and regulations in force, which is updated, verified and peer-reviewed by regulators and trade officials on an annual basis.
- Composite **STRI indices for each country** and sector in

the STRI that quantify restrictions on foreign entry and the movement of people, barriers to competition, regulatory transparency and other discriminatory measures that impact the ease of doing business

- **Indices of regulatory heterogeneity** that measures regulatory differences by country pair, sector and year.
- **Empirical analysis** assessing the impact of services trade policies on economic performance and trade costs.

The Organisation for Economic Co-operation and Development(OECD) and its other reports and functions

- The OECD was established in 1961 with the following **objectives:**

1. Promote Employment
2. Improve the standard of living
3. Facilitate world trade growth
4. Maintain financial stability

- It is an international organization that works to **build better policies** for better lives.
- **Goal:** To shape policies that foster prosperity, equality, opportunity, and well-being for all.
- Together with governments, policymakers and citizens, OECD works on establishing international norms and finding evidence-based solutions to a range of social, economic and environmental challenges.
- Along with improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, It **provides a unique forum and knowledge hub for data and analysis, exchange of experiences**, best-practice sharing, and advice on public policies and global standard-setting.

Functions of OECD

- **Engage:** It brings policymakers and policy shapers together to exchange ideas, share experiences, and forge

progress across a range of policy areas. Peers from across the world meet to learn from and be inspired by one another.

- **Influence:** OECD provides knowledge and advice to inform better policies. As one of the world's largest and most trusted sources of comparative socio-economic data and analysis, It help steer decision-making.
- **Set standards:** It encourages countries and partners to do better by developing international agreements, guidelines, and standards so that everyone plays by the same rules and co-operates to reach shared objectives.
- It provides a platform for the governments of member nations to find solutions to universal problems, organize policies (domestic as well as international) and compare policy experiences.
- OECD monitors economic trends relating to trade, technology, environment, taxation, and agriculture.
- It also forecasts economic development. It also conducts in-depth analysis to collect accurate data and statistics regarding social and economic growth.
- **Publishes its economic statistics and other intellectual findings** both online and offline. The published data is used by government officials, students and researchers
- It offers **peer reviews** to member nations about their performance.
- OECD also offers expertise and ideas to over 100 non-member countries for their economic development.
- The OECD **maintains** a so-called "**blacklist**" of nations that are considered **uncooperative tax havens**. It led a two-year effort with the Group of 20 (G20) nations to encourage tax reform worldwide and eliminate tax avoidance by profitable corporations.
- OECD help countries forge a path towards **better lives** by;

1. Improving Education systems
2. Guiding economic reforms

3. Promoting responsible business conduct
4. Fighting transnational corruption
5. Accelerating development
6. Combating international tax avoidance
7. Promoting local and regional development
8. Promoting health and safety

Reports by OECD

Following are the reports published by OECD;

- OECD Employment Outlook-The future of work
- Better Life Index
- Enabling Women's Economic Empowerment
- OECD skills Outlook report

Criticisms of STRI by India

- **Biased and Intuitive:** India has criticized that the current method under which the OECD ranks countries based on their services trade policies, indicating the outcomes are biased and counter-intuitive.
- **Problem with design:** A study commissioned by the Ministry of Commerce has found that the OECD index has a large number of problems associated with it, including some significant design issues that render it impractical for use. For instance, the index seems to show the Indian services sector as one of the most restrictive, particularly in policy areas like foreign entry.
- **Liberalization of FDI not considered:** It also criticized that though FDI has seen maximum liberalization since 1991 India's foreign entry restrictions are being classified as being the most restrictive by STRI.
- **Theoretical and empirical inconsistencies:** The report by the Commerce ministry mentions that

there are both theoretical and empirical inconsistencies in the OECD methodology, for instance, change in regulatory measures in one policy area can lead to dramatic changes in the STRI in another policy area which is not very useful for policy purposes.

- **Arbitrary procedure: The report by the Ministry concluded that the data seems to have been generated by rather arbitrary procedures and reflects a developed country bias.**