

Cross-border services trade and regulation

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Evidence from the European architectural sector

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Proceeding of our study

OECD

- all services sectors and 40 countries
- Homogeneity and Intensity of regulation influences cross-border trade of services

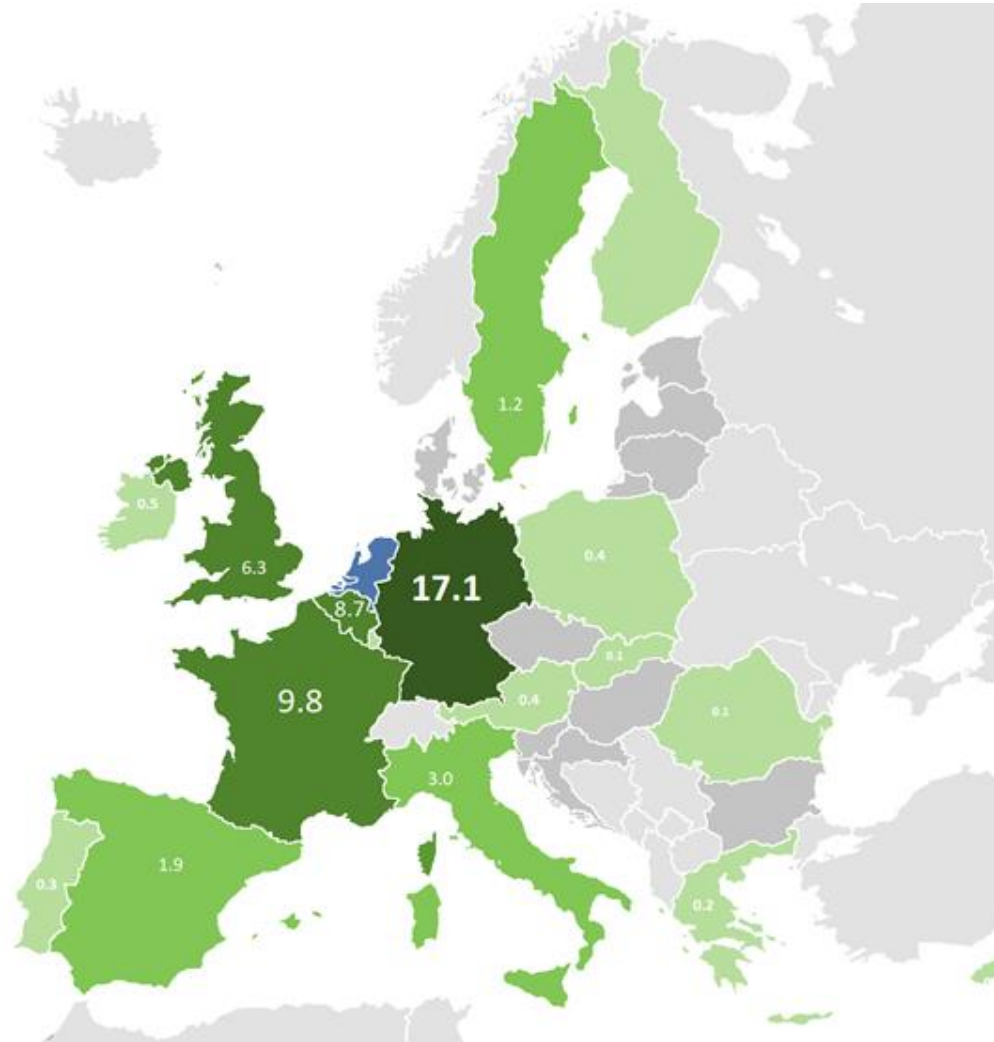
Our **first** step

- Same framework (STRI) for architectural services in the EU

Our **second** step

- Different framework for the specific situation in the EU

Dutch architects export more to closer and larger destinations



Source: Eurostat: "International trade in services (since 2010) (BPM6) [bop_its6_det]", Sector architectural activities NACE M711. No export data to Denmark, Croatia and Czech Republic. Basic map from Europe under free public Wikimedia Commons licensing.

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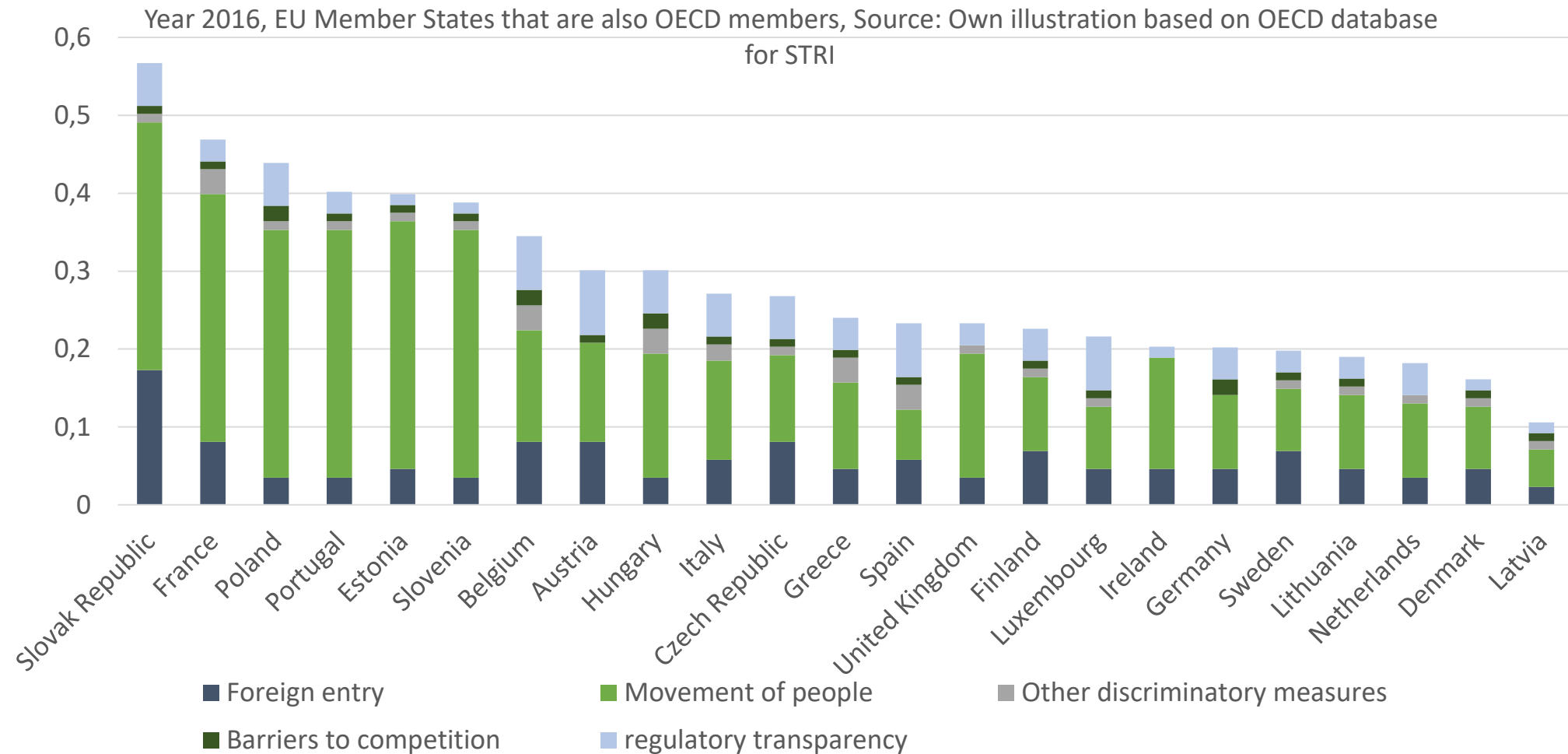
Our **second** step

- Different framework for the specific situation in the EU

The composition of the STRI for architectural services

Policy Area	Examples	Weight
Restrictions on foreign entry	Foreign equity restrictions, restriction on the legal form, restriction on commercial association between architects and other professionals ...	39 %
Restrictions on movement of people	Quotas and/or limitation on duration of stay for the employees of a commissioned architect's office and possible subcontractors, requirements regarding a certain nationality or citizenship, or residency status to carry out a project in this country ...	34 %
Other discriminatory measures	Treatment of foreign suppliers in relation to domestic suppliers regarding taxes and eligibility to subsidies, 'fairness' of public procurement process ...	6 %
Barriers to completion	Mandatory fees, advertising restrictions ...	7 %
Regulatory transparency	Average duration and cost of visa processing ...	14 %

OECD Services Trade Restrictiveness Index (STRI) for architectural services varies between EU Member States



Within the OECD framework neither heterogeneity nor intensity of regulation have a significant effect on trade of architectural services

Variable	Impact on cross-border trade
Distance	negative
Common language	positive
Common legal origin	positive
Heterogeneity	none
Intensity	none

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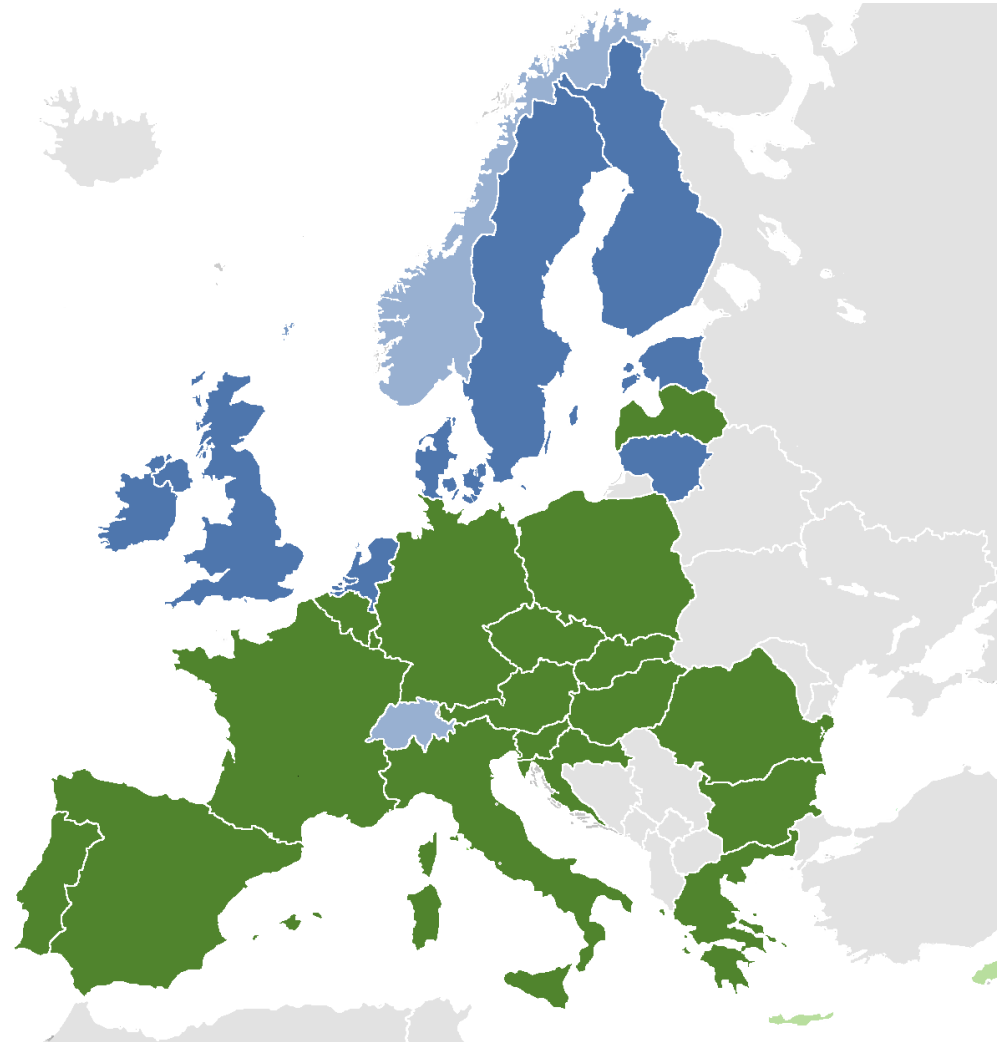
Our **first** step

- Same framework (STRI) for architectural services in the EU
- No effect of homogeneity and intensity of regulation on cross-border trade

Our **second** step

- Trade effects of different regulatory systems (compulsory chamber system yes/no) for architectural services in the EU

Existences of a compulsory chamber system could be used as a proxy for different regulatory approaches



Countries with a compulsory chamber and without

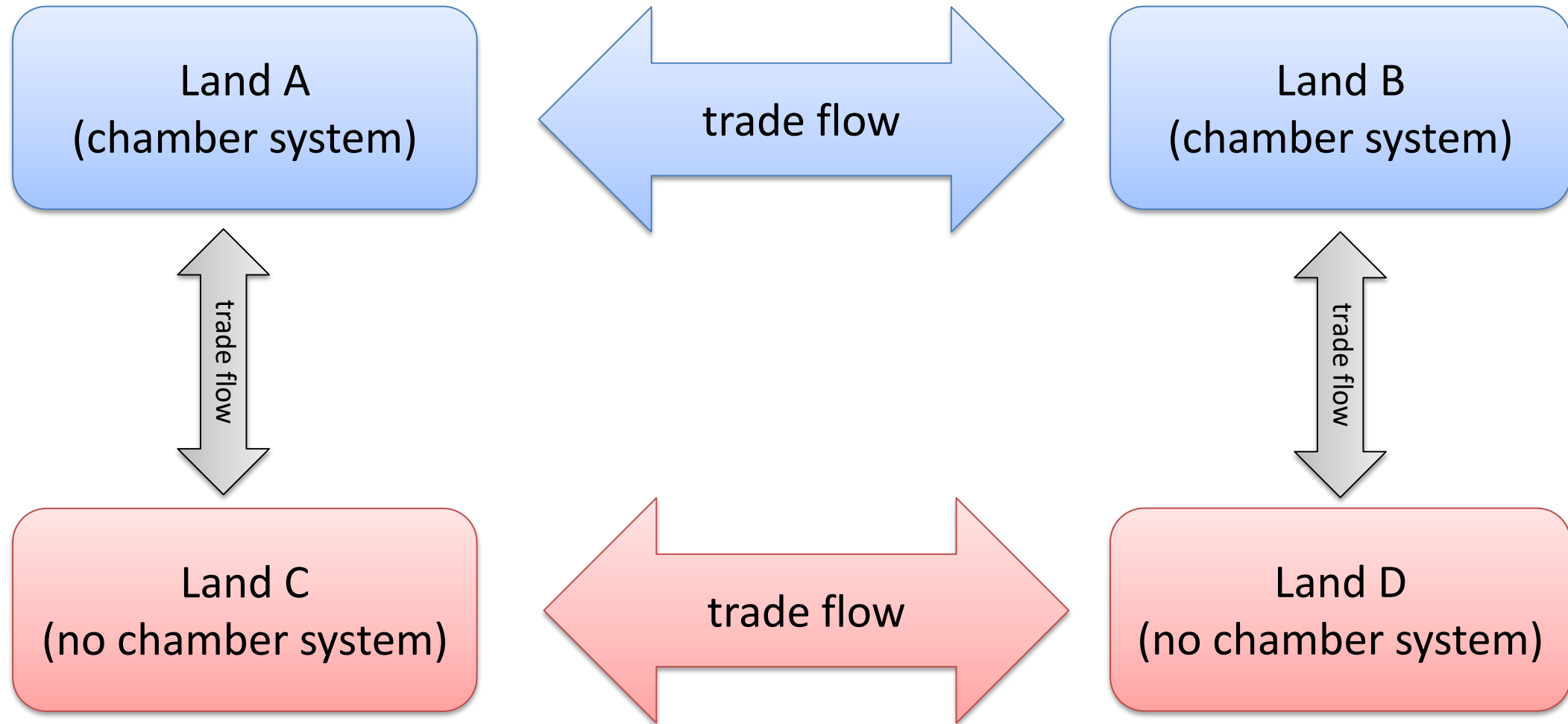
Source: Eurostat: "International trade in services (since 2010) (BPM6) [bop_its6_det]", Sector architectural activities NACE M711. No export data to Denmark, Croatia and Czech Republic. Basic map from Europe under free public Wikimedia Commons licensing.

There are some interface problems between both regulatory approaches

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Neither a system with or without a compulsory chamber system is superior in terms of cross border trade.

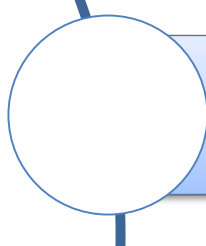
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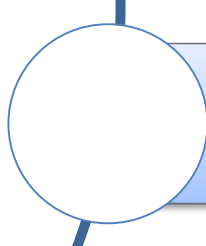
Take home messages



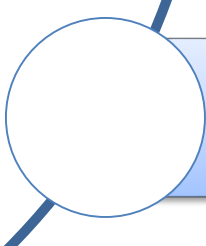
Architects make less use of the single market than other similar professions.



Different regulation systems as measured by the STRI do not explain the low level of cross-border trade of architectural services.



There are some trade friction between EU member states with and without chamber system, but neither one nor the other is superior in terms of trade flows.



The influence of different consumer preferences and different national building codes could account for the low trade volume in architectural services. However, this is subject to further research.

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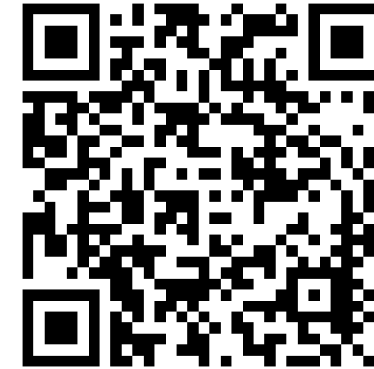
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