

The Economic Importance of the Country of Origin Principle in the Proposed Services Directive

Final report

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Preface

The UK Department of Trade and Industry has contracted Copenhagen Economics to quantify the economic impact of the provisions in the proposed Services Directive relating to the Country of Origin Principle. This final report documents the findings of the study.

The report has been prepared by Mr. Patrik Svensson and Dr. Claus Kastberg Nielsen from Copenhagen Economics. The report is based on the specifications of the contract covering the study, the inception meeting with the steering group of the study, the inputs from the steering group to the scenario design, and the comments from the steering group on our preliminary findings and draft final report.

Comments regarding the study may be sent directly to Dr. Claus Kastberg Nielsen, the partner in charge of this study at Copenhagen Economics (ck@copenhageneconomics.com).

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Executive summary

The proposed Services Directive aims to eliminate obstacles to services provision in the Internal Market by establishing two fundamental freedoms; the freedom of establishment for service providers and the free movement of services between Member States. The core of the provisions intended to eliminate obstacles to the free movement of services is the Country of Origin Principle (CoOP).

According to the CoOP, a service provider is subject only to the regulations of the country in which he is established. If the proposed Directive was adopted, Member States would thus not be allowed to restrict services supplied on a temporary basis by a provider established in another Member State. This is intended to make cross-border trade in services less burdensome without requiring regulatory harmonisation or the imposition of further regulatory obligations on firms that chose to supply services exclusively in their home country.

This report analyses the economic impact of removing the provisions relating to the CoOP from the proposed Services Directive. Broadly speaking, the study is thus an attempt to partially decompose the economic effects of the Directive in order to isolate the effects of the CoOP, using a general equilibrium model. The task has been accomplished by focusing on the direct economic effects of the CoOP on the barriers service providers meet, and on the associated indirect effects on their customers and suppliers in all sectors and countries of the EU economy. However, to retain a tractable analytical framework, some issues are absent from the analysis (e.g. unexpected changes in firm behaviour and regulatory competition).

The specific provisions of the Directive relating to the CoOP include the CoOP itself (articles 16-19) and a number of supporting provisions (articles 20 through 38) aiming to establish the necessary mutual trust between Member States for the smooth functioning of the CoOP (and to some extent the freedom of establishment for service providers). These supporting provisions cover e.g. harmonisation of legislation, promotion of the quality of services and stronger mutual assistance between authorities.

The impact of eliminating the provisions relating to the CoOP from the Services Directive has been analysed using a detailed bottom-up approach that takes into account changes in actual restrictions on service provision in the Internal Market. The economy-wide effects of eliminating the provisions relating to the CoOP from the Directive have been calculated using econometric estimations on a database of more than 275,000 firms and a global general equilibrium model. Specifically, the model captures both the direct price and productivity effects on service providers, and the indirect spill-over effects on their suppliers and customers.

The analytical framework represents the state-of-the-art in formal economic modelling of barriers to services trade, but the results are still subject to certain assumptions and limitations that create uncertainty as to the precise impact of the Services Directive. Three specific limitations are worth mentioning. First, the analytical framework covers only two-thirds of the service sectors covered by the Directive. Some key sectors, notably construction services, are not included in the model.

Second, although the framework includes very comprehensive barrier measures, they may not fully capture or accurately quantify all the relevant barriers to service provision. This uncertainty also relates to the actual economic effects of barriers. If service providers face additional barriers which are not included in the framework, for example associated with regulatory heterogeneity in different Member States, then the analysis may underestimate the economic importance of the CoOP.

Third, the analytical framework does not take into account some of the more dynamic effects of the CoOP and the Services Directive. For example, it is conceivable that the Directive could lead to a change in firm behaviour regarding the decision to supply services to other Member States. This in itself could potentially lead to increased levels of services trade in the future, but the model calculations use current levels of services trade as their starting point.

However, as the original analysis in Copenhagen Economics (2005) has shown, even with these limitations and under the most conservative of assumptions, the economic benefits of the proposed Directive are considerable.

Within this model, the provisions relating to the Country of Origin Principle account for around 10 % (€2-4 billion p.a. across the EU) of the total welfare gains from the Services Directive. There is some uncertainty regarding the number of supporting provisions which may be affected by the CoOP. This analysis assumes that a minimum number of provisions are affected by the removal of the CoOP. If further provisions were affected (e.g. Article 29) then removing the CoOP would eliminate a significantly larger share of the total welfare gains from the Directive.

The net effect of the provisions relating to the CoOP on total employment is much smaller in this framework. Hence, a Services Directive without the CoOP would lead to the net creation of almost 600,000 new jobs across the EU. The reason is that, in this model, the CoOP and its supporting provisions are found to primarily affect labour productivity. Increased labour productivity has both positive and negative employment effects (increased labour productivity initially means fewer jobs, but lower prices stimulate demand and employment in the long run) that are of the same magnitude in this framework.

The limited importance of the Country of Origin Principle itself in this analysis is primarily explained by the low intensity of cross-border trade in services. Cross-border trade is currently a very small share of total services supply and as a result, only a small share of service providers will benefit from the CoOP itself. It is consequently of limited economy-wide significance whether firms that supply cross-border services are subject to the regulations of their Member State of origin or of the Member State they provide services into.

If services trade within the EU were in fact to increase dramatically, as a result of either the Directive or other factors, then the CoOP and other provisions are likely to lead to larger economic gains in the long run than the model suggests. Levels of cross-border trade for the sectors covered by the Directive would need to be significantly higher (perhaps up to 5-10 times larger than at present) for the CoOP to have a strong economy-wide effect. Cross-border trade in services is, however, already growing at a rapid pace. For example, total services exports from the UK (to the EU25 and the rest of the world) have roughly trebled since 1990, albeit from a very low level.

The limited magnitude of the price and cost effects of barriers to cross-border trade suggest that the CoOP, if implemented, will probably not lead to an extra surge in cross-border trade in services. However, it is difficult to assess to what extent the CoOP might lead to a change in firm behaviour, for example by acting as a stepping stone to stimulate rates of cross-border activity.

Though the purpose of this report is to isolate the economic effects of the CoOP, the study also sheds some light on the origin of the other economic benefits of the Directive. A general breakdown of the benefits from the Directive across specific articles in the Directive is, however, not possible without further analysis. Still, it is clear that the effects are not evenly spread out across all articles. For example, the barrier measures and econometric analysis indicate that barriers to establishment and promotion are especially important for the regulated professions. This implies that Article 29 (on commercial communication by the regulated professions) is likely to have a particular economic importance. The same seems also to apply to certain provisions in Article 15 (particularly those on price setting). The main point is that some articles in the proposed Directive are likely to be economically more significant than others.

Chapter 1 The economic importance of the Country of Origin Principle

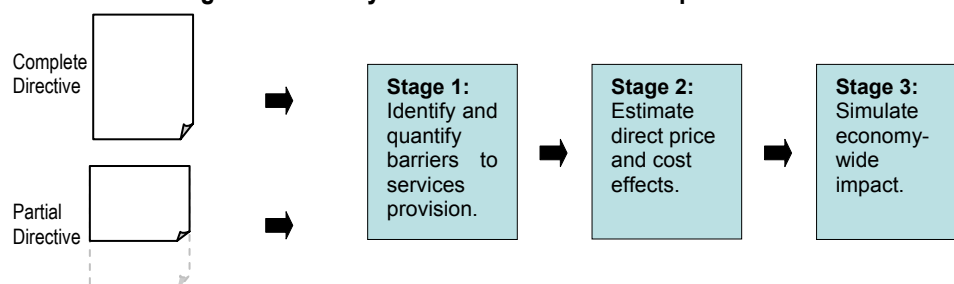
The objective of this report is to quantify the economic impact of the Country of Origin Principle (CoOP) in the proposed EU Services Directive (European Commission, 2004). The Services Directive aims to eliminate obstacles to services provision in the Internal Market by establishing two fundamental freedoms; the freedom of establishment for service providers and the free movement of services between Member States. The Country of Origin Principle is the core of the provisions intended to eliminate obstacles to the free movement of services.

According to the CoOP, a service provider is subject only to the regulations of the country in which he is established. Member States would thus not be allowed to restrict services supplied on a temporary basis by a provider established in another Member State. This is intended to make cross-border trade in services less burdensome without requiring regulatory harmonisation or the imposition of further regulatory obligations on firms that chose to supply services exclusively in their home country.

Broadly speaking, this study is an attempt to partially decompose the economic effects of the Directive in order to isolate the effects of the CoOP. The economic impact of adopting the complete Services Directive has previously been calculated by Copenhagen Economics (2005), showing significant gains for all Member States. In the direct policy impact scenario, the central estimates of the aggregate gains for the European Union were calculated to be approximately 600,000 new jobs, a 0.8 percent gain in value added and a 0.6 percent increase in total consumption (the gains for the UK were estimated to be slightly above the EU average). For a number of reasons the analysis is likely to have underestimated the impact of the Directive, so these figures most likely represent lower bounds.

The impact of eliminating the CoOP from the Services Directive is analysed using the same detailed bottom-up approach and data presented in Copenhagen Economics (2005) in work undertaken for the European Commission. This means that the analysis is based on changes in actual restrictions on service provision in the Internal Market. Also, the analysis draws on a database of more than 275,000 firms for estimates of the direct economic impact of restrictions on firms' performance, and on a global general equilibrium model to simulate the economy-wide effects. The three stages of the analytical framework are illustrated in figure 1.1.

Figure 1.1: Three stages in the analysis of barriers to services provision



Source: Copenhagen Economics.

The first stage of the analytical framework is a detailed assessment of current barriers to services provision. The assessment is based on a comprehensive set of objective and detailed questions regarding restrictions on service provision in the Internal Market. The questionnaire is based on the barriers identified by the European Commission in its survey of the state of the Internal Market for services (European Commission, 2002). The qualitative information on specific restrictions is transformed into a quantitative measure called the IMRIS (Internal Market Restrictiveness Index in Services) using index methodology (for a detailed description of the construction of the indices, see Copenhagen Economics, 2005). When the Services Directive is analysed, the IMRIS indices are recalculated, taking into account which restrictions that will be removed when the Directive (with and without the CoOP and its related provisions) is implemented.

In the second stage of the analytical framework, the direct effect of barriers on the costs and prices of services provision are estimated. A thorough econometric analysis is applied to estimate the direct economic impact of current barriers. The econometric analysis uses a specification of firm profitability that explicitly takes both the influence of barriers and firm-specific differences into account. The result is a translation of the information found in the detailed IMRIS indices into so called tariff equivalents. Tariff equivalents can be thought of as hypothetical taxes that are computed to create economic effects that are equivalent to the economic effects of the actual barriers as measured by the IMRIS indices.

Based on the estimated tariff equivalents, the economy-wide effects of the Services Directive (with and without the CoOP) are calculated in the third stage using the Copenhagen Economics Trade Model (CETM). The model represents state-of-the-art developments within general equilibrium models of services trade and it has been specially designed for the analysis of barriers to trade and foreign direct investment. The model captures all linkages between the different sectors of the economy and it therefore allows for an economy-wide assessment of barriers to services trade.

The analytical framework represents the current state-of-the-art in formal economic modelling of barriers to services trade. Still, there are significant uncertainties as to the precise impact of the Directive. Though the framework includes very detailed barrier measures and captures all spill-over effects from direct changes in prices and productivity across the whole EU economy, the results are dependent upon and bounded by certain assumptions and limitations (see Chapter 2 for a complete overview of the framework and its limitations).

It is for example possible that the CoOP leads to a change in firm behaviour regarding the decision to supply services to other Member States by acting as a stepping stone to stimulate rates of cross-border trade and foreign establishment. This could potentially lead to significantly increased services trade in the long run, but the model calculations are based on current levels of services trade. If services trade within the EU would in fact increase dramatically, as a result of either the Directive or other factors, then the CoOP and other provisions are likely to lead to larger economic gains in the long run than the model suggests.

Another caveat regarding the results is that all relevant barriers may not be included in the analysis. To analyse the impact of the CoOP it is crucial to determine total cost impacts of regulations in all Member States. To the extent that the barrier catalogue used in this study (see Appendix III) is insufficient to capture the economic impacts of regulatory heterogeneity, the analysis will underestimate the impact of the CoOP.

Also, the analytical framework includes only about 2/3 of the service sectors covered by the Services Directive. Notably, the construction sector is not included in the framework and the current analysis does not assess the impact of the CoOP on trade in construction services.

Though the analytical framework could be extended to include more sectors, including construction services, it would require additional barrier data and explicit modelling of temporary movement of natural persons, i.e. ‘mode 4’ according to the WTO classification¹. Movement of natural persons is currently included in the activities of all sectors but not explicitly modelled as trade in the simulations.

1.1. Economy-wide results

The original analysis in Copenhagen Economics (2005) quantified the economic impact of adopting the complete Services Directive as proposed by the Commission. This study uses the same analytical framework (with the above caveats), but calculates the economic impact of adopting only a partial Services Directive without the provisions relating to the CoOP. The resulting effects are then compared to the effects of adopting the complete Services Directive (the direct policy impact scenario described in the original analysis).

The calculations show that eliminating the provisions relating to the CoOP would reduce the overall gains of adopting the Services Directive by approximately 7-9 percent in this particular framework. This amounts to an aggregated welfare loss of €2-4 billion across the European Union each year compared to adopting the complete Directive. Similarly, for the UK, approximately 9-10 percent of the welfare gains would be lost in this model, corresponding to approximately £0.7 billion (€1 billion) each year. For the reasons set out in the following sections (including data coverage, limitations in capturing behavioural effects and the treatment of supporting provisions), the calculations are likely to underestimate the impact of the CoOP.

With the above caveats, the aggregate effects for the UK and the EU of eliminating the CoOP are presented in Table 1.1 below. Note that the table shows relative and absolute changes in welfare and employment gains compared to adopting the complete Services Directive.

Table 1.1: Economy-wide impact of eliminating the CoOP from the Services Directive (central estimates)

	Welfare gains		Employment gains	
	Relative change	Absolute change	Relative change	Absolute change
United Kingdom	- 9-10 %	- €0.5-1 bn	- 2-3 %	- 4,000 jobs
EU	- 7-9 %	- €2-4 bn	- 2 %	- 12,000 jobs

Note: The table shows percentage changes and absolute impacts compared to adopting the complete Services Directive. Welfare is measured as comprehensive consumption.

Source: CETM model - Copenhagen Economics.

The effect of the Country of Origin Principle is limited by the currently low levels of cross-border trade in services. If services trade within the EU were to increase dramatically, then the CoOP and other provisions would become more important (meaning that the aggregated welfare losses of eliminating the CoOP could be higher in future years).

The effects of eliminating the CoOP are less significant when considering the employment outcomes. The aggregate employment gains are essentially unchanged, both at the EU level and for many Member States (compared to adopting the complete Directive). The calculations

¹ According to the WTO’s classification, services provision can take place in four different ways. Mode 4 (movement of natural persons) refers to the entry and temporary stay of persons for the purpose of providing a service. It does not relate to persons seeking citizenship, permanent employment or permanent residence in a country.

show that the aggregate employment gain for the EU would be approximately 2 percent lower if the CoOP is eliminated. For policy purposes, however, such small changes fall within the margin of error in the model calculations.

The small effect on the employment outcome in this model is explained by the economics of the specific barriers affected by the CoOP and its supporting provisions. The CoOP (and in particular the supporting provisions) primarily affects barriers that according to the econometric analysis tend to be cost-creating, as opposed to rent-creating. Cost-creating barriers increase the use of real resources, whereas rent-creating barriers reduce competition and inflate prices. The modelling framework specifically assumes that extra use of labour is required to overcome cost-creating barriers. That is, removing cost-creating barriers improves labour productivity in the sense that the same output can be produced with smaller amounts of labour inputs.

Increased labour productivity has a non-trivial effect on net employment. In the short-run, there is a negative effect on employment because firms can produce the same amount of output using fewer employees or subcontractors. Increased productivity, however, also leads to lower prices, which boosts demand. In the long-run, increased demand calls for higher output and thus stimulates employment. The short- and long-run effects tend to be of the same magnitude and largely neutralise each other. In this modelling framework, the net effect on employment can be both positive and negative, but is generally very small. As a result, the CoOP and its supporting provisions is a relatively less important driver of employment growth than of economic growth.

1.2. Interpretation of the Country of Origin Principle

To evaluate the results, it is crucial to understand how the CoOP has been interpreted for this analysis. The benchmark for this study are the direct policy impact scenario results reported in Copenhagen Economics (2005), which calculated the economic impact of adopting the complete Services Directive. This study considers an alternative scenario where provisions relating to the CoOP are eliminated from the proposed Directive. The economic impact of the CoOP has been quantified as the difference in economic outcomes between the alternative scenario (without the CoOP) and the benchmark (with the CoOP).

The Country of Origin Principle is laid down in Article 16 of the Directive, with accompanying derogations in the next three articles. However, the Directive also includes a number of supporting provisions (Articles 20 through 38) aiming to establish the mutual trust between Member States necessary for the smooth functioning of the CoOP (and to some extent the freedom of establishment for service providers). These provisions cover e.g. harmonisation of legislation, promotion of the quality of services and stronger mutual assistance between authorities. The analysis assumes that if the CoOP is eliminated from the Directive, some of the supporting provisions relating to the CoOP will also be scrapped.

The interpretation means that this analysis considers a Services Directive where Article 16 (the CoOP itself) is deleted, and where a number of articles thereafter are either deleted or diluted. Table 1.2 below shows the articles that apply to the barriers included in the analysis and that are assumed to change if the CoOP is eliminated.

Table 1.2: Articles affected by the elimination of the CoOP

Article	Content	Interpretation
16	Country of Origin Principle	Deleted
20	Prohibited restrictions	Deleted
23	Assumption of health care costs	Deleted
24	Specific provisions on the posting of workers	Diluted

Note: The table shows only articles that affect the barriers included in the analysis and that change as a result of eliminating the CoOP.

Source: Copenhagen Economics.

There are two slight changes in this explicit interpretation of the CoOP compared to the implicit interpretation of the CoOP in the original analysis in Copenhagen Economics (2005). First, the original analysis assumed that barriers to promotion (commercial communication) would effectively be eliminated by the joint effects of the CoOP and Article 29 (on removing prohibitions on commercial communication by the regulated professions). This analysis assumes that a Services Directive without the CoOP would still include the necessary provisions (e.g. a strong Article 29) for eliminating existing barriers to promotion. Second, the original analysis assumed that barriers to free price setting would be eliminated by a combination of the CoOP and Article 15 (on requirements to be evaluated). This analysis assumes that Article 15 alone is sufficient to eliminate existing barriers to free price setting.

In other words, this analysis assumes no change in the impact of the Directive on barriers to promotion. If this were not the case – that is, if barriers to promotion were not removed by the Directive – there would be a far larger reduction in the benefits of the Directive. In some sectors, e.g. regulated professions (represented by accountancy), the barrier measures and the econometrics indicate that barriers to promotion and price setting account for the bulk of the rent-creating barriers. A large share of the employment benefits of the Directive can therefore be attributed to the elimination of restrictions on promotion and price setting. The reason for this is that growth in demand (caused by lower prices from eliminating rent-creating barriers), rather than increased labour productivity (caused by eliminating cost-creating barriers), is the key driver of employment growth in the CETM model. In short, this indicates that e.g. a strong Article 29 may have a significant economic importance.

Because the interpretation affects both the CoOP itself and a number of supporting articles, the direct effect of eliminating the CoOP (compared to adopting the complete Directive) is twofold. First, service providers will be subject to regulations in Member States that they provide services into. Second, more restrictions will be allowed to exist.

The first effect arises because the elimination of the CoOP itself means that firms supplying services cross-border will (as they currently are) be facing barriers applying to foreign firms in the destination country. To capture this effect, the barrier measures are recalculated for firms that provide services cross-border. The updated IMRIS indices for these firms reflect that, for cross-border provision of services, they are subject to the specific regulations of the Member State they are providing services into.

The second effect arises because some restrictions that were originally eliminated by the CoOP and its supporting provisions will be allowed to exist (for all firms)². To capture this effect, the measures of barriers to services provision are again recalculated for all firms and countries to take into account that more restrictions will be allowed. The result is that fewer

² With the current barrier data and interpretation of the CoOP, the second effect is primarily caused by the supporting provisions, rather than from the direct effect of the CoOP on barriers.

barriers will be reduced as compared to if the complete Directive were adopted. The complete list of restrictions that will be allowed if the CoOP is eliminated is provided in Appendix III.

By including both types of direct effects, the economic impact of eliminating the CoOP can be quantified more comprehensively within the framework of the model. Still, the limitations of the modelling framework (e.g. that all relevant barriers may not be included) mean that not all potential effects of the CoOP can be included. These limitations are discussed in detail in following chapter, but generally imply that this study is likely to underestimate the economic impact of not implementing the CoOP³.

It is, however, important to note that the second direct effect is a more important driver of the results than the first effect. The reason is that the first effect only relates to cross-border trade in services between Member States - and cross-border trade in services is very limited. For example, Table 1.3 below shows that cross-border trade in services between the UK and the EU25 is noteworthy (but still of a very limited magnitude compared to goods trade) as a share of total services production and consumption only for business services. Cross-border trade in services with the EU25 is therefore only a small share of total services supply. At present, it is consequently of little economy-wide significance whether firms that supply services cross-border are subject to the regulations of their Member State of origin or of the Member State they provide services into⁴.

Levels of cross-border trade for the sectors covered by the Directive would need to be significantly higher (perhaps up to 5-10 times larger than at present) for the CoOP to have a strong economy-wide effect. Cross-border trade in services is, however, already growing at a rapid pace. Total services exports from the UK (to the EU25 and the rest of the world) have roughly trebled since 1990 (National Statistics, 2005), but from a very low level.

Table 1.3: The size of UK cross-border trade in services with the EU25

Trade flow	Business services	Distributive trade	Construction services	Goods
Exports to EU25	4 %	0.8 %	0.1 %	16 %
Imports from EU25	2 %	0.5 %	~ 0 %	18 %

Note: 'Business services' includes regulated professions. Construction services are not included in the analysis of the Services Directive. Exports to the EU25 are reported as a share of total production. Imports from the EU25 are reported as a share of total demand.

Source: GTAP database.

To understand the small impact of the CoOP itself, it is useful to analyse the difference in barrier levels (measured as tariff equivalents⁵) between adopting the complete Directive and adopting a Directive without the CoOP and its supporting provisions. Figure 1.2 shows how much of the difference that is explained by respectively the first and the second effect in the case of barriers to domestic firms in regulated professions (represented by accountancy) in the UK. This is the sector most affected by removing the CoOP and its supporting provisions because barriers are high and trade relatively more intensive than in the other sectors considered.

³ The same limitations, on the other hand, also imply that the original results in Copenhagen Economics (2005) are likely to underestimate the economic impact of implementing both the CoOP and the complete Services Directive.

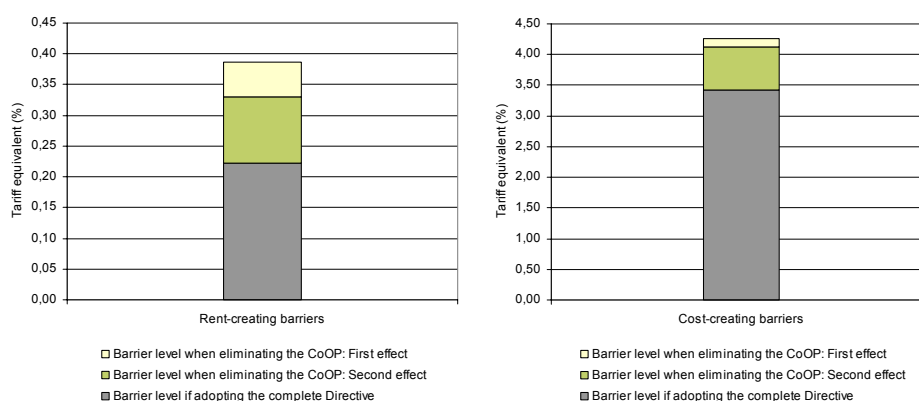
⁴ The analysis considers relatively aggregated sectors. The effects of the CoOP may be more substantive for specific sub-sectors of the economy, but would still be limited for the economy as a whole.

⁵ Tariff equivalents can be thought of as hypothetical taxes that are computed to create economic effects that are equivalent to the economic effects of the actual barriers as measured by the IMRIS indices.

In Figure 1.2, the grey bars show the benchmark tariff equivalents if the complete Services Directive is adopted. The green bars show how much the tariff equivalents increase as a result of the second effect (primarily arising from eliminating the provisions supporting the CoOP). The yellow bars show how much the tariff equivalents increase as a result of the first effect (service providers being subject to the regulations of the Member States they provide services into).

Note that the CoOP itself only affects services supplied cross-border. The tariff equivalents for domestic firms are accordingly calculated to take into account that the CoOP itself only affects the small share of services that are traded cross-border (see Table 1.3 for aggregate figures). Specifically, the tariff equivalents for domestic firms are calculated as a weighted average of barriers to domestic supply and cross-border supply using detailed sectoral data on bilateral trade flows between EU Member States.

Figure 1.2: Tariff equivalents for domestic firms in regulated professions in the UK



Note: The figure shows tariff equivalents for rent- and cost-creating barriers (note the different scales) for domestic firms in regulated professions in the UK. The grey bars show the resulting tariff equivalents if the complete Services Directive is adopted. The green bars show how much the tariff equivalents increase as a result of eliminating the provisions supporting the CoOP. The yellow bars show how much the tariff equivalents increase as a result of firms being subject to the regulations of the Member States they provide services into.

Source: Copenhagen Economics (2005) and the GTAP6 database.

Figure 1.2 shows that for regulated professions, the difference in barrier levels between adopting the complete Directive and a partial Directive without the CoOP is primarily explained by the second effect. For business services (represented by IT-services in this analysis) and distributive trade, the first effect is actually slightly more important than the second effect. But because both barrier levels and trade is very low in these sectors, the second effect is practically eliminated and the first effect is close to zero in this framework. This also implies that the results are primarily driven by the effects of the CoOP and its supporting provisions on regulated professions.

The main reason for the small effects of the CoOP itself is the low intensity of cross-border trade in services. The analysis gives no suggestion that the Services Directive will lead to any dramatic rise in cross-border trade. The original study (Copenhagen Economics, 2005) calculated that the Directive may increase cross-border trade by 1-10 percent for analysed service sectors. Another recent study of the impacts of the Services Directive (Kox et al, 2004) estimated that cross-border trade in services may increase by 15-30 percent. Even if the effect of the Services Directive would be a 30 percent increase in cross-border trade (the highest of the estimates), cross-border trade in services would still be a very small share of total services supply.

Furthermore, the analysis of the direct economic impacts (measured as tariff equivalents) of existing barriers to services provisions provide no indications to suggest that the CoOP will lead to a dramatic shift in firm behaviour. The differences between current barriers facing foreign and domestic firms are simply too small (rarely more than 5 percentage points in discriminatory price and cost impacts) to fully explain the currently low intensity of cross-border trade. Though the analysis is subject to a number of limitations (elaborated on in Chapter 2), a tentative conclusion is that factors other than regulatory barriers may be important for explaining the low intensity of cross-border trade.

1.3. Detailed results

When evaluating more detailed model results, the relative impact of eliminating the CoOP often falls within the realistic margin of error in the model calculations. Though it is clear that eliminating the CoOP has a negative overall welfare impact compared to adopting the complete Directive, it is generally not feasible to quantify the exact impact on less aggregated variables.

To illustrate this point, Table 1.4 presents the effects for the UK of adopting respectively the complete Services Directive and a partial Directive. The table reports the central estimates of the relative gains compared to the current situation (without any Directive at all).

If the CoOP is eliminated from the Services Directive, the economic gains from the Directive are generally slightly smaller for all sectors and variables. For example, costs fall slightly less and markets expand slightly less. However, the changes in these point estimates are effectively too small to allow for a meaningful quantification of the exact impact of eliminating the CoOP. The key conclusion is that the current low levels of cross-border trade mean that the impact of the CoOP as captured by this analysis is limited. The systematic sensitivity analysis in the next section provides a more intuitive and graphic illustration of the effect of eliminating the CoOP, and the uncertainty of the analysis.

Table 1.4: Effects on selected variables for the UK (central estimates)

	Complete Services Directive	Services Directive without the CoOP
Costs of services		
Regulated professions	-7.7 %	-7.1 %
Business services	-0.7 %	-0.6 %
Distributive trade	-2.8 %	-2.7 %
Market size		
Regulated professions	2.0 %	1.9 %
Business services	1.7 %	1.6 %
Distributive trade	0.5 %	0.5 %
Employment		
Regulated professions	6.0 %	6.2 %
Business services	1.2 %	1.2 %
Distributive trade	2.1 %	2.0 %

Note: The table shows the central estimates for percentage changes relative to the current situation. Ranges for upper and lower bounds are provided in Appendix I, showing for example that costs of services may fall by 5.2 to 7.4 percent for regulated professions (based on the 95% confidence intervals of the econometrically estimated tariff equivalents).

Source: CETM model – Copenhagen Economics.

It is important to note that table 1.4 above only reports the central estimates of the calculated economic impacts. The novelty of the applied methodology means that there is considerable uncertainty in the calculations, and a range of outcomes is more credible than a central point

estimate. To underline this uncertainty, the detailed result tables in Appendix I report two sets of results using respectively upper and lower bounds estimates of tariff equivalents. The upper and lower estimates are derived from the 95 percent confidence intervals of the underlying econometric estimates used to calculate the tariff equivalents.

Returning to the economy-wide effects (for the United Kingdom), Table 1.5 illustrates the resulting range of upper and lower estimates for a Services Directive without the CoOP (compared to the current situation).

Table 1.5: Range of economy-wide effects for the United Kingdom

Services Directive without the CoOP		
	Lower estimate	Upper estimate
Economy-wide effects		
Welfare	0.6 %	1.0 %
Employment	0.5 %	0.7 %
Real wages	0.5 %	1.0 %
Service sector effects		
Employment	0.7 %	1.1 %
Value added	1.2 %	2.2 %

Note: The table shows percentage changes for the United Kingdom relative to the current situation.
Source: CETM model – Copenhagen Economics.

In addition to uncertainty regarding the direct economic impact of barriers, the results are sensitive to technical modelling assumptions and underlying economic data. The impact of this aggregated uncertainty is analysed using systematic sensitivity analysis.

1.4. Systematic sensitivity analysis

The purpose of the sensitivity analysis is to examine how sensitive the results are to simultaneous changes in parameters representing model assumptions, underlying data and policy impacts (in this case the tariff equivalents). The systematic sensitivity analysis is undertaken within the simulation model (but also includes the uncertainty in the econometric estimates from stage 2 of the framework), and allows a range of strategic parameters to change simultaneously within specified ranges. The model is used to simulate the same scenario 2000 times, and each time the model randomly chooses a new configuration of the selected parameters.

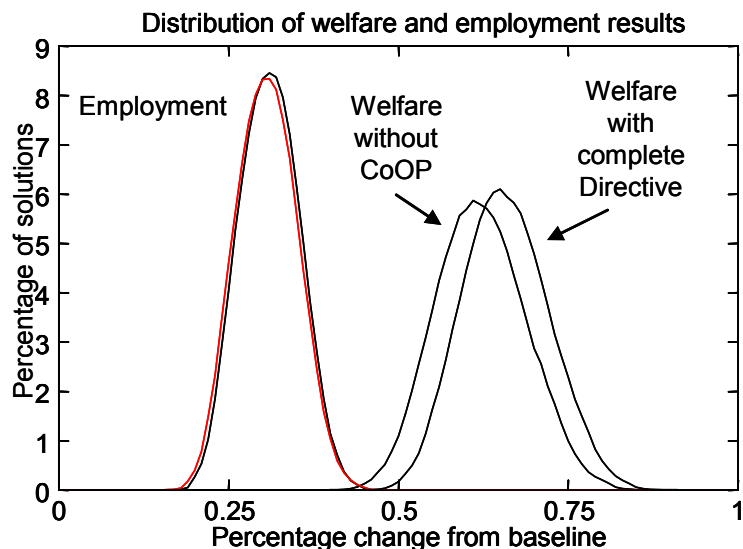
The parameters used in the systematic sensitivity analysis are the same as in Copenhagen Economics (2005). The sensitivity analysis thus includes the market share of foreign firms, foreign firms' use of knowledge capital, the elasticity of substitution between individual service varieties, the elasticity of labour supply and the size of the tariff equivalents.

Compared to the original sensitivity analysis in Copenhagen Economics (2005), there is one slight difference. The methodological improvement described in section 2.4 means that there is a theoretical inconsistency between the econometric estimates and the benchmark IMRIS indices used in this analysis. To take this into account, the systematic sensitivity analysis assumes that the potential bias in the tariff equivalents is up to 10 percent larger than the upper and lower estimates from the econometrics.

Figure 1.3 shows that there is a small, but unmistakable, decrease in the average welfare gain for the EU25 as a whole if the CoOP is eliminated from the Directive. The curves for the welfare outcomes do overlap, however, and there is no significant difference in many of the analysed cases. The overlap for the aggregate employment outcomes, on the other hand, is

almost perfect. The model calculations can therefore effectively not be used to show a difference in total employment from eliminating the CoOP. This confirms the conclusion that eliminating the CoOP from the Services Directive is likely to decrease welfare, but that the effect on employment falls within the margin of error in the calculations.

Figure 1.3: Results of the systematic sensitivity analysis



Note: The figure shows percent changes in aggregate employment and welfare for the EU25 as a whole relative to the current situation.

Source: CETM model – Copenhagen Economics.

1.5. Concluding remarks

The model analysis suggests that the Country of Origin Principle accounts for around 10 percent of the total welfare gains from the Services Directive. There is some uncertainty regarding the number of supporting provisions which may be affected by the CoOP. This analysis assumes that a minimum number of provisions are affected by the removal of the CoOP. If further provisions were affected (e.g. Article 29) then removing the CoOP would eliminate a significantly larger share of the total welfare gains from the Directive. The net effect of the CoOP on total employment is smaller than on total welfare, because it primarily affects labour productivity whereas employment growth in the current modelling framework is driven primarily by increased demand.

The limited importance of the Country of Origin Principle itself is primarily explained by the low intensity of cross-border trade in services. Cross-border trade is a very small share of total services supply and, as a result, only a small share of service providers will benefit from the CoOP. It is consequently currently of limited economy-wide significance whether firms that supply services cross-border are subject to the regulations of their Member State of origin or of the Member State they provide services into. If cross-border trade increased as a result of the proposed Directive, levels of cross-border trade for the sectors covered by the Directive would need to be significantly higher (perhaps up to 5-10 times larger than at present) for the CoOP to have a strong economy-wide effect.

Finally, it is appropriate to highlight some limitations that may influence the interpretation of the results. Three specific limitations are especially important to consider. First, the sector coverage is limited to regulated professions, business services and distributive trade. These sectors account for approximately 2/3 of the services affected by the Services Directive. Some important sectors, however, are not included in the analysis, e.g. construction services. Though

the analytical framework could be extended to include more sectors, the current analysis cannot be used to evaluate the impact on e.g. construction services (no barrier data exists for construction services and trade in construction services is likely to take place through temporary movement of natural persons, i.e. mode 4, which is included in the size of all sectors but not explicitly modelled as trade in the simulations).

It is also worth noting that the analysis deals with relatively aggregated sectors. For example, within the aggregated sectors – business services – the impact of the CoOP may be very different for sub-sectors with different characteristics.

Second, the analysis may not include all relevant barriers to services provision. Because the CoOP means that service providers should be subject only to the regulations of their country of establishment, it is crucial to adequately determine the total cost impacts of regulations in both the country of establishment and the country of destination. Though the IMRIS indices used to quantify existing barriers are very comprehensive, service providers may face additional barriers. In addition, there are uncertainties in the quantification of the barriers included, for example with regard to the actual discriminatory impact of barriers. If the IMRIS indices and the econometrics underestimate the economic impact of the regulatory heterogeneity between Member States, the analysis will underestimate the importance of the CoOP. Still, given the low intensity of cross-border trade in services, an alternative analysis would have to show massive differences in regulatory costs for the CoOP to have a more significant economy-wide impact.

Third, the analysis relies on econometric estimations of the current price and cost impacts of existing barriers. It follows that the analysis implicitly assumes that firms will react normally (i.e. as they have previously reacted) to the estimated price and costs impact of the CoOP. To the extent that the CoOP contributes to a radical change in firm behaviour (e.g. dramatically increased cross-border activity or establishment) that has not been observed before, it is not included in the analysis. However, the magnitude of the direct price and cost impacts of existing barriers to services provision do not provide any indication to suggest that the CoOP will lead to a radical shift in the average firms' production and market behaviour. Furthermore, the differences between current barriers facing foreign and domestic firms are simply too small (rarely more than 5 percentage points in discriminatory price and cost impacts) to fully explain the currently low intensity of cross-border trade.

Chapter 2 The analytical framework

This chapter provides an overview of the analytical framework, including key features, assumptions and limitations of the analysis. Furthermore, it highlights issues that are particularly important for the current application of the framework. A complete and detailed description of the methodology is provided in Copenhagen Economics (2005).

2.1. Identification and quantification of barriers to service provision

The first stage of the analytical framework is a detailed assessment of current barriers to service provision. The assessment is based on a comprehensive set of objective and detailed questions regarding restrictions on service provision in the Internal Market. The questionnaire is based on the barriers identified by the European Commission in its survey of the state of the Internal Market for services (European Commission, 2002). The questions are organized into categories and sub-categories, corresponding to seven stages in the value chain of service providers (see Table 2.1).

Table 2.1: IMRIS categories

Number	Category	Number of sub-categories	Barrier type
1	Establishment	7	Establishment
2	Uses of inputs	5	
3	Promotion	8	Ongoing operations
4	Distribution	5	
5	Sales of services	5	
6	After sales aspects	4	
7	Non-legal barriers	4	

Source: Copenhagen Economics (2005).

The qualitative information on specific restrictions is transformed into a quantitative measure called the IMRIS (Internal Market Restrictiveness Index in Services) using index methodology. Barriers for respectively domestic and foreign firms are measured by creating a domestic IMRIS and a foreign IMRIS with different weights for individual restrictions to reflect de-facto discrimination. When the Services Directive is analysed, the IMRIS indices are recalculated, taking into account which restrictions that will be removed when the Directive (with and without the CoOP and its related provisions) is implemented.

The detailed bottom-up construction of indices of barriers to service provision enables the evaluation of how changes in specific restrictions on a very detailed level will affect overall barriers. Still, a number of assumptions and limitations of the barriers measures should be noted:

- **Not all relevant barriers may be included.** Though the IMRIS indices are very comprehensive, service providers may face additional barriers. Furthermore, there is uncertainty as to the actual discriminatory effect of existing barriers. If the IMRIS

indices underestimate the regulatory heterogeneity between Member States, the analysis will underestimate the importance of the CoOP.

- **Data is incomplete.** Due to lack of information, the IMRIS database is not complete. Where no data was available, the analysis assumes that no restrictions exist. Furthermore, the IMRIS indices only cover four sectors (IT-services, accountancy, wholesale trade and retail trade). The sectors were chosen to represent different types of service provision with diverse characteristics. Accountancy and IT-services are both knowledge intensive services, but accountancy services are generally regulated, and IT-services are unregulated. Retail and wholesale trade are different types of distributive trade and account for a large share of the service sector. The effects of the Services Directive and CoOP on other sectors are not included.
- **No explicit distinction in IMRIS indices between cross-border supply and foreign establishment.** The IMRIS indices only distinguish between domestic and foreign firms. There is no explicit distinction between foreign firms that are established in a Member State and foreign firms that supply services cross-border into the same Member State. The analysis therefore assumes that foreign firms established in a Member State and foreign firms supplying services cross-border into the same Member state face identical barriers to ongoing operations.
- **Only legal changes that have an impact on the IMRIS indices are included.** The IMRIS indices are based on the barriers identified by the European Commission in its survey of the state of the Internal Market for services (European Commission, 2002). Only legal changes that have an impact on these barriers are captured in the analysis. This means that provisions in the Directive (e.g. specific derogations) that cannot be interpreted in terms of the barriers identified in the Commission survey are not included in the analysis.
- **One interpretation of the Directive applies to all sectors and types of firms.** The Directive is assumed to have identical impacts on barriers across sectors and firm types. For example, an article in the Directive that bans discriminatory authorisation requirements is assumed to eliminate such barriers for both domestic and foreign firms in all sectors included in the analysis.

In all, these limitations and assumptions generally imply that the economic impact of both the complete Services Directive and the CoOP are underestimated in the analysis.

2.2. Estimation of direct price and cost effects

In the second stage of the analytical framework, the direct effect of barriers on the costs and prices of service provision are estimated. The overall objective of this stage of the analysis is to translate the information found in the detailed IMRIS indices into tariff equivalents that can be incorporated in an economy-wide general equilibrium model (in the third stage). The tariff equivalents can be thought of as hypothetical taxes that are computed to create economic effects equivalent to the economic effects of the actual barriers as measured by the IMRIS indices⁶.

A thorough econometric analysis is applied to estimate the direct economic impact of barriers to service provision, based on a comprehensive data set covering more than 275,000 firms. This is by far the most complete study of the impact of barriers to services trade to date. The

⁶ Due to lack of barrier data, IMRIS category 6 (after sales aspects) is not included in the econometric estimations.

econometric analysis uses a specification of firm profitability that explicitly takes both the influence of barriers and firm-specific differences into account. At the firm level, each firm's profitability is affected by several factors specific to that firm. The econometric model controls for these factors by including profits earned on other activities, operational efficiency, firm size, capital and labour intensity in production, and solvency of the company.

The econometric estimations are based on the performance of actual firms and show the effects of barriers on firm-level performance. This means that it is not possible to calculate different estimates for e.g. domestic supply and cross-border supply to foreign markets. Also, to the extent that not all relevant barriers may be included in the analysis there is of course uncertainty as to the actual impact of these barriers (i.e. the barriers not included) on firm-level performance.

The econometric model shows that in countries with high barriers, service providers can inflate prices and have higher costs of operation. Conversely, the model shows that providers in countries with lower barriers operate with lower costs and supply services that are less costly for consumers and users.

The main conceptual drawback of the econometric analysis is its reliance on historical data on firm behaviour:

- **This means that the econometrics assume that firms will react normally to price and cost changes (i.e. as they have done in the past).** If the CoOP would lead to a radical change in firm behaviour, for example by acting as a stepping stone to increased cross-border activity, it would not be reflected in this analysis.

This study draws on the econometric estimates provided in Copenhagen Economics (2005) to transform the updated IMRIS indices (without the CoOP) into new tariff equivalents.

2.3. Simulation of economy-wide effects

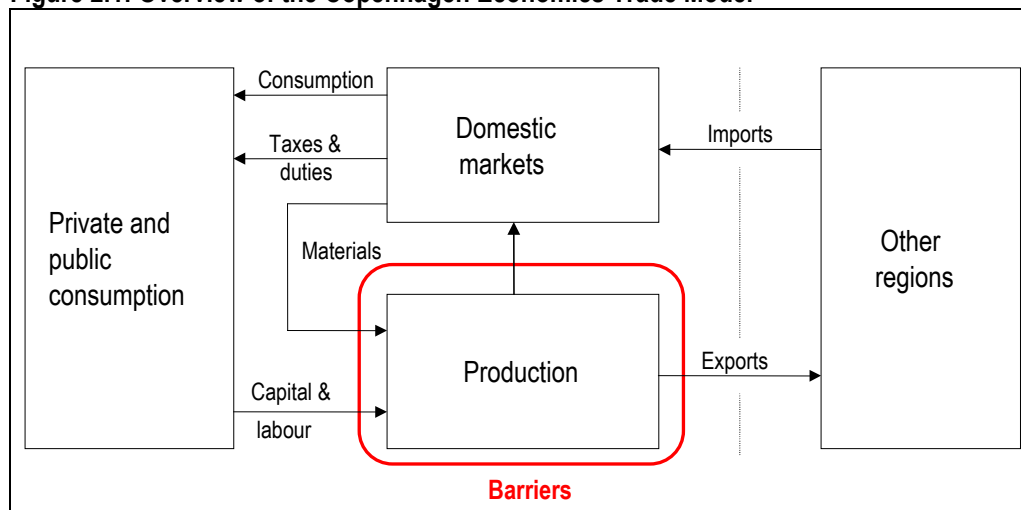
The economy-wide effects of the Services Directive (with and without the CoOP) are calculated using the Copenhagen Economics Trade Model (CETM). The CETM model is a global, multi-regional general equilibrium model. The model represents state-of-the-art developments within models of the services trade and it has been specially designed for the analysis of barriers to trade and foreign direct investment, price reforms and market integration. The model captures all linkages between the different sectors of the economy and it therefore allows an economy-wide assessment of barriers to services trade. Specifically, the model captures both the *direct* effects on the service providers and the *indirect* effects on their suppliers and customers. The model, therefore, captures the important backward and forward linkages both among firms and among firms and final consumers (households and government organisations).

The current version of the CETM model has been adapted specifically to the analysis of barriers to services trade within the EU. This implies that the model focuses particularly on the individual countries in the EU and on the sectors where barriers have a significant economy-wide impact. The model represents all of the current EU Member States including the new Member States.

Figure 2.1 gives an overview of the markets, the agents and the flows of goods, services and factors in the model. Firms producing goods and services represent the supply side of the model. All goods and services are being produced with materials and primary factors capital and labour. A representative agent represents final demand and he finances his consumption with income from sales of capital and labour. Finally, a government provides public goods financed through taxes and duties.

Users of services distinguish between individual varieties of services and between services from providers of different nationalities. For example, French customers are assumed to view services provided by French firms as better substitutes for each other than services provided by, say, the French subsidiary of a German multinational. Also, services provided locally, whether by a purely national firm or by an established foreign firm, are better substitutes for each other than services provided cross-border.

Figure 2.1: Overview of the Copenhagen Economics Trade Model



Source: Copenhagen Economics.

To maintain consistency with the econometric estimations (that are based on firm-level performance), barriers affect firms' total production.

The CETM model represents the state of the art in models of services trade, but a number of assumptions and limitations may influence the accuracy of the calculations:

- **Limited sector coverage.** The representation of barriers in the model analysis is limited by the sector coverage of the IMRIS indices. The IMRIS indices and econometric estimates measure regulatory barriers to accountancy services, IT-services, wholesale trade and retail trade. In the CETM model, the tariff equivalents estimated for accountancy services are assumed to be representative for all regulated professions. Similarly, it is assumed that the tariff equivalents for IT-services are representative for all business services. Finally, it is assumed that the weighted average of barriers to wholesale and retail trade is representative for the distributive trade sector of the CETM model. These extrapolations should be kept in mind when interpreting the sector-level results of the model analysis.
- **No explicit distinction between small and large firms.** The CETM model does not distinguish between small and large firms. Because the econometric estimates are based on the performance of firms of all sizes, the firms in the model are representative of average firm behaviour. Since only average firm behaviour is considered, the model cannot be used to measure e.g. special effects for small- and medium-sized enterprises.
- **Barriers apply to total production, irrespective of destination market.** Since the econometric analysis is based on firm-level performance, barriers in the model apply to the total production of firms, irrespective of destination market. Estimations of different cost and price effects for different markets would require knowledge of intra-firm processes that is not available. Though barriers apply to total production, they are

adjusted to take into account that barriers may be higher for cross-border supply to foreign markets.

- **Foreign subsidiaries only supply services to local markets.** The CETM model assumes that firms establish foreign subsidiaries for the purpose of supplying services to the local market in the Member State where the subsidiary is being established. This means that the model does not allow for foreign establishments in a lightly regulated jurisdiction for the sole purpose of re-exporting services to the original country of origin. It also means that only purely domestic firms supply services cross-border.

Again, the assumptions and limitations generally imply that the calculations underestimate the economic impact of both the Services Directive and the CoOP.

2.4. Methodological improvements

To better capture the effects of eliminating the CoOP, one adjustment has been made to the detailed methodology described in Copenhagen Economics (2005). In the original study, the IMRIS indices did not take into account that firms supplying services cross-border may currently be subject to different regulations in the destination country than in their country of origin. The approach is consistent with the econometric stage, but served to underestimate the impact of the CoOP.

In this study, the benchmark IMRIS indices have been recalculated to properly take into account that firms supplying services cross-border currently are subject to the regulations of the destination country. The adjustment only concerns domestic firms, which are the only firms supplying services cross-border. The benchmark IMRIS indices for domestic firms have been recalculated so that these firms face:

- Domestic barriers to establishment.
- Domestic barriers to ongoing operations for the share of production that is supplied to the domestic market.
- Foreign barriers to ongoing operations for the share of production that is supplied to foreign markets (weighted according to bilateral trade flows).

This improvement of the methodology allows for a very straightforward interpretation of the CoOP itself (as laid down in Article 16 of the Directive). When the CoOP is included in the Directive, firms only face the barriers of their country of origin for all types of supply. Conversely, when the CoOP is eliminated, firms undertaking cross-border supply are again subject to the regulations of the destination country.

The adjustment does, however, mean that the benchmark IMRIS indices are slightly different from the original benchmark IMRIS indices used to calculate the econometric estimates for the direct price and cost impacts of current barriers. Ideally, the econometric estimates should have been re-estimated to take the updated benchmark IMRIS indices into account. Because the adjustments to the benchmark IMRIS indices were very small and therefore unlikely to change the estimates, it was decided use the econometric estimates from Copenhagen Economics (2005) without modifications. This minor inconsistency in the methodology means that extra attention should be given to the systematic sensitivity analysis in the CETM model (which can be performed independently from the methodology used for calculating tariff equivalents).

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Appendix I: Detailed results

This appendix presents the detailed model results. The tables show the economy-wide impacts of adopting a Services Directive without the Country of Origin Principle compared to the current situation. The original results based on the adoption of the complete Services Directive are available in Copenhagen Economics (2005), where information on IMRIS values and econometric estimates used in the study can also be found. The first section presents results based on the lower bound estimates of tariff equivalents, and the second section presents results based on the upper bound estimates. Both the upper and lower bounds represent the same scenario (i.e. adopting a Services Directive without the Country of Origin Principle), but are derived from the 95 percent confidence intervals of the econometric estimates used to calculate the tariff equivalents.

Notes on variable definitions and specific results

Welfare is defined as comprehensive consumption, which includes consumption of goods and services as well as the economic value of leisure. Costs of services represent price changes (for example, the lower estimate for the impact on regulated professions is an average price reduction of 5.2 percent for the EU25). Costs of services are also calculated separately for respectively domestic and foreign firms. Market size is measured as the total value of output by both domestic and foreign firms (a negative percentage value thus means that the concerned market will contract in value terms but not necessarily in quantity terms). Again, the value of output is also reported separately for both domestic and foreign firms. Note that the total value of output depends on both the final price and quantity supplied.

Cross-border trade is measured by the total value of exports within the EU25. The figure does thus not include services exports to the rest of the world. Finally, value added is defined as the sum of payments to inputs of labour and capital, and employment is measured by labour demand.

The detailed results for specific variables, countries and sectors are determined by the combined economy-wide effects of the direct price and productivity effects of eliminating barriers. For example, lower rents and higher productivity put a downward pressure on prices, but productivity increases also result in higher wages, which put an upward pressure on prices. The final price effect will therefore depend on a number of factors. In sectors where barrier reductions are small (or where there are no barrier reductions at all) and prices of intermediate inputs only fall slightly, higher costs of labour and capital may actually result in higher final prices. A comprehensive discussion of the factors driving the results is available in Copenhagen Economics (2005).

Also note that the analysis does not include changes in barriers to the provision of construction services. The reported effects on the construction sector are spill-over effects resulting from price and productivity changes in regulated professions, business services and distributive trade.

Lower estimates

Summary Results (% change)

	Economy-wide impacts					Service sectors impacts		
	Welfare	Welfare ^a [bn euro]	Real wage	Return to capital	Total employment	Employment	Value added	Value added ^a [bn euro]
EU25	0,4	25,4	0,3	0,8	0,2	0,4	0,8	24,9
Austria	0,2	0,3	0,3	0,4	0,2	0,2	0,5	0,5
Belgium	0,3	0,5	0,2	0,7	0,3	0,5	0,9	0,5
Cyprus	5,3	0,3	1,5	1,1	-1,0	-0,2	1,6	0,1
Czech Rep.	0,1	0,0	0,3	0,3	0,0	0,1	0,3	0,1
Denmark	0,2	0,2	0,1	0,4	0,2	0,3	0,5	0,2
Estonia	0,1	0,0	0,2	0,3	0,1	0,1	0,3	0,0
Finland	0,5	0,4	0,3	0,6	0,2	0,4	0,8	0,2
France	0,2	2,1	0,3	0,5	0,1	0,3	0,6	3,1
Germany	0,3	4,8	0,2	0,8	0,3	0,4	0,7	5,8
Greece	0,2	0,2	0,3	0,7	0,2	0,4	0,9	0,3
Hungary	0,3	0,1	0,3	0,6	0,2	0,3	0,7	0,1
Ireland	0,1	0,1	0,1	0,2	0,1	0,1	0,2	0,0
Italy	0,5	3,7	0,1	1,4	0,2	0,3	1,1	6,0
Latvia	2,3	0,1	0,7	0,3	-0,4	-0,1	0,6	0,0
Lithuania	0,1	0,0	0,1	0,3	0,2	0,3	0,4	0,0
Luxembourg	0,1	0,0	0,1	0,3	0,2	0,2	0,4	0,0
Malta	1,6	0,0	0,4	0,1	-0,3	0,0	0,4	0,0
Netherlands	1,0	2,5	0,6	0,9	0,4	0,6	1,2	1,3
Poland	0,1	0,1	0,1	0,4	0,1	0,1	0,3	0,1
Portugal	0,4	0,3	0,4	0,9	0,3	0,4	0,9	0,3
Slovakia	11,6	1,5	3,7	2,1	-1,9	-0,2	3,6	0,2
Slovenia	11,4	1,5	3,7	1,9	-1,8	0,5	4,1	0,3
Spain	0,2	0,6	0,0	0,5	0,2	0,3	0,5	0,7
Sweden	0,1	0,1	0,1	0,3	0,1	0,1	0,3	0,3
United Kingdom	0,6	5,8	0,5	0,8	0,5	0,7	1,2	4,7

Note: (a) Change in billion euro

Source: CETM model - Copenhagen Economics

Costs of services (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	-5,2	0,2	-2,0	0,1	0,2	0,2	0,1
Austria	0,2	0,2	-2,0	0,1	0,3	0,3	0,0
Belgium	-7,5	0,0	-2,3	0,2	0,3	0,1	0,1
Cyprus	1,1	1,1	1,0	1,0	1,4	1,2	1,3
Czech Rep.	-0,8	0,1	-1,6	0,1	0,1	0,2	0,2
Denmark	-4,2	-0,1	-1,7	0,0	0,1	0,1	0,1
Estonia	-1,3	0,0	-1,2	0,1	0,0	0,1	0,1
Finland	-6,3	-0,2	-1,9	-0,2	0,0	0,1	0,1
France	-4,2	0,0	-1,5	-0,1	0,1	0,2	0,1
Germany	-4,9	0,4	-1,9	0,1	0,3	0,1	0,1
Greece	-7,4	0,3	-1,5	0,1	0,3	0,2	0,3
Hungary	-2,3	0,2	-1,8	0,0	0,1	0,2	0,1
Ireland	0,1	0,1	-0,7	0,0	0,1	0,1	0,1
Italy	-6,7	0,8	-1,6	0,3	0,3	0,0	0,1
Latvia	0,4	0,4	0,4	0,3	0,5	0,5	0,3
Lithuania	0,1	0,1	-1,4	0,0	0,1	0,0	0,1
Luxembourg	-0,1	-0,1	-2,0	0,1	0,2	0,1	0,0
Malta	0,2	0,2	0,2	0,1	0,2	0,3	0,2
Netherlands	-3,8	0,1	-3,4	-0,2	0,3	0,2	0,0
Poland	-0,9	0,0	-1,0	0,1	0,0	0,0	0,1
Portugal	-6,0	0,3	-2,5	0,0	0,2	0,3	0,0
Slovakia	1,7	1,7	1,5	1,7	2,0	2,4	1,6
Slovenia	1,9	1,9	2,2	1,8	2,3	2,6	2,0
Spain	-8,0	0,1	-1,4	0,0	0,1	0,0	0,1
Sweden	-3,3	0,0	-1,0	0,0	0,1	0,1	0,0
United Kingdom	-6,0	-0,3	-2,5	0,0	0,0	0,4	0,1

Note: Costs of services is measured by the weighted average of the prices of output provided by domestic and foreign firms

Source: CETM model - Copenhagen Economics

Costs of services supplied by domestic firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	-5,3	0,3	-1,9	0,1	0,2
Austria	0,3	0,2	-1,9	0,1	0,3
Belgium	-8,1	0,0	-2,4	0,2	0,3
Cyprus	1,1	1,1	1,1	1,0	1,6
Czech Rep.	-0,8	0,1	-1,5	0,1	0,1
Denmark	-4,4	-0,1	-1,7	0,0	0,1
Estonia	-1,3	0,1	-1,2	0,1	0,0
Finland	-6,3	-0,2	-2,0	-0,2	0,0
France	-4,2	0,0	-1,5	-0,1	0,1
Germany	-4,9	0,4	-1,8	0,1	0,3
Greece	-7,6	0,3	-1,7	0,1	0,3
Hungary	-2,5	0,2	-1,7	0,0	0,1
Ireland	0,1	0,1	-0,8	0,0	0,1
Italy	-6,7	0,8	-1,7	0,3	0,3
Latvia	0,4	0,4	0,4	0,3	0,5
Lithuania	0,1	0,1	-1,4	0,0	0,1
Luxembourg	-0,1	-0,1	-1,7	0,1	0,2
Malta	0,2	0,2	0,3	0,1	0,2
Netherlands	-3,8	0,1	-3,3	-0,2	0,3
Poland	-0,9	0,1	-0,9	0,1	0,0
Portugal	-6,1	0,3	-2,5	0,0	0,2
Slovakia	1,8	1,8	1,5	1,7	2,2
Slovenia	1,9	1,9	2,2	1,8	2,5
Spain	-8,1	0,1	-1,4	0,0	0,1
Sweden	-3,3	0,0	-1,0	0,0	0,2
United Kingdom	-6,0	-0,3	-2,5	0,0	0,0

Note: Costs of services is measured by the price of service output provided by domestic firms

Source: CETM model - Copenhagen Economics

Costs of services supplied by foreign firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	-4,9	0,1	-2,0	0,1	0,1
Austria	0,2	0,2	-2,7	0,1	0,2
Belgium	-5,8	-0,1	-2,3	0,1	0,2
Cyprus	0,9	0,9	0,9	0,9	1,0
Czech Rep.	-1,0	0,1	-2,1	0,1	0,1
Denmark	-3,0	-0,1	-1,5	0,0	0,0
Estonia	-1,0	0,0	-1,1	0,1	0,0
Finland	-5,4	-0,2	-1,6	-0,2	-0,1
France	-4,0	0,0	-1,1	-0,1	0,1
Germany	-4,7	0,3	-2,4	0,1	0,2
Greece	-6,2	0,2	-0,8	0,1	0,2
Hungary	-1,7	0,1	-1,9	0,0	0,0
Ireland	0,0	0,0	-0,3	0,0	0,0
Italy	-6,5	0,6	-1,5	0,2	0,2
Latvia	0,3	0,3	0,3	0,3	0,4
Lithuania	0,0	0,0	-1,2	0,0	0,1
Luxembourg	-0,1	-0,1	-2,8	0,0	0,1
Malta	0,2	0,2	0,2	0,1	0,1
Netherlands	-3,3	0,1	-3,9	-0,2	0,2
Poland	-0,7	0,0	-1,1	0,0	0,0
Portugal	-5,2	0,2	-2,2	0,0	0,2
Slovakia	1,5	1,5	1,3	1,5	1,6
Slovenia	1,7	1,7	2,0	1,8	2,0
Spain	-7,2	0,1	-1,1	0,0	0,1
Sweden	-2,9	0,0	-1,1	0,0	0,1
United Kingdom	-5,1	-0,3	-2,2	-0,1	-0,1

Note: Costs of services is measured by the price of service output provided by foreign firms

Source: CETM model - Copenhagen Economics

Market size (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	0,8	0,6	0,4	0,1	0,5	0,2	0,2
Austria	-0,3	0,2	0,3	0,0	0,2	0,3	0,4
Belgium	4,4	0,2	0,5	0,2	0,2	0,1	0,1
Cyprus	4,2	4,4	5,0	0,9	0,8	1,6	-0,5
Czech Rep.	0,0	0,3	0,1	0,2	0,3	0,2	0,3
Denmark	1,5	0,5	0,2	0,0	0,4	0,1	0,2
Estonia	0,0	0,3	0,3	0,1	0,3	0,1	0,2
Finland	1,4	0,7	0,4	-0,2	0,6	0,2	0,2
France	0,6	0,5	0,3	-0,1	0,4	0,2	0,2
Germany	0,4	0,3	0,2	0,3	0,3	0,1	0,2
Greece	2,3	0,1	0,4	0,1	0,9	0,2	0,1
Hungary	0,4	0,5	0,3	0,1	0,5	0,2	0,3
Ireland	-1,7	0,2	0,1	0,0	0,2	0,1	0,2
Italy	0,5	0,3	0,2	0,2	0,4	0,0	0,2
Latvia	0,6	1,0	1,9	0,3	0,5	0,7	-0,1
Lithuania	0,1	0,3	-0,1	0,0	0,2	0,0	0,2
Luxembourg	-1,8	0,2	0,1	0,1	0,1	0,0	0,2
Malta	-0,3	1,2	0,6	0,0	0,7	0,3	-0,2
Netherlands	1,1	0,9	1,9	0,0	1,0	0,3	0,5
Poland	0,0	0,2	0,1	0,1	0,2	0,0	0,1
Portugal	0,8	0,4	0,6	0,0	1,1	0,3	0,5
Slovakia	6,3	6,8	7,2	2,0	3,5	3,5	0,2
Slovenia	5,7	5,8	7,2	1,9	4,0	4,5	-0,8
Spain	2,8	0,3	-0,1	0,0	0,2	0,0	0,0
Sweden	0,3	0,3	0,2	0,0	0,2	0,1	0,3
United Kingdom	1,5	1,3	0,3	0,0	1,0	0,2	0,3

Note: Market size is measured by the total value of output by both domestic and foreign firms

Source: CETM model - Copenhagen Economics

Output by domestic firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	1,2	0,5	0,4	0,1	0,4
Austria	-0,7	0,2	-0,4	0,0	0,1
Belgium	10,5	0,2	0,6	0,1	-0,1
Cyprus	3,8	4,1	4,8	0,9	-0,2
Czech Rep.	-0,3	0,2	-0,7	0,2	0,2
Denmark	2,9	0,5	0,6	0,0	0,4
Estonia	0,1	0,2	0,3	0,1	0,3
Finland	1,8	0,7	0,8	-0,2	0,5
France	0,8	0,5	0,5	-0,1	0,3
Germany	0,7	0,2	-0,5	0,3	0,2
Greece	4,3	0,0	1,4	0,1	0,8
Hungary	1,4	0,4	0,0	0,0	0,4
Ireland	-1,9	0,2	0,9	0,0	0,2
Italy	0,9	0,2	0,5	0,2	0,2
Latvia	0,5	0,9	1,8	0,3	0,2
Lithuania	0,0	0,3	0,1	0,0	0,2
Luxembourg	-2,5	0,3	-1,1	0,1	0,0
Malta	-1,0	1,1	0,1	0,0	0,6
Netherlands	1,3	0,9	1,4	0,0	0,9
Poland	0,2	0,1	-0,1	0,0	0,1
Portugal	1,0	0,4	0,7	0,0	1,1
Slovakia	5,6	6,3	7,0	1,9	3,0
Slovenia	5,4	5,6	6,8	1,8	3,1
Spain	4,4	0,3	0,4	0,0	0,2
Sweden	0,6	0,3	0,1	0,0	0,2
United Kingdom	1,9	1,3	0,7	0,0	0,9

Note: Output is measured by the value of output provided by domestic firms

Source: CETM model - Copenhagen Economics

Output by foreign firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	-1,3	1,0	0,5	0,3	0,8
Austria	1,0	0,5	3,5	0,0	0,5
Belgium	-10,1	0,1	0,1	0,3	0,6
Cyprus	6,2	5,9	5,8	1,4	3,9
Czech Rep.	1,5	0,4	2,7	0,3	0,4
Denmark	-6,3	0,1	-0,9	0,1	0,5
Estonia	-0,9	0,3	0,0	0,2	0,3
Finland	-4,7	0,6	-1,3	-0,2	0,7
France	-0,4	0,7	-1,3	0,0	0,5
Germany	-0,9	0,8	2,7	0,4	0,6
Greece	-7,4	0,6	-3,0	0,2	1,1
Hungary	-2,0	0,9	1,0	0,2	0,6
Ireland	1,9	0,1	-1,6	0,0	0,2
Italy	-0,7	1,5	-0,4	0,7	0,9
Latvia	1,6	1,2	2,0	0,4	1,3
Lithuania	0,7	0,4	-1,1	0,1	0,4
Luxembourg	1,6	-0,2	4,1	0,1	0,3
Malta	2,9	1,5	2,0	0,1	1,1
Netherlands	-1,7	1,2	4,2	0,0	1,3
Poland	-0,4	0,3	0,8	0,2	0,2
Portugal	-4,4	0,9	-1,1	0,1	1,3
Slovakia	10,0	9,4	8,1	2,8	5,2
Slovenia	7,2	7,0	8,8	2,4	7,0
Spain	-5,8	0,5	-1,6	0,2	0,4
Sweden	-1,9	0,2	0,4	0,1	0,4
United Kingdom	-3,3	1,3	-0,8	0,2	1,1

Note: Output is measured by the value of output provided by foreign firms

Source: CETM model - Copenhagen Economics

Cross border trade (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	7,3	0,6	2,8	0,1	0,4
Austria	-8,4	0,1	2,4	-0,1	0,0
Belgium	20,7	0,7	4,3	-0,2	-0,3
Cyprus	-7,9	-0,3	-2,4	-1,8	-3,4
Czech Rep.	-5,8	0,4	1,3	-0,1	0,4
Denmark	5,2	1,1	2,7	0,2	0,7
Estonia	-4,2	0,6	1,1	0,0	0,8
Finland	10,0	1,5	3,3	0,6	0,9
France	3,2	0,7	2,0	0,4	0,5
Germany	5,3	-0,3	2,2	-0,1	0,1
Greece	15,1	-0,2	2,8	-0,2	0,4
Hungary	-0,8	0,2	2,2	0,2	0,5
Ireland	-8,4	0,6	0,4	0,2	0,6
Italy	10,4	-1,3	2,4	-0,5	0,0
Latvia	-8,0	0,1	-2,1	-0,4	-0,6
Lithuania	-7,6	0,6	1,6	0,2	0,5
Luxembourg	-8,0	1,0	1,7	0,1	0,2
Malta	-8,3	0,6	-2,6	0,2	0,4
Netherlands	2,6	0,7	7,0	0,8	0,3
Poland	-5,2	0,5	0,2	0,1	0,7
Portugal	8,9	0,1	4,8	0,1	0,6
Slovakia	-9,2	-0,9	-2,4	-3,0	-3,3
Slovenia	-9,3	-1,4	-4,2	-3,4	-3,9
Spain	17,0	0,4	1,8	0,1	0,4
Sweden	1,0	0,6	0,5	0,1	0,3
United Kingdom	8,8	1,8	4,7	0,2	1,0

Note: Cross border trade is measured by the value of total exports within the EU

Source: CETM model - Copenhagen Economics

Value added (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	5,8	0,5	2,1	0,1	0,4	0,2	0,2
Austria	-0,3	0,2	2,4	0,0	0,0	0,3	0,4
Belgium	13,1	0,2	3,0	0,2	-0,1	0,1	0,0
Cyprus	3,9	4,1	5,0	0,9	-0,7	1,5	-2,0
Czech Rep.	0,9	0,2	1,9	0,2	0,2	0,2	0,3
Denmark	4,2	0,5	1,8	0,0	0,4	0,1	0,2
Estonia	1,0	0,2	1,5	0,1	0,3	0,0	0,1
Finland	6,0	0,7	2,1	-0,2	0,6	0,2	0,2
France	3,8	0,5	1,7	-0,1	0,3	0,2	0,2
Germany	4,9	0,2	2,2	0,3	0,3	0,1	0,2
Greece	12,0	-0,1	1,8	0,1	0,9	0,2	0,1
Hungary	3,0	0,4	2,3	0,1	0,4	0,2	0,2
Ireland	-1,7	0,2	0,7	0,0	0,2	0,1	0,1
Italy	8,0	0,3	2,1	0,2	0,3	0,0	0,2
Latvia	0,6	0,9	1,9	0,3	-0,1	0,7	-0,3
Lithuania	0,1	0,3	1,3	0,0	0,1	0,0	0,1
Luxembourg	-1,8	0,2	2,3	0,1	0,0	0,0	0,2
Malta	-0,4	1,1	0,4	0,0	0,5	0,3	-0,5
Netherlands	4,8	0,9	3,7	0,0	0,8	0,3	0,5
Poland	0,7	0,2	1,1	0,1	0,2	0,0	0,1
Portugal	7,0	0,3	2,9	0,0	1,1	0,3	0,5
Slovakia	5,8	6,4	7,2	1,9	2,3	3,4	-0,1
Slovenia	5,5	5,7	6,9	1,8	2,7	4,3	-1,7
Spain	10,9	0,3	1,4	0,0	0,2	0,0	-0,1
Sweden	2,1	0,2	1,2	0,0	0,2	0,1	0,3
United Kingdom	6,5	1,3	2,5	0,0	1,0	0,2	0,2

Note: Value added is measured by the sum of payments to inputs of labour and capital

Source: CETM model - Copenhagen Economics

Employment (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	3,1	0,3	1,7	-0,2	0,2	-0,1	-0,1
Austria	-0,7	-0,2	1,9	-0,3	-0,3	0,0	0,1
Belgium	10,2	-0,1	2,5	-0,1	-0,3	-0,2	-0,2
Cyprus	2,3	2,5	3,4	-0,6	-2,3	0,0	-3,4
Czech Rep.	0,2	0,0	1,5	0,0	-0,1	-0,1	0,0
Denmark	3,2	0,3	1,5	-0,1	0,3	-0,1	0,0
Estonia	0,2	0,1	1,3	0,0	0,2	-0,1	0,0
Finland	3,9	0,4	1,6	-0,6	0,2	-0,2	-0,2
France	1,4	0,2	1,3	-0,4	0,0	-0,1	-0,1
Germany	2,2	0,0	1,9	0,0	0,1	-0,1	0,0
Greece	5,7	-0,4	1,5	-0,2	0,6	-0,1	-0,2
Hungary	1,0	0,1	1,8	-0,3	0,1	-0,2	-0,1
Ireland	-1,8	0,1	0,6	0,0	0,1	0,0	0,1
Italy	2,1	0,0	1,6	0,1	0,2	-0,1	0,1
Latvia	-0,2	0,2	1,1	-0,4	-0,8	0,0	-1,0
Lithuania	0,0	0,3	1,2	0,0	0,0	-0,1	0,1
Luxembourg	-2,0	0,1	2,1	-0,1	-0,2	-0,1	0,0
Malta	-0,9	0,7	-0,1	-0,4	0,1	-0,2	-0,9
Netherlands	3,6	0,3	3,0	-0,6	0,2	-0,3	-0,1
Poland	-0,4	0,1	1,0	0,0	0,1	-0,1	0,1
Portugal	2,3	-0,2	2,3	-0,5	0,6	-0,1	0,1
Slovakia	1,9	2,5	3,3	-1,8	-1,4	-0,3	-3,7
Slovenia	1,8	1,9	3,1	-1,8	-1,0	0,7	-5,1
Spain	6,8	0,2	1,1	0,0	0,2	0,0	-0,1
Sweden	1,0	0,1	1,0	-0,1	0,1	0,0	0,1
United Kingdom	5,2	0,8	1,8	-0,5	0,5	-0,3	-0,3

Note: Employment is measured by labour demand

Source: CETM model - Copenhagen Economics

Upper estimates

Summary Results (% change)

	Economy-wide impacts					Service sectors impacts		
	Welfare	Welfare ^a [bn euro]	Real wage	Return to capital	Total employment	Employment	Value added	Value added ^a [bn euro]
EU25	0,7	43,2	0,5	1,4	0,4	0,7	1,5	44,7
Austria	0,5	0,7	0,6	1,3	0,4	0,7	1,4	1,3
Belgium	0,5	0,8	0,4	1,1	0,4	0,7	1,4	0,9
Cyprus	10,2	0,5	2,9	2,1	-1,9	-0,4	3,1	0,1
Czech Rep.	0,2	0,1	0,5	0,7	0,1	0,1	0,7	0,2
Denmark	0,4	0,4	0,3	0,7	0,3	0,5	0,9	0,4
Estonia	0,2	0,0	0,3	0,6	0,1	0,2	0,7	0,0
Finland	0,9	0,7	0,8	1,1	0,4	0,6	1,6	0,5
France	0,5	4,6	0,7	1,1	0,2	0,5	1,3	6,9
Germany	0,5	7,7	0,3	1,4	0,5	0,7	1,3	9,7
Greece	0,3	0,3	0,4	1,1	0,3	0,6	1,3	0,4
Hungary	0,5	0,1	0,5	0,9	0,2	0,5	1,1	0,2
Ireland	0,3	0,1	0,1	0,4	0,1	0,1	0,3	0,1
Italy	0,8	6,1	0,2	2,3	0,3	0,4	1,8	9,5
Latvia	4,4	0,2	1,4	0,6	-0,7	-0,2	1,1	0,0
Lithuania	0,2	0,0	0,2	0,6	0,3	0,5	0,7	0,0
Luxembourg	0,1	0,0	0,2	0,4	0,2	0,2	0,4	0,0
Malta	3,1	0,1	0,8	0,2	-0,5	0,0	0,8	0,0
Netherlands	1,5	3,6	1,0	1,5	0,6	0,9	2,1	2,2
Poland	0,1	0,1	0,1	0,5	0,1	0,2	0,5	0,2
Portugal	0,5	0,4	0,5	1,4	0,4	0,6	1,3	0,4
Slovakia	22,0	2,9	7,2	4,2	-3,5	-0,3	7,0	0,5
Slovenia	21,6	2,8	7,1	3,9	-3,4	1,0	8,1	0,6
Spain	0,3	0,9	0,1	0,9	0,2	0,4	0,9	1,3
Sweden	0,1	0,2	0,3	0,5	0,2	0,2	0,5	0,5
United Kingdom	1,0	9,8	1,0	1,4	0,7	1,1	2,2	8,9

Note: (a) Change in billion euro

Source: CETM model - Copenhagen Economics

Costs of services (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	-7,4	-1,3	-2,4	0,1	0,3	0,3	0,2
Austria	0,5	-1,5	-2,3	0,2	0,3	0,7	0,2
Belgium	-10,8	-2,1	-2,7	0,3	0,5	0,2	0,2
Cyprus	2,2	2,2	2,1	1,9	2,8	2,4	2,6
Czech Rep.	-1,2	-0,6	-1,9	0,3	0,2	0,4	0,4
Denmark	-5,9	-2,4	-2,1	0,0	0,2	0,2	0,2
Estonia	-1,9	-0,7	-1,6	0,2	0,0	0,1	0,2
Finland	-8,8	-2,0	-2,3	-0,2	0,1	0,3	0,2
France	-6,0	-1,6	-1,8	-0,3	0,1	0,5	0,1
Germany	-6,8	-1,3	-2,5	0,2	0,5	0,2	0,2
Greece	-10,3	-0,5	-1,8	0,3	0,4	0,4	0,4
Hungary	-3,2	0,1	-2,3	0,0	0,1	0,3	0,2
Ireland	0,1	0,1	-1,0	0,0	0,1	0,1	0,1
Italy	-9,4	-0,3	-1,9	0,4	0,3	-0,1	0,1
Latvia	0,7	0,7	0,7	0,6	0,9	0,9	0,7
Lithuania	0,0	-1,0	-2,0	0,1	0,1	0,1	0,1
Luxembourg	-0,1	-0,1	-2,2	0,1	0,2	0,1	0,1
Malta	0,3	0,3	0,5	0,3	0,4	0,5	0,4
Netherlands	-5,2	-1,5	-4,2	-0,2	0,4	0,4	0,1
Poland	-1,2	0,0	-1,2	0,1	0,0	0,0	0,2
Portugal	-8,2	-1,2	-2,9	0,1	0,3	0,4	0,1
Slovakia	3,4	3,4	2,9	3,2	3,9	4,6	3,2
Slovenia	3,7	3,7	4,3	3,6	4,6	5,1	3,9
Spain	-11,3	-1,6	-1,7	0,1	0,2	0,1	0,2
Sweden	-4,6	-1,6	-1,3	0,1	0,2	0,2	0,1
United Kingdom	-8,5	-2,1	-3,0	-0,1	-0,1	0,8	0,2

Note: Costs of services is measured by the weighted average of the prices of output provided by domestic and foreign firms

Source: CETM model - Copenhagen Economics

Costs of services supplied by domestic firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	-7,3	-1,3	-2,4	0,1	0,3
Austria	0,5	-1,5	-2,1	0,2	0,3
Belgium	-11,2	-2,3	-2,7	0,3	0,5
Cyprus	2,3	2,3	2,1	1,9	3,0
Czech Rep.	-1,1	-0,6	-1,7	0,3	0,3
Denmark	-6,1	-2,6	-2,2	0,0	0,2
Estonia	-1,9	-0,7	-1,6	0,2	0,0
Finland	-8,8	-2,2	-2,4	-0,2	0,1
France	-5,9	-1,6	-1,9	-0,3	0,1
Germany	-6,7	-1,4	-2,3	0,2	0,5
Greece	-10,4	-0,6	-2,0	0,3	0,4
Hungary	-3,3	0,1	-2,2	0,0	0,2
Ireland	0,1	0,1	-1,3	0,0	0,1
Italy	-9,0	-0,3	-1,9	0,4	0,4
Latvia	0,7	0,7	0,7	0,6	1,0
Lithuania	0,0	-1,1	-2,1	0,1	0,1
Luxembourg	-0,1	-0,1	-1,9	0,1	0,2
Malta	0,3	0,3	0,5	0,3	0,4
Netherlands	-5,2	-1,6	-4,0	-0,2	0,4
Poland	-1,3	0,0	-1,2	0,1	0,0
Portugal	-8,2	-1,2	-3,0	0,1	0,3
Slovakia	3,5	3,5	2,9	3,2	4,2
Slovenia	3,8	3,8	4,4	3,6	4,8
Spain	-11,2	-1,7	-1,8	0,1	0,2
Sweden	-4,6	-1,8	-1,3	0,1	0,3
United Kingdom	-8,5	-2,1	-3,1	-0,1	-0,1

Note: Costs of services is measured by the price of service output provided by domestic firms

Source: CETM model - Copenhagen Economics

Costs of services supplied by foreign firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	-8,2	-0,9	-2,5	0,1	0,2
Austria	0,4	-0,8	-3,2	0,2	0,2
Belgium	-9,5	-1,6	-2,8	0,3	0,3
Cyprus	1,7	1,7	1,8	1,7	2,0
Czech Rep.	-1,8	-0,5	-2,6	0,2	0,2
Denmark	-4,7	-1,5	-1,9	0,0	0,1
Estonia	-1,7	-0,4	-1,5	0,1	0,0
Finland	-8,7	-1,3	-2,0	-0,2	0,0
France	-6,6	-1,1	-1,5	-0,4	0,0
Germany	-7,7	-0,8	-3,1	0,2	0,3
Greece	-10,2	0,1	-1,0	0,2	0,4
Hungary	-2,9	0,2	-2,4	0,0	0,1
Ireland	0,1	0,1	-0,5	0,0	0,1
Italy	-10,8	-0,1	-1,9	0,3	0,2
Latvia	0,7	0,7	0,6	0,6	0,7
Lithuania	0,0	-0,7	-1,7	0,0	0,1
Luxembourg	-0,1	-0,1	-3,3	0,1	0,2
Malta	0,3	0,3	0,4	0,2	0,3
Netherlands	-5,4	-0,8	-4,8	-0,2	0,2
Poland	-1,2	-0,1	-1,4	0,1	0,0
Portugal	-8,4	-0,7	-2,7	0,1	0,2
Slovakia	2,8	2,8	2,6	3,0	3,2
Slovenia	3,3	3,3	4,0	3,4	3,9
Spain	-11,7	-0,9	-1,4	0,0	0,1
Sweden	-4,7	-1,0	-1,4	0,1	0,2
United Kingdom	-8,6	-1,6	-2,8	-0,1	-0,1

Note: Costs of services is measured by the price of service output provided by foreign firms

Source: CETM model - Copenhagen Economics

Market size (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	1,4	1,2	0,7	0,2	0,9	0,3	0,4
Austria	-0,1	0,8	0,5	0,3	0,6	0,6	0,6
Belgium	6,4	1,4	0,9	0,3	0,3	0,2	0,3
Cyprus	8,2	8,4	9,7	1,8	1,6	3,1	-0,9
Czech Rep.	0,3	0,6	0,2	0,6	0,5	0,3	0,7
Denmark	2,2	2,1	0,5	0,2	0,8	0,2	0,4
Estonia	0,1	0,5	0,5	0,3	0,6	0,1	0,4
Finland	2,5	1,7	0,9	-0,2	1,1	0,5	0,5
France	1,3	1,3	0,7	-0,2	0,8	0,5	0,5
Germany	0,5	0,4	0,3	0,6	0,5	0,2	0,3
Greece	3,2	0,2	0,5	0,2	1,3	0,3	0,2
Hungary	0,6	0,7	0,5	0,1	0,7	0,3	0,5
Ireland	-2,2	-0,3	0,2	0,1	0,3	0,1	0,4
Italy	0,8	0,5	0,3	0,4	0,7	-0,1	0,4
Latvia	1,4	1,8	3,6	0,6	0,9	1,4	-0,1
Lithuania	0,4	0,7	-0,1	0,2	0,5	0,0	0,3
Luxembourg	-2,4	-0,3	0,1	0,1	0,2	0,1	0,4
Malta	0,1	1,7	1,5	0,1	1,4	0,6	-0,2
Netherlands	1,9	1,8	2,6	0,0	1,5	0,5	0,7
Poland	0,1	0,2	0,2	0,1	0,3	0,0	0,3
Portugal	1,0	0,5	0,7	0,0	1,5	0,4	0,6
Slovakia	12,4	13,0	14,0	3,8	6,8	6,8	0,5
Slovenia	11,1	11,3	14,1	3,7	7,8	8,7	-1,4
Spain	4,1	1,1	0,0	0,0	0,5	0,0	0,0
Sweden	0,6	0,9	0,3	0,1	0,4	0,2	0,5
United Kingdom	2,7	2,4	0,7	0,0	1,8	0,5	0,5

Note: Market size is measured by the total value of output by both domestic and foreign firms

Source: CETM model - Copenhagen Economics

Output by domestic firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	0,7	1,5	0,6	0,2	0,8
Austria	-0,9	1,1	-0,5	0,3	0,5
Belgium	13,1	3,2	0,9	0,3	0,0
Cyprus	7,5	7,8	9,3	1,8	-0,3
Czech Rep.	-0,5	0,7	-0,9	0,6	0,5
Denmark	3,8	3,4	0,9	0,2	0,7
Estonia	0,1	0,8	0,6	0,3	0,6
Finland	2,7	2,3	1,4	-0,2	1,1
France	0,7	1,6	0,9	-0,2	0,8
Germany	-0,3	0,9	-0,7	0,6	0,3
Greece	4,5	0,7	1,7	0,2	1,3
Hungary	1,2	0,7	0,2	0,1	0,6
Ireland	-2,5	-0,4	1,4	0,1	0,3
Italy	-1,4	0,6	0,4	0,3	0,4
Latvia	1,1	1,6	3,5	0,6	0,3
Lithuania	0,3	1,0	0,3	0,1	0,4
Luxembourg	-3,3	-0,4	-1,5	0,1	0,1
Malta	-0,7	1,4	0,8	0,1	1,1
Netherlands	1,9	2,4	1,9	0,0	1,4
Poland	0,0	0,2	0,0	0,1	0,2
Portugal	1,0	0,7	0,8	0,0	1,4
Slovakia	11,1	11,9	13,5	3,7	5,8
Slovenia	10,6	10,9	13,3	3,6	6,1
Spain	5,0	1,9	0,5	0,0	0,4
Sweden	0,6	1,8	0,2	0,1	0,4
United Kingdom	2,7	2,9	1,0	-0,1	1,7

Note: Output is measured by the value of output provided by domestic firms

Source: CETM model - Copenhagen Economics

Output by foreign firms (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	4,9	-1,0	1,1	0,6	1,3
Austria	2,0	-2,6	5,0	0,6	1,1
Belgium	-9,7	-2,9	0,8	0,6	1,0
Cyprus	11,9	11,6	11,2	2,8	7,7
Czech Rep.	3,9	0,1	3,7	0,7	0,8
Denmark	-6,0	-4,7	-0,8	0,2	1,0
Estonia	0,2	-0,9	0,0	0,5	0,5
Finland	-0,3	-2,5	-1,0	-0,2	1,5
France	4,7	-1,3	-1,1	-0,1	1,2
Germany	4,8	-2,3	3,5	0,9	1,0
Greece	-3,1	-2,5	-3,4	0,4	1,7
Hungary	-0,7	0,5	1,3	0,3	0,9
Ireland	2,7	0,7	-2,3	0,1	0,4
Italy	8,3	-0,2	0,2	1,2	1,4
Latvia	2,8	2,4	3,8	0,7	2,5
Lithuania	1,1	-1,1	-1,6	0,3	0,7
Luxembourg	2,3	0,4	5,5	0,2	0,5
Malta	4,8	3,3	3,6	0,2	2,1
Netherlands	2,0	-2,0	5,6	0,1	2,0
Poland	0,3	0,6	1,0	0,3	0,4
Portugal	1,0	-2,2	-0,7	0,2	1,8
Slovakia	19,2	18,6	15,8	5,3	10,1
Slovenia	14,1	13,9	17,2	4,7	13,9
Spain	-0,5	-3,3	-1,7	0,2	0,7
Sweden	0,4	-2,8	0,6	0,2	0,7
United Kingdom	2,3	0,0	-0,2	0,3	2,1

Note: Output is measured by the value of output provided by foreign firms

Source: CETM model - Copenhagen Economics

Cross border trade (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services
EU25	10,4	3,6	3,6	0,3	0,8
Austria	-11,6	3,0	2,6	0,0	0,5
Belgium	29,6	6,3	5,0	-0,3	-0,3
Cyprus	-11,2	-3,2	-3,2	-3,5	-6,5
Czech Rep.	-7,8	0,4	1,5	0,1	0,6
Denmark	7,4	6,9	3,8	0,3	1,0
Estonia	-5,5	0,7	2,1	0,1	1,3
Finland	15,0	5,3	4,3	0,8	1,2
France	4,7	3,3	2,8	1,2	1,1
Germany	6,7	2,6	3,2	-0,1	0,2
Greece	21,0	0,3	3,4	-0,3	0,6
Hungary	-1,5	-1,3	3,2	0,3	0,9
Ireland	-11,3	-1,9	1,4	0,3	1,0
Italy	12,9	-0,4	2,7	-0,5	0,2
Latvia	-11,0	-2,5	-2,4	-0,8	-1,3
Lithuania	-9,9	1,8	2,9	0,3	1,0
Luxembourg	-10,8	-1,4	1,5	0,2	0,5
Malta	-11,1	-1,7	-3,1	0,1	0,6
Netherlands	4,0	3,8	8,9	1,0	0,6
Poland	-7,1	-1,4	0,5	0,1	1,1
Portugal	12,3	2,0	5,8	0,2	1,0
Slovakia	-13,1	-4,5	-3,2	-5,6	-6,2
Slovenia	-13,6	-5,4	-6,7	-6,5	-7,5
Spain	24,5	4,0	2,4	0,2	0,8
Sweden	1,6	4,0	0,9	0,3	0,6
United Kingdom	13,4	5,2	6,0	0,5	1,9

Note: Cross border trade is measured by the value of total exports within the EU

Source: CETM model - Copenhagen Economics

Value added (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	8,4	2,8	2,8	0,2	0,8	0,3	0,3
Austria	-0,2	3,0	3,0	0,3	0,4	0,5	0,5
Belgium	19,5	3,9	3,9	0,3	0,0	0,1	0,1
Cyprus	7,6	7,8	9,6	1,8	-1,2	3,0	-3,7
Czech Rep.	1,4	1,4	2,3	0,6	0,4	0,3	0,6
Denmark	5,9	4,9	2,5	0,2	0,7	0,2	0,3
Estonia	1,6	1,3	2,2	0,3	0,6	0,1	0,3
Finland	8,7	3,8	3,0	-0,2	1,1	0,4	0,4
France	5,7	3,0	2,5	-0,2	0,8	0,5	0,5
Germany	6,7	2,5	2,7	0,6	0,4	0,2	0,2
Greece	17,0	1,2	2,3	0,2	1,3	0,3	0,1
Hungary	4,3	0,8	3,0	0,1	0,6	0,3	0,4
Ireland	-2,2	-0,3	1,2	0,1	0,3	0,1	0,3
Italy	11,6	1,9	2,7	0,4	0,6	-0,1	0,3
Latvia	1,3	1,6	3,6	0,6	-0,2	1,3	-0,5
Lithuania	0,4	1,8	1,9	0,1	0,3	0,0	0,2
Luxembourg	-2,4	-0,2	2,6	0,1	0,0	0,1	0,4
Malta	0,1	1,6	1,1	0,1	1,0	0,5	-0,8
Netherlands	6,9	3,8	4,8	0,0	1,2	0,5	0,7
Poland	1,0	0,3	1,5	0,1	0,3	0,0	0,2
Portugal	9,4	2,3	3,4	0,0	1,4	0,4	0,6
Slovakia	11,5	12,1	13,9	3,6	4,6	6,6	-0,1
Slovenia	10,9	11,0	13,6	3,6	5,4	8,5	-3,0
Spain	16,0	3,1	1,9	0,0	0,4	0,0	0,0
Sweden	2,7	2,9	1,7	0,1	0,4	0,2	0,4
United Kingdom	9,5	4,1	3,3	0,0	1,8	0,4	0,4

Note: Value added is measured by the sum of payments to inputs of labour and capital

Source: CETM model - Copenhagen Economics

Employment (% change)

	Regulated professions	Business services	Distributive trade	Construction services	Other services	Government services	Rest of the economy
EU25	4,2	2,4	2,1	-0,3	0,3	-0,2	-0,2
Austria	-0,9	2,3	2,1	-0,3	-0,2	-0,1	-0,1
Belgium	14,4	3,3	3,1	-0,1	-0,5	-0,3	-0,3
Cyprus	4,4	4,6	6,5	-1,1	-4,3	0,0	-6,5
Czech Rep.	0,3	0,8	1,7	0,1	-0,1	-0,3	0,1
Denmark	4,3	4,6	2,0	-0,2	0,4	-0,1	0,0
Estonia	0,3	1,0	1,8	0,0	0,3	-0,2	0,0
Finland	5,3	3,0	2,0	-1,0	0,3	-0,3	-0,4
France	1,8	2,3	1,6	-0,9	0,1	-0,2	-0,2
Germany	2,6	2,1	2,2	0,3	0,1	-0,1	-0,1
Greece	7,0	0,6	1,8	-0,2	0,9	-0,1	-0,3
Hungary	1,3	0,3	2,3	-0,4	0,1	-0,3	-0,1
Ireland	-2,4	-0,4	1,0	-0,1	0,2	0,0	0,2
Italy	2,2	1,5	1,8	0,2	0,4	-0,2	0,2
Latvia	-0,1	0,3	2,2	-0,8	-1,6	0,0	-1,8
Lithuania	0,2	1,6	1,7	0,0	0,1	-0,2	0,0
Luxembourg	-2,6	-0,5	2,3	-0,1	-0,2	-0,1	0,2
Malta	-0,8	0,8	0,2	-0,8	0,1	-0,3	-1,6
Netherlands	4,9	2,8	3,6	-1,0	0,1	-0,5	-0,3
Poland	-0,6	0,2	1,3	0,0	0,1	-0,1	0,1
Portugal	2,5	1,6	2,7	-0,5	0,9	-0,2	0,1
Slovakia	3,9	4,4	6,2	-3,3	-2,6	-0,5	-6,8
Slovenia	3,4	3,6	5,9	-3,3	-1,8	1,2	-9,4
Spain	9,3	3,0	1,4	-0,1	0,3	-0,1	-0,1
Sweden	1,2	2,6	1,3	-0,2	0,1	-0,1	0,2
United Kingdom	7,5	3,0	2,1	-1,0	0,8	-0,5	-0,6

Note: Employment is measured by labour demand

Source: CETM model - Copenhagen Economics

Appendix II: Tariff equivalents used in the analysis

The policy changes implied by the proposed Services Directive (with and without the CoOP and its supporting provisions) are quantified using the IMRIS indices and econometric estimates described in Copenhagen Economics (2005).

To determine the impact of the Directive (again, with and without the CoOP), the specified regulatory measures are first translated to changes in IMRIS indices. This is done according to a detailed bottom-up approach, where each individual IMRIS score is recalculated to take the Directive explicitly into account. New aggregate indices are then created following the methodology described in Copenhagen Economics (2005). This detailed approach means that the economic impacts of the Directive can be traced back to changes in the specific regulatory barriers recorded in the IMRIS indices.

The new IMRIS indices are used to calculate updated tariff equivalents based on the econometric estimates. The updated tariff equivalents will thereby reflect the new costs incurred by service providers after the Directive has been implemented (in full and without the CoOP). The same estimation model is assumed to be valid for both scenarios, meaning that the same set of estimates is used to calculate tariff equivalents from the different sets of IMRIS scores. Finally, the updated tariff equivalents are used in the CETM model analysis to determine the economy-wide effects of the Directive.

Each table in this appendix contains three sets of tariff equivalents. The benchmark tariff equivalents reflect the current situation without the proposed Services Directive. The tariff equivalents labelled "Original Services Directive" correspond to adoption of the complete Services Directive. Finally, the tariff equivalents labelled "Services Directive without CoOP" correspond to adoption of a partial Services Directive without the CoOP and its supporting provisions.

In addition to the central estimates of tariff equivalents, there are also upper and lower estimates. The upper and lower estimates are derived from the 95 percent confidence intervals of the underlying econometric estimates used to calculate the tariff equivalents.

Central estimates

Rent-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	5,7	11,0	0,4	5,7	0,5	5,8
Austria	5,0	9,5	0,5	5,4	0,9	5,8
Belgium	7,3	13,1	0,6	8,2	1,2	8,2
Cyprus	5,0	9,5	0,5	5,4	0,9	5,8
Czech Rep.	1,7	8,3	0,8	6,8	0,8	7,2
Denmark	4,3	8,0	0,4	6,1	0,9	6,2
Estonia	4,9	7,6	0,9	3,4	3,7	6,7
Finland	5,4	8,5	0,4	4,3	0,7	4,4
France	4,2	8,7	0,4	5,0	0,6	5,1
Germany	5,1	10,2	0,4	6,0	0,5	6,1
Greece	7,4	12,8	0,4	6,2	0,8	6,2
Hungary	3,0	7,3	0,3	4,8	0,5	5,3
Ireland	5,0	9,5	0,5	5,4	0,9	5,8
Italy	8,0	13,1	0,4	5,7	0,5	5,8
Latvia	5,0	9,5	0,5	5,4	0,9	5,8
Lithuania	5,0	9,5	0,5	5,4	0,9	5,8
Luxembourg	5,0	9,5	0,5	5,4	0,9	5,8
Malta	5,0	9,5	0,5	5,4	0,9	5,8
Netherlands	3,8	7,3	0,2	4,4	0,5	4,4
Poland	1,8	7,9	0,9	6,6	0,9	7,3
Portugal	6,6	9,3	0,4	3,4	0,6	3,4
Slovakia	5,0	9,5	0,5	5,4	0,9	5,8
Slovenia	5,0	9,5	0,5	5,4	0,9	5,8
Spain	7,4	11,1	0,4	4,7	0,7	4,8
Sweden	3,1	8,2	0,4	6,4	0,7	6,5
United Kingdom	5,5	9,8	0,2	4,8	0,4	4,9

Cost-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	9,6	11,8	4,2	3,9	5,1	5,1
Austria	10,1	10,5	4,4	4,0	5,5	4,9
Belgium	16,2	14,1	6,8	6,0	9,4	7,2
Cyprus	10,1	10,5	4,4	4,0	5,5	4,9
Czech Rep.	3,8	4,3	2,9	3,1	3,1	3,1
Denmark	10,8	10,5	4,8	4,5	6,7	5,3
Estonia	6,1	6,4	3,9	4,2	4,7	4,3
Finland	12,4	13,0	5,1	4,6	6,3	5,5
France	10,8	11,3	5,3	4,5	6,3	5,7
Germany	10,2	11,9	4,6	3,9	5,4	5,2
Greece	15,9	16,0	4,9	4,3	6,4	5,2
Hungary	6,9	7,0	3,3	3,7	4,3	4,6
Ireland	10,1	10,5	4,4	4,0	5,5	4,9
Italy	11,9	16,1	4,0	3,8	4,8	5,0
Latvia	10,1	10,5	4,4	4,0	5,5	4,9
Lithuania	10,1	10,5	4,4	4,0	5,5	4,9
Luxembourg	10,1	10,5	4,4	4,0	5,5	4,9
Malta	10,1	10,5	4,4	4,0	5,5	4,9
Netherlands	6,4	6,4	3,1	2,7	4,2	3,5
Poland	5,0	5,8	3,4	3,8	3,5	3,8
Portugal	13,4	12,1	5,4	4,1	6,4	4,9
Slovakia	10,1	10,5	4,4	4,0	5,5	4,9
Slovenia	10,1	10,5	4,4	4,0	5,5	4,9
Spain	14,1	15,2	4,8	4,0	6,2	5,2
Sweden	10,0	11,3	4,8	4,5	6,1	5,7
United Kingdom	7,7	7,0	3,4	2,8	4,3	3,9

Rent-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	0,2	0,9	0,0	0,5	0,0	0,5
Austria	0,3	0,9	0,0	0,5	0,0	0,5
Belgium	0,3	1,0	0,0	0,5	0,1	0,5
Cyprus	0,2	0,8	0,0	0,5	0,1	0,5
Czech Rep.	0,1	0,7	0,0	0,4	0,1	0,5
Denmark	0,3	1,0	0,0	0,6	0,1	0,6
Estonia	0,2	0,4	0,0	0,2	0,1	0,3
Finland	0,2	0,7	0,0	0,4	0,0	0,4
France	0,2	0,9	0,0	0,5	0,1	0,5
Germany	0,3	1,0	0,0	0,6	0,0	0,6
Greece	0,2	0,7	0,0	0,6	0,1	0,6
Hungary	0,1	0,5	0,0	0,3	0,1	0,4
Ireland	0,2	0,8	0,0	0,5	0,1	0,5
Italy	0,2	0,9	0,0	0,5	0,0	0,5
Latvia	0,2	0,8	0,0	0,5	0,1	0,5
Lithuania	0,2	0,7	0,0	0,4	0,1	0,5
Luxembourg	0,2	0,8	0,0	0,5	0,1	0,5
Malta	0,2	0,8	0,0	0,5	0,1	0,5
Netherlands	0,2	0,8	0,0	0,5	0,0	0,5
Poland	0,2	0,8	0,0	0,6	0,2	0,8
Portugal	0,2	0,7	0,1	0,3	0,1	0,3
Slovakia	0,2	0,8	0,0	0,5	0,1	0,5
Slovenia	0,2	0,8	0,0	0,5	0,1	0,5
Spain	0,3	0,7	0,0	0,4	0,1	0,4
Sweden	0,3	0,9	0,0	0,6	0,1	0,6
United Kingdom	0,2	0,8	0,0	0,5	0,0	0,5

Cost-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	1,4	0,7	1,2	0,4	1,3	0,4
Austria	1,7	0,9	1,4	0,7	1,6	0,7
Belgium	2,8	1,6	1,7	0,7	2,6	0,7
Cyprus	1,7	0,9	1,2	0,5	1,6	0,6
Czech Rep.	0,9	1,1	0,8	0,7	0,9	0,7
Denmark	1,8	0,8	0,8	0,3	1,7	0,3
Estonia	1,2	0,8	0,8	0,6	1,2	0,6
Finland	1,9	0,9	1,5	0,7	1,8	0,7
France	1,7	0,6	1,6	0,5	1,7	0,6
Germany	1,4	0,6	1,2	0,3	1,3	0,3
Greece	2,9	1,1	1,9	0,8	2,6	0,9
Hungary	1,5	0,8	1,0	0,7	1,5	0,7
Ireland	1,7	0,9	1,2	0,5	1,6	0,6
Italy	1,2	0,9	0,9	0,4	1,0	0,5
Latvia	1,7	0,9	1,2	0,5	1,6	0,6
Lithuania	0,9	0,7	0,5	0,4	0,9	0,5
Luxembourg	1,7	0,9	1,2	0,5	1,6	0,6
Malta	1,7	0,9	1,2	0,5	1,6	0,6
Netherlands	1,4	0,5	1,1	0,4	1,4	0,4
Poland	1,6	0,7	0,9	0,6	1,6	0,6
Portugal	2,1	1,0	1,8	0,5	2,0	0,5
Slovakia	1,7	0,9	1,2	0,5	1,6	0,6
Slovenia	1,7	0,9	1,2	0,5	1,6	0,6
Spain	2,3	0,9	1,7	0,6	2,2	0,6
Sweden	1,8	0,9	1,2	0,5	1,7	0,5
United Kingdom	1,1	0,7	0,9	0,3	1,0	0,4

Rent-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	2,5	3,1	0,5	1,1	0,6	1,1
Austria	2,6	4,5	0,6	1,5	0,6	1,7
Belgium	3,2	3,5	0,7	1,2	0,7	1,2
Cyprus	2,4	2,9	0,6	1,0	0,6	1,1
Czech Rep.	2,4	4,0	0,6	1,6	0,9	1,7
Denmark	2,3	2,3	0,5	0,9	0,5	0,9
Estonia	1,8	1,9	0,4	0,7	0,5	0,7
Finland	2,4	2,3	0,5	0,8	0,5	0,8
France	2,3	2,2	0,7	0,9	0,7	1,0
Germany	2,6	3,8	0,7	1,3	0,7	1,3
Greece	2,7	2,5	0,7	1,3	0,9	1,7
Hungary	2,4	2,9	0,5	0,6	0,6	0,8
Ireland	1,4	0,8	0,4	0,5	0,4	0,5
Italy	2,6	3,1	0,5	1,2	0,5	1,3
Latvia	2,4	2,9	0,6	1,0	0,6	1,1
Lithuania	2,2	2,1	0,5	0,7	0,5	0,7
Luxembourg	2,9	5,4	1,0	2,1	1,1	2,4
Malta	2,4	2,9	0,6	1,0	0,6	1,1
Netherlands	2,1	3,6	0,6	1,4	0,6	1,4
Poland	1,8	1,9	0,5	0,8	0,8	0,8
Portugal	3,5	3,3	0,9	1,1	1,0	1,1
Slovakia	2,4	2,9	0,6	1,0	0,6	1,1
Slovenia	2,4	2,9	0,6	1,0	0,6	1,1
Spain	2,2	2,0	0,6	0,7	0,6	0,8
Sweden	1,6	2,2	0,5	0,9	0,5	1,0
United Kingdom	2,6	3,1	0,2	0,8	0,2	1,0

Cost-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	0,9	1,2	0,5	0,6	0,5	0,6
Austria	1,3	1,5	0,8	1,0	0,8	1,0
Belgium	1,1	1,7	0,5	0,8	0,5	0,8
Cyprus	0,7	1,1	0,4	0,6	0,4	0,6
Czech Rep.	0,4	0,8	0,3	0,6	0,3	0,6
Denmark	0,6	1,0	0,1	0,3	0,1	0,3
Estonia	0,2	0,6	0,1	0,3	0,1	0,4
Finland	1,1	1,3	0,6	0,7	0,6	0,7
France	1,0	1,1	0,5	0,6	0,5	0,6
Germany	0,5	0,8	0,3	0,5	0,3	0,5
Greece	1,0	1,3	0,5	0,7	0,5	0,7
Hungary	0,4	0,8	0,2	0,5	0,2	0,5
Ireland	0,5	0,8	0,2	0,2	0,2	0,2
Italy	1,2	1,6	0,5	0,7	0,5	0,7
Latvia	0,7	1,1	0,4	0,6	0,4	0,6
Lithuania	0,2	0,6	0,1	0,5	0,1	0,5
Luxembourg	0,5	0,9	0,5	0,8	0,5	0,8
Malta	0,7	1,1	0,4	0,6	0,4	0,6
Netherlands	0,8	1,0	0,6	0,8	0,6	0,8
Poland	0,3	0,8	0,2	0,6	0,3	0,6
Portugal	1,1	1,3	0,5	0,6	0,5	0,6
Slovakia	0,7	1,1	0,4	0,6	0,4	0,6
Slovenia	0,7	1,1	0,4	0,6	0,4	0,6
Spain	1,1	1,4	0,5	0,7	0,5	0,7
Sweden	0,6	0,9	0,4	0,6	0,4	0,6
United Kingdom	1,1	1,4	0,6	0,7	0,6	0,7

Lower estimates

Rent-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	4,7	8,0	0,3	4,1	0,4	4,2
Austria	0,0	0,0	0,0	0,0	0,0	0,0
Belgium	6,3	10,0	0,5	6,3	1,0	6,3
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	1,5	6,4	0,7	5,2	0,7	5,5
Denmark	3,6	6,2	0,4	4,7	0,8	4,7
Estonia	4,2	5,9	0,8	2,6	3,2	5,2
Finland	4,6	6,5	0,4	3,3	0,6	3,4
France	3,6	6,6	0,4	3,8	0,5	3,9
Germany	4,4	7,8	0,3	4,6	0,5	4,7
Greece	6,3	9,8	0,4	4,7	0,7	4,8
Hungary	2,6	5,6	0,3	3,7	0,4	4,0
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	6,9	10,1	0,3	4,4	0,4	4,4
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,0	0,0	0,0	0,0	0,0	0,0
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	3,2	5,6	0,2	3,4	0,4	3,4
Poland	1,5	6,1	0,7	5,1	0,8	5,6
Portugal	5,6	7,1	0,4	2,6	0,5	2,6
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	6,4	8,5	0,3	3,6	0,6	3,7
Sweden	2,6	6,3	0,4	4,9	0,6	5,0
United Kingdom	4,7	7,5	0,2	3,7	0,3	3,8

Cost-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	7,7	9,0	3,4	3,0	4,1	3,9
Austria	0,0	0,0	0,0	0,0	0,0	0,0
Belgium	13,2	11,3	5,6	4,9	7,7	5,8
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	3,1	3,5	2,4	2,5	2,5	2,5
Denmark	8,9	8,4	4,0	3,7	5,5	4,4
Estonia	5,0	5,2	3,3	3,5	3,9	3,5
Finland	10,1	10,5	4,2	3,7	5,2	4,4
France	8,9	9,1	4,4	3,6	5,2	4,7
Germany	8,4	9,6	3,8	3,2	4,5	4,3
Greece	12,9	12,8	4,1	3,5	5,3	4,2
Hungary	5,7	5,7	2,7	3,1	3,5	3,7
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	9,7	12,9	3,3	3,1	4,0	4,1
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,0	0,0	0,0	0,0	0,0	0,0
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	5,3	5,2	2,6	2,2	3,5	2,8
Poland	4,1	4,8	2,8	3,1	2,9	3,1
Portugal	11,0	9,8	4,5	3,4	5,3	4,0
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	11,5	12,2	4,0	3,3	5,2	4,2
Sweden	8,2	9,1	4,0	3,7	5,1	4,7
United Kingdom	6,4	5,7	2,8	2,3	3,5	3,2

Rent-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	0,0	0,0	0,0	0,0	0,0	0,0
Austria	0,0	0,0	0,0	0,0	0,0	0,0
Belgium	0,0	0,0	0,0	0,0	0,0	0,0
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	0,0	0,0	0,0	0,0	0,0	0,0
Denmark	0,0	0,0	0,0	0,0	0,0	0,0
Estonia	0,0	0,0	0,0	0,0	0,0	0,0
Finland	0,0	0,0	0,0	0,0	0,0	0,0
France	0,0	0,0	0,0	0,0	0,0	0,0
Germany	0,0	0,0	0,0	0,0	0,0	0,0
Greece	0,0	0,0	0,0	0,0	0,0	0,0
Hungary	0,0	0,0	0,0	0,0	0,0	0,0
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	0,0	0,0	0,0	0,0	0,0	0,0
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,0	0,0	0,0	0,0	0,0	0,0
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	0,0	0,0	0,0	0,0	0,0	0,0
Poland	0,0	0,0	0,0	0,0	0,0	0,0
Portugal	0,0	0,0	0,0	0,0	0,0	0,0
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	0,0	0,0	0,0	0,0	0,0	0,0
Sweden	0,0	0,0	0,0	0,0	0,0	0,0
United Kingdom	0,0	0,0	0,0	0,0	0,0	0,0

Cost-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	0,6	0,1	0,5	0,1	0,6	0,1
Austria	0,7	0,2	0,6	0,1	0,7	0,1
Belgium	1,2	0,3	0,7	0,1	1,1	0,1
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	0,4	0,2	0,3	0,1	0,4	0,1
Denmark	0,8	0,1	0,3	0,1	0,7	0,1
Estonia	0,5	0,1	0,3	0,1	0,5	0,1
Finland	0,8	0,2	0,6	0,1	0,8	0,1
France	0,7	0,1	0,7	0,1	0,7	0,1
Germany	0,6	0,1	0,5	0,1	0,6	0,1
Greece	1,2	0,2	0,8	0,1	1,1	0,1
Hungary	0,6	0,1	0,4	0,1	0,6	0,1
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	0,5	0,2	0,4	0,1	0,4	0,1
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,4	0,1	0,2	0,1	0,4	0,1
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	0,6	0,1	0,5	0,1	0,6	0,1
Poland	0,7	0,1	0,4	0,1	0,7	0,1
Portugal	0,9	0,2	0,8	0,1	0,8	0,1
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	1,0	0,2	0,7	0,1	0,9	0,1
Sweden	0,8	0,1	0,5	0,1	0,7	0,1
United Kingdom	0,5	0,1	0,4	0,1	0,4	0,1

Rent-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	2,2	2,7	0,5	0,9	0,5	1,0
Austria	2,3	4,0	0,5	1,3	0,6	1,5
Belgium	2,9	3,1	0,6	1,0	0,6	1,0
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	2,3	3,6	0,5	1,4	0,9	1,5
Denmark	2,0	2,0	0,4	0,7	0,4	0,7
Estonia	1,5	1,7	0,4	0,6	0,4	0,6
Finland	2,2	2,0	0,4	0,7	0,5	0,7
France	2,0	1,9	0,6	0,8	0,6	0,8
Germany	2,3	3,4	0,6	1,1	0,6	1,1
Greece	2,4	2,2	0,6	1,1	0,8	1,5
Hungary	2,1	2,6	0,4	0,5	0,5	0,7
Ireland	1,1	0,5	0,4	0,3	0,4	0,3
Italy	2,4	2,8	0,5	1,0	0,5	1,2
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	1,9	1,8	0,4	0,6	0,4	0,6
Luxembourg	2,8	5,0	0,9	1,9	1,1	2,2
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	1,9	3,2	0,5	1,3	0,5	1,3
Poland	1,6	1,7	0,5	0,6	0,7	0,7
Portugal	3,2	3,0	0,8	1,0	0,9	1,0
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	2,0	1,7	0,5	0,6	0,5	0,6
Sweden	1,4	1,9	0,4	0,8	0,4	0,8
United Kingdom	2,4	2,8	0,2	0,7	0,2	0,9

Cost-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	0,8	1,0	0,4	0,6	0,4	0,6
Austria	1,1	1,3	0,7	0,9	0,7	0,9
Belgium	0,9	1,5	0,5	0,7	0,5	0,7
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	0,3	0,7	0,2	0,5	0,3	0,6
Denmark	0,5	0,9	0,1	0,3	0,1	0,3
Estonia	0,2	0,5	0,1	0,3	0,1	0,3
Finland	0,9	1,1	0,5	0,6	0,5	0,6
France	0,8	1,0	0,4	0,5	0,4	0,5
Germany	0,4	0,7	0,3	0,4	0,3	0,4
Greece	0,9	1,2	0,4	0,6	0,5	0,6
Hungary	0,4	0,7	0,2	0,4	0,2	0,4
Ireland	0,4	0,7	0,1	0,2	0,1	0,2
Italy	1,0	1,4	0,4	0,6	0,4	0,6
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,1	0,6	0,1	0,4	0,1	0,4
Luxembourg	0,5	0,8	0,4	0,7	0,4	0,7
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	0,7	0,9	0,5	0,7	0,5	0,7
Poland	0,3	0,7	0,2	0,5	0,2	0,5
Portugal	0,9	1,2	0,4	0,5	0,4	0,5
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	0,9	1,3	0,4	0,6	0,4	0,6
Sweden	0,5	0,8	0,3	0,5	0,3	0,5
United Kingdom	1,0	1,2	0,5	0,6	0,5	0,6

Upper estimates

Rent-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	6,3	12,8	0,4	6,6	0,6	6,7
Austria	0,0	0,0	0,0	0,0	0,0	0,0
Belgium	8,4	16,2	0,7	10,1	1,4	10,2
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	2,0	10,3	0,9	8,4	0,9	8,8
Denmark	4,9	9,9	0,5	7,5	1,0	7,6
Estonia	5,6	9,4	1,1	4,2	4,3	8,3
Finland	6,2	10,4	0,5	5,3	0,8	5,4
France	4,8	10,7	0,5	6,2	0,7	6,3
Germany	5,8	12,6	0,5	7,4	0,6	7,5
Greece	8,4	15,8	0,5	7,6	0,9	7,7
Hungary	3,5	9,0	0,3	6,0	0,6	6,5
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	9,2	16,2	0,4	7,0	0,6	7,1
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,0	0,0	0,0	0,0	0,0	0,0
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	4,3	9,0	0,2	5,4	0,5	5,5
Poland	2,0	9,8	1,0	8,1	1,0	9,0
Portugal	7,5	11,4	0,5	4,1	0,7	4,2
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	8,5	13,7	0,5	5,8	0,8	5,9
Sweden	3,5	10,1	0,5	7,9	0,8	8,1
United Kingdom	6,3	12,0	0,3	5,9	0,4	6,0

Cost-creating barriers to trade in regulated professions (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	11,0	13,5	4,8	4,3	5,8	5,7
Austria	0,0	0,0	0,0	0,0	0,0	0,0
Belgium	19,4	17,0	8,0	7,2	11,1	8,6
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	4,4	5,1	3,4	3,7	3,6	3,7
Denmark	12,8	12,5	5,6	5,3	7,9	6,4
Estonia	7,2	7,7	4,6	5,0	5,5	5,1
Finland	14,7	15,7	6,0	5,4	7,4	6,5
France	12,8	13,6	6,3	5,3	7,4	6,8
Germany	12,1	14,3	5,4	4,6	6,4	6,2
Greece	19,0	19,4	5,7	5,1	7,5	6,2
Hungary	8,1	8,3	3,9	4,4	5,0	5,4
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	14,1	19,5	4,7	4,5	5,7	5,9
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,0	0,0	0,0	0,0	0,0	0,0
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	7,5	7,7	3,6	3,1	4,9	4,1
Poland	5,8	6,9	3,9	4,5	4,1	4,5
Portugal	16,0	14,6	6,4	4,9	7,5	5,9
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	16,8	18,4	5,7	4,7	7,3	6,2
Sweden	11,9	13,5	5,7	5,3	7,2	6,8
United Kingdom	9,1	8,4	4,0	3,3	5,0	4,6

Rent-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	1,9	2,1	0,3	1,2	0,3	1,2
Austria	2,2	2,3	0,2	1,2	0,3	1,2
Belgium	2,8	2,5	0,3	1,3	0,7	1,3
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	1,1	1,7	0,4	1,1	0,4	1,2
Denmark	2,8	2,5	0,2	1,4	0,6	1,4
Estonia	1,3	1,0	0,1	0,4	0,6	0,7
Finland	2,0	1,8	0,2	0,9	0,4	0,9
France	1,9	2,1	0,4	1,2	0,4	1,2
Germany	2,4	2,5	0,3	1,3	0,4	1,3
Greece	1,6	1,7	0,4	1,5	0,7	1,5
Hungary	1,1	1,1	0,4	0,8	0,9	1,1
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	1,7	2,2	0,2	1,3	0,3	1,3
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	1,7	1,7	0,1	0,9	0,6	1,1
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	1,9	1,9	0,2	1,1	0,4	1,1
Poland	1,6	2,0	0,4	1,4	1,5	2,0
Portugal	2,0	1,6	0,4	0,8	0,5	0,8
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	2,2	1,8	0,3	0,9	0,5	0,9
Sweden	2,1	2,2	0,2	1,4	0,4	1,4
United Kingdom	1,6	1,9	0,1	1,1	0,2	1,1

Cost-creating barriers to trade in business services (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	2,2	1,3	1,8	0,7	2,1	0,8
Austria	2,7	1,7	2,2	1,2	2,5	1,3
Belgium	4,4	3,0	2,8	1,2	4,2	1,2
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	1,5	2,0	1,2	1,3	1,4	1,3
Denmark	2,9	1,5	1,2	0,6	2,6	0,6
Estonia	1,9	1,6	1,2	1,1	1,9	1,1
Finland	3,0	1,7	2,4	1,2	2,9	1,2
France	2,7	1,2	2,5	1,0	2,7	1,1
Germany	2,2	1,2	1,9	0,6	2,0	0,6
Greece	4,6	2,0	3,0	1,5	4,2	1,6
Hungary	2,4	1,5	1,6	1,3	2,3	1,3
Ireland	0,0	0,0	0,0	0,0	0,0	0,0
Italy	1,9	1,7	1,5	0,8	1,6	0,9
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	1,5	1,2	0,7	0,7	1,4	0,8
Luxembourg	0,0	0,0	0,0	0,0	0,0	0,0
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	2,2	0,9	1,7	0,8	2,2	0,8
Poland	2,6	1,3	1,4	1,1	2,6	1,1
Portugal	3,4	1,8	2,9	0,9	3,1	0,9
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	3,7	1,7	2,6	1,1	3,5	1,1
Sweden	2,8	1,6	1,9	0,9	2,7	1,0
United Kingdom	1,8	1,2	1,4	0,6	1,7	0,7

Rent-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	2,7	3,4	0,6	1,2	0,6	1,3
Austria	2,8	4,9	0,6	1,6	0,7	1,8
Belgium	3,5	3,9	0,7	1,3	0,8	1,3
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	2,6	4,3	0,6	1,7	1,0	1,8
Denmark	2,6	2,7	0,5	1,0	0,5	1,0
Estonia	2,0	2,2	0,5	0,8	0,5	0,8
Finland	2,7	2,6	0,6	1,0	0,6	1,0
France	2,6	2,5	0,8	1,1	0,9	1,2
Germany	2,9	4,2	0,8	1,4	0,8	1,4
Greece	2,9	2,8	0,8	1,4	1,0	1,8
Hungary	2,7	3,3	0,5	0,7	0,7	0,9
Ireland	1,7	1,0	0,5	0,6	0,5	0,6
Italy	2,9	3,5	0,6	1,3	0,6	1,5
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	2,6	2,4	0,5	0,8	0,5	0,8
Luxembourg	3,1	5,9	1,0	2,3	1,2	2,6
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	2,3	4,0	0,6	1,6	0,7	1,6
Poland	2,0	2,2	0,6	0,9	0,9	0,9
Portugal	3,7	3,6	1,0	1,2	1,0	1,2
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	2,5	2,2	0,7	0,8	0,7	0,9
Sweden	1,9	2,5	0,5	1,1	0,6	1,2
United Kingdom	2,8	3,4	0,2	0,9	0,2	1,1

Cost-creating barriers to trade in distributive trade (%)

	Benchmark		Original Services Directive		Services Directive without CoOP	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
EU25	1,0	1,3	0,5	0,7	0,5	0,7
Austria	1,5	1,7	0,9	1,1	0,9	1,1
Belgium	1,2	2,0	0,6	0,9	0,6	0,9
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0
Czech Rep.	0,4	0,9	0,3	0,7	0,4	0,7
Denmark	0,7	1,1	0,2	0,4	0,2	0,4
Estonia	0,2	0,7	0,2	0,4	0,2	0,4
Finland	1,2	1,4	0,6	0,8	0,6	0,8
France	1,1	1,3	0,5	0,7	0,5	0,7
Germany	0,6	0,9	0,4	0,5	0,4	0,5
Greece	1,2	1,5	0,6	0,8	0,6	0,8
Hungary	0,5	0,9	0,3	0,6	0,3	0,6
Ireland	0,6	0,9	0,2	0,3	0,2	0,3
Italy	1,4	1,9	0,5	0,8	0,5	0,8
Latvia	0,0	0,0	0,0	0,0	0,0	0,0
Lithuania	0,2	0,7	0,2	0,5	0,2	0,5
Luxembourg	0,6	1,0	0,6	0,8	0,6	0,9
Malta	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	0,9	1,1	0,7	0,9	0,7	0,9
Poland	0,4	0,8	0,3	0,6	0,3	0,6
Portugal	1,2	1,5	0,6	0,6	0,6	0,6
Slovakia	0,0	0,0	0,0	0,0	0,0	0,0
Slovenia	0,0	0,0	0,0	0,0	0,0	0,0
Spain	1,2	1,6	0,6	0,8	0,6	0,8
Sweden	0,7	1,1	0,5	0,7	0,5	0,7
United Kingdom	1,3	1,5	0,7	0,8	0,7	0,8

Appendix III: Detailed interpretation of the CoOP

This appendix provides the detailed interpretation of the direct impact of the CoOP on barriers to services provision. Note that the effect of the principle itself, i.e. that service providers should be subject only to the regulations of their country of establishment, is incorporated not at the barrier level, but by calculating trade-weighted barriers for cross-border supply with and without the CoOP. See chapter 1 for a detailed description of the interpretation and model implementation of the CoOP.

The key information in table 1 below is provided in the column labelled “Answer allowed”. A “Yes” in this column means that the corresponding restriction would be allowed to exist in all Member States and sectors following the implementation of the proposed Directive. However, it does not mean that the restriction is compulsory. A “Yes” will therefore never change the barriers in any Member State or sector.

A “No” means that the corresponding restriction would be prohibited in all Member States and sectors by the proposed Directive. If the corresponding restriction exists in a Member State it is accordingly assumed that the restriction would be removed completely (partial removal is not considered) by implementation of the proposed Directive, resulting in barriers being lowered in Member States where the restrictions currently exist.

With the exception of removing the CoOP, this analysis maintains the interpretation of the remainder of the Services Directive as applied in the original study undertaken for the European Commission (Copenhagen Economics, 2005), with two slight exceptions. First, the original analysis assumed that barriers to promotion (i.e. all restrictions in category 3 in the table below) would effectively be eliminated by the joint effects of the CoOP and Article 29 (on removing prohibitions on commercial communication by the regulated professions). This analysis assumes that a Services Directive without the CoOP would still include the necessary provisions (e.g. a strong Article 29) for eliminating existing barriers to promotion. Second, the original analysis assumed that barriers to free price setting (restrictions in category 5.2 in the table below) would be eliminated by a combination of the CoOP and Article 15 (on requirements to be evaluated). This analysis assumes that Article 15 alone is sufficient to eliminate existing barriers to free price setting.

The restrictions that are assumed to be affected by the removal of the provisions relating to the CoOP are marked with the text “No CoOP” in the column labelled “Article in the Services Directive” in the table below. For each of these restrictions, the articles in the complete Directive that would have affected the particular restriction are also included (in brackets and crossed out) for reference.

Table 1: Categories, weights and scores

<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
1. ESTABLISHMENT					
1.1. Monopolies and other quantitative restrictions				0.125	0.125
Monopoly and quantitative restrictions on access to activities	9 & 12	No	1.000		
Monopoly on access to activities (no quantitative restrictions)	9 & 12	No	0.750		
Quantitative restrictions on access to activities (no monopoly)	9 & 12	Yes	0.375		
No restrictions on access activities	9 & 12	Yes	0.000		
1.2. Nationality or residence requirements				0.200	na
Nationality required to practice + Permanent or prior residence (more than 12 months)	10	No	1.000		
Nationality required to practice + less than 12 months for prior residence	10	No	0.900		
Nationality required to practice + Domicile or representative office only	10	No	0.750		
No nationality requirements + Permanent or prior residence (more than 12 months)	10	No	0.450		
No nationality requirements + less than 12 months for prior residence	10	No	0.300		
No nationality requirements + Domicile or representative office only	10	No	0.150		
No restrictions	10	Yes	0.000		
1.3. Authorisation and registration procedures				0.100	0.100
Prior authorisation requirements	13	Yes	1.000		
Registration requirements needed	13	Yes	0.750		
Declaration requirements needed	13	Yes	0.350		
No authorisation and registration requirements	13	Yes	0.000		
1.4.a. Restrictions on multi-disciplinary activities				0.100	0.100

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<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
Restrictions on association with other professions	14	No	0.325		
Restrictions on the exercise of different core activities	14	No	0.500		
Restrictions on the exercise of activities in different locations	14	No	0.175		
No restrictions	14	Yes	0.000		
1.4.b. Other Restrictions on multi-disciplinary activities				0.050	na
Restrictions on the use of the international/foreign name of a firm	14	No	0.500		
Restrictions on the international relationship of locally established firms	14	No	0.500		
No restrictions	14	Yes	0.000		
1.5. Legal form				0.150	na
Imposition of a particular legal form	15	No	0.125		
Imposition of a particular internal structure	14 & 30	No	0.125		
Firms must be owned or controlled by local professionals	14	No	0.125		
Partnership or joint venture restrictions	14	No	0.125		
Restrictions on foreign investment/ownership	14	No	0.125		
Obligation to employ local employees	14	No	0.125		
Minimum capital requirements	15	No	0.125		
Minimum number of employees	15	No	0.125		
1.6.a. Professional qualifications (for foreign firms)				0.100	na
Local training required for a full licence	10 & 14	No	1.000		
Local examination required in all cases	10 & 14	No	0.750		
Case-by-case assessment of foreign licence and qualifications	13	No	0.600		
Aptitude tests	14	No	0.450		

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<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
Foreign licence and qualifications sufficient to practice	na	na	0.300		
1.6.b. Professional qualifications (for local firms)				na	0.075
Compulsory membership of professional association	10 & 14	No	0.250		
Professional examination	15	No	0.250		
Practical experience	10 & 14	No	0.250		
Higher education	10 & 14	No	0.250		
1.7. Conditions on the exercise of service activities				0.125	0.125
Professional liability insurance regulations	na	na	0.200		
Rules on taxation	na	na	0.200		
Rules on the use of infrastructures	10 & 14	No	0.200		
Minimum licence requirements	na	na	0.200		
Fee Settings	15	No	0.200		
No restrictions	na	na	0.000		
1.8. State Control				0.050	0.025
Government expenditures represents more than 45% of GDP	na	Yes	0.150		
Government consumption represents more than 20% of GDP	na	Yes	0.150		
National, state or provincial governments have special voting rights (e.g. golden shares) in any firms within the business sector	na	Yes	0.200		
Public sector employment represents more than 6% of the population	na	Yes	0.150		
Strategic choices of some publicly-controlled firms have to be reviewed and/or cleared in advance by national, state, or provincial legislatures	na	Yes	0.200		
Legal or constitutional constraints to the sale of the stakes held by the State in publicly-controlled firms	na	Yes	0.150		

<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
2. USES OF INPUTS					
2.1. Deployment of Staff				0.400	0.200
No entry of executives, senior managers or specialists	14	No	1.000		
Limitation on the length of stay	14	No	0.750		
Prior Declaration requirement	24	Yes	0.500		
Administrative requirements	24	Yes	0.350		
No restrictions	24	Yes	0.000		
2.2. Use of Foreign Temporary Workers				0.250	0.125
Prohibition on the use of foreign temporary staff	24	No	1.000		
Prior-authorisation rules and establishment requirements	No CoOP [24]	Yes	0.500		
No restrictions	na	Yes	0.000		
2.3. Other difficulties (Disparities between national regulations)^a				0.150	Na
Disparities on remuneration regulations	na	Na	0.250		
Disparities on taxation	No CoOP [20]	Yes	0.250		
Disparities on social protection	na	na	0.250		
Disparities on pension schemes and obstacles to the transfer of supplementary pensions	na	na	0.250		
No Remarkable Disparities	na	na	0.000		
2.4. Cross-border use of business services				0.125	Na
Prohibition on the use of foreign service providers	15	No	1.000		
Restrictions on the use of foreign service providers	15	No	0.750		
Authorization required for the use of foreign service providers	15	No	0.250		
No restrictions	15	Yes	0.000		

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<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
2.5. Cross-border use of equipment and material				0.075	Na
Prohibition on the use of foreign equipment and material	No CoOP [46]	Yes	1.000		
Restrictions on the use of foreign equipment and material	No CoOP [46]	Yes	0.750		
Authorization required for the use of foreign equip. and material	No CoOP [46]	Yes	0.250		
No restrictions	No CoOP [46]	Yes	0.000		
3. PROMOTION					
3.1. Authorisation, registration and declaration procedures				0.100	0.050
Authorisation required for communications and promotion	29	No	1.000		
Restrictions apply to some groups or activities	29	No	0.650		
Declaration to specific bodies are needed	29	No	0.300		
General legal requirements	29	Yes	0.000		
3.2. Bans on commercial communication				0.350	0.175
Prohibition of advertising, marketing and solicitation	29	No	1.000		
Restrictions apply to some groups or activities	29	No	0.650		
Authorization is required	29	No	0.300		
General legal requirements	29	Yes	0.000		
3.3. Content of commercial communication				0.250	0.125
Restrictions imposed on the type of information	29	No	0.250		
Restrictions in respect of the target audience	29	No	0.250		
Restrictions in the use of arguments	29	No	0.250		
Restriction on the language used	29	Yes	0.250		

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<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
3.4. Form of commercial communication				0.180	0.090
Prohibition of communications without prior consent	29	No	0.500		
Restriction related to specific forms of canvassing	29	No	0.500		
No restrictions	29	Yes	0.000		
3.5. Non-commercial communication				0.120	0.060
Prohibition of communications without prior consent	29	No	0.500		
Restriction related to specific forms of canvassing	29	No	0.500		
No restrictions	29	Yes	0.000		
4. DISTRIBUTION					
4.1. Monopolies and other quantitative restrictions				0.150	0.150
Monopoly and quantitative restrictions on access to activities	9 & 12	No	1.000		
Monopoly on access to activities (no quantitative restrictions)	9 & 12	No	0.500		
Quantitative restrictions on access to activities (no monopoly)	9 & 12	Yes	0.500		
No restrictions on access activities	9 & 12	Yes	0.000		
4.2. Nationality or residence requirements				0.225	0.225
Nationality required to practice + Permanent or prior residence (more than 12 months)	10	No	1.000		
Nationality required to practice + less than 12 months for prior residence	10	No	0.850		
Nationality required to practice + Domicile or representative office only	10 & 16	No	0.600		
No nationality requirements + Permanent or prior residence (more than 12 months)	10	No	0.450		
No nationality requirements + less than 12 months for prior residence	10	No	0.300		

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<i>Restriction category</i>	<i>Article in Services Directive</i>	<i>Answer allowed</i>	<i>Specific Score (s_{ij})</i>	<i>Foreign Relevant Weight (w_{ij}^F)</i>	<i>Domestic Relevant Weight (w_{ij}^D)</i>
No nationality requirements + Permanent or prior residence (more than 12 months)	10 & 16	No	0.150		
No restrictions	10	Yes	0.000		
4.3. Authorisation and registration procedures				0.050	0.050
Prior authorisation requirements	13	Yes	1.000		
Registration requirements needed	13	Yes	0.500		
Declaration requirements needed	13	Yes	0.300		
No authorisation and registration requirements	13	Yes	0.000		
4.4. Internal structure and legal form				0.150	Na
Imposition of a particular legal form	15	No	0.125		
Imposition of a particular internal structure	14 & 30	No	0.125		
Firms must be owned or controlled by local professionals	14	No	0.125		
Partnership or joint venture with local professionals required	14	No	0.125		
Limits to the number or proportion of shares that can be acquired by foreign investors in certain firms	14	No	0.125		
Obligation to employ local employees	14	No	0.125		
Minimum capital requirements	15	No	0.125		
Minimum number of employees	15	No	0.125		
4.5. Professional requirements				0.175	Na
Disparities between national requirements on professional qualifications	na	na	0.250		
Disparities between national requirements on experience	na	na	0.250		
Disparities between national requirements on professional titles	na	na	0.250		
Validate requirements required	na	na	0.250		

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4.6. Imposition of conditions on the exercise of an activity				0.100	0.100
Territorial limits applying to a licence	16	No	0.333		
Existence of rules governing a professional code of good conduct	30	Yes	0.333		
Existence of rules governing the protection of a general interest	19	Yes	0.333		
No impositions	na	na	0.000		
4.7. Transport and postal services				0.025	Na
Disparities between national requirements on the characteristics of the vehicles used	na	na	0.125		
Disparities between national requirements on the arrangements for the provision of transport services	na	na	0.125		
Diversity of national rail systems	na	na	0.125		
Disparities between national requirements on national rules on access to networks	na	na	0.125		
Existence of several different and incompatible management system in the air sector	na	na	0.125		
Significant disparities on the delivery time for postal services	na	na	0.125		
Disparities on the delivery time for postal services	na	na	0.125		
Relevant postage-rate differences on cross-border distribution activities	na	na	0.125		
4.8. Restrictions on the receipt of services				0.125	na
Exclusive provision of services for nationals or residents	14 & 21	No	1.000		
Additional conditions and guarantees for foreign entities	14 & 21	No	0.500		
No restrictions on foreign firms	14 & 21	Yes	0.000		
5. SALES OF SERVICES					
5.1. Formation and content of Contracts				0.175	0.175

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Mandatory and/or public policy rules applied	No CoOP [46]	Yes	1.000		
Prior notification of terms and conditions required	No CoOP [46]	Yes	0.500		
No restrictions	No CoOP [46]	Yes	0.000		
5.2 Price Settings				0.375	0.375
Maximum prices, minimum prices or prices are set	15	No	1.000		
Maximum prices, minimum prices or prices are recommended	15	No	0.500		
Setting prices freely	15	Yes	0.000		
5.3. Taxation				0.125	na
Compulsory VAT obligations for non-established firms	na	na	0.250		
Periodic VAT declarations cannot be submitted electronically	na	na	0.250		
Conditions on the means of VAT payments	na	na	0.250		
Longer VAT reimbursement periods for cross-border transactions	na	na	0.250		
No restrictions	na	na	0.000		
5.4. Reimbursement, subsidy or aid to the service recipient				0.075	na
Authorisation for the reimbursement of medical costs incurred in other Member States required	No CoOP [23]	Yes	0.333		
Reimbursement of costs below the level granted in the country of social insurance affiliation	No CoOP [23]	Yes	0.333		
More favourable tax treatment for services received from local providers	16	No	0.333		
No restrictions	23	Yes	0.000		
5.5. Public contracts and concessions				0.250	na
Single-tendering and negotiated procedures	na	na	0.200		

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Requirements for local content or rules favour domestic suppliers of publicly procured goods and services	na	na	0.200		
Nationality or residency requirements to participate in public procurement bids	na	na	0.150		
Contractual conditions governing the performance of contracts	na	na	0.150		
Mandatory for suppliers interested in participating in public contracts to register as contractors or be qualified as such	na	na	0.150		
Long-term concessions	na	na	0.150		
Open tendering	na	na	0.000		
6. AFTER SALES ASPECTS OF SERVICES					
6.1. Liability, professional-indemnity insurance and guarantee systems				0.200	0.200
Compulsory liability insurance schemes	27	Yes	0.250		
Conditions imposed on the field of activities to be insured	27	Yes	0.250		
Conditions imposed on the minimum amount of coverage	27	Yes	0.250		
Mandatory financial guarantee schemes	27	Yes	0.250		
6.2 Debt collection				0.200	na
Debt collection agency can be used only for established firms	na	na	0.250		
Average payment period larger than 55 days	na	na	0.250		
Debt collection costs are not always charged to the debtor	na	na	0.250		
Administrative and debt recovery costs are not recognised	na	na	0.250		
6.3. After sales services				0.150	0.150
Mandatory conditions applied	na	na	1.000		
Prior notification of terms and conditions required	na	na	0.500		

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No restrictions	na	na	0.000		
6.4.a. Legal redress (apply to foreign firms)				0.450	na
Appeal procedures are not available to foreign parties	14 & 16	No	0.167		
Foreign owned or controlled firms have not redress through competition agencies against business practices that are perceived to restrict competition and hence prevent effective access	14 & 16	No	0.167		
Foreign owned or controlled firms have not redress through trade policy agencies against business practices that are perceived to restrict competition and hence prevent effective access	14 & 16	No	0.167		
Foreign owned or controlled firms have not redress through regulatory authorities against business practices that are perceived to restrict competition and hence prevent effective access	14 & 16	No	0.167		
Foreign owned or controlled firms have not redress through private rights of actions against business practices that are perceived to restrict competition and hence prevent effective access	14 & 16	No	0.167		
No explicit recognition of national treatment principle	14 & 16	No	0.167		
6.4.b. Legal redress (apply local firms)				na	0.250
Insecure that their consumer rights would be protected in another country of the EU (less than 30% feel well protected)	na	na	1.000		
In-doubt tat their consumer rights would be protected in another country of the EU (between 50% and 30% feel well protected)	na	na	0.500		
Confident that their consumer rights would be protected in another country of the EU (more than 50% feel well protected)	na	na	0.000		
7. NON-LEGAL BARRIERS					
7.1. Lack of regulatory information				0.200	na

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Guidance on plain language drafting is not issued	na	na	0.125		
National rules and interpretation is only available in the local language	na	na	0.125		
Customer services are not available	6 & 7 & 27 & 33	No	0.125		
Absence of systematic procedures for making regulations known and accessible to affected parties	6 & 7 & 27 & 33	No	0.125		
There are not specific provisions which require that regulations be published to the public at the international level	na	na	0.125		
Government policy do not impose specific requirements in relation to the following aspects of regulatory quality assurance: Transparency/freedom of information	6 & 7 & 27 & 33	No	0.125		
Absence of a complete count of the number of permits and licenses required by the national government (all ministries and agencies)	na	na	0.125		
Absence of a single contact point for getting information on licenses and notifications	6	No	0.125		
7.2. Lack of awareness of the internal market				na	0.200
More than 75% of the consumer feel badly informed	na	na	1.000		
More than 50% of the consumer feel badly informed	na	na	0.750		
More than 25% of the consumer feel badly informed	na	na	0.500		
Less than 25% of the consumer feel badly informed	na	na	0.250		
7.3. Different Regulatory environments				0.300	na
Official translation of documents are required	na	na	0.250		
National authorities web pages are only available in the local language	na	na	0.250		
National authorities only provide customer service in the local language	na	na	0.250		

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Limited knowledge of a foreign language (less than 40% of the population speak a foreign language)	na	na	0.250		
7.4. Market conditions				0.500	na
Heavy dependence on word of mouth to gather information on consumer issues (more than 60% overall consumers mentioning Local Consumer organisations, local advice centres and colleagues and relatives as the main sources of information)	na	na	1.000		
High dependence on word of mouth to gather information on consumer issues (between 60% and 40% overall consumers mentioning Local Consumer organisations, local advice centres and colleagues and relatives as the main sources of information)	na	na	0.650		
Standard dependence on word of mouth to gather information on consumer issues (between 40% and 20% overall consumers mentioning Local Consumer organisations, local advice centres and colleagues and relatives as the main sources of information)	na	na	0.300		
Low dependence on word of mouth to gather information on consumer issues (less than overall consumers mentioning Local Consumer organisations, local advice centres and colleagues and relatives as the main sources of information)	na	na	0.000		

Note: ^aAdditional categories.

Source: Copenhagen Economics IMRIS Database