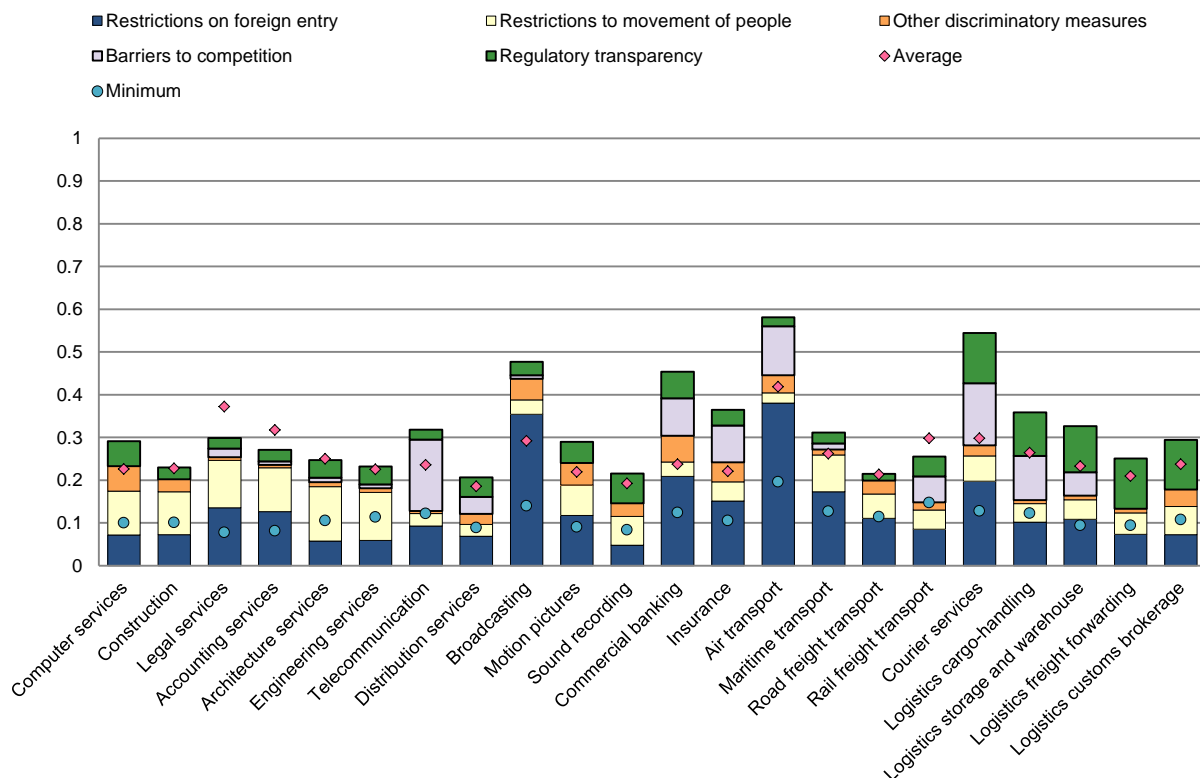


OECD Services Trade Restrictiveness Index (STRI): Brazil

Brazil exported services worth USD 33.0 billion and its services import value was USD 68.9 billion in 2015. Business, professional and technical services are the largest categories of services exports and imports. Brazil's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 44 countries included in the STRI database for each sector.

STRI by sector and policy area



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Brazil has a lower score on the STRI than the average in 4 out of 22 sectors, a fact explained both by general regulations affecting all sectors and by sector-specific rules. There are 11 separate administrative procedures required to register a company, and obtaining the required permits and registrations takes 83 days, raising the cost of establishment in all sectors. A specific approval regime applies to the establishment of foreign branches, which requires the publication of an executive decree issued by the federal government. For natural persons providing services on a temporary basis, Brazil imposes a labour market test according to which foreign workers can only be hired if no potential Brazilian candidate has the required skills. In addition, at least two-thirds of the workforce of Brazilian company must be nationals, and the managers of a joint-stock company must be residents in all sectors.

The sectors with the relatively lowest STRI scores

Legal services, rail freight transport and accounting services are the three sectors with the lowest score relative to the average in Brazil. Only locally-registered lawyers can hold shares in law firms and they are prohibited from associating with or being hired by other legal professionals, but foreign lawyers can register after passing an exam, or practice their home country and international law as foreign law consultants. Similarly the revalidation process for accountants and auditors qualified abroad is based on exams. Rail freight transport is open to foreign investment and Brazil grants international access rights in freedom of transit conventions, though rail operators intending to provide cabotage services need to be registered as domestic companies. Interoperability is encouraged but not required.

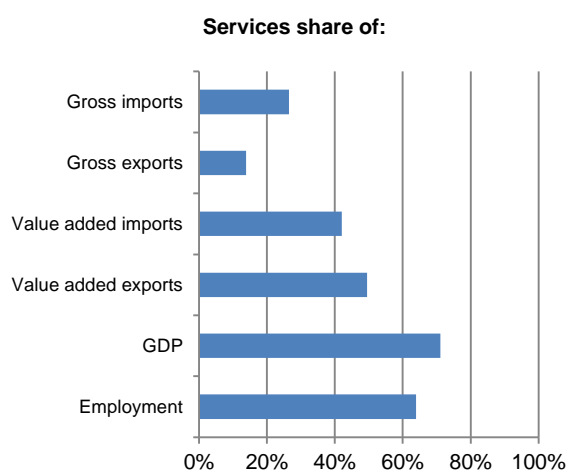
The sectors with the relatively highest STRI scores

Insurance, courier services and commercial banking are the three sectors with the highest score relative to the average in Brazil. The admission of foreign participants in the banking sector is subject to prior approval by Brazilian authorities based on international agreements, reciprocity or national interest. The establishment of foreign bank branches and the provision of banking services on a cross-border basis are not allowed. Several major commercial banks are state-owned. Foreign insurers can enter through subsidiaries and branches, but the authorisation takes into account economic needs tests and reciprocity conditions. Cross-border transactions are allowed only for reinsurance and locally unavailable policies. At least 40% of reinsurance cessions must be contracted with local reinsurers, the largest of which is controlled by the state. Furthermore, insurance brokers must be Brazilian nationals or permanent residents, and financial supervisory institutions do not enjoy full independence from government intervention. Courier services include letters, parcel and express delivery services. The state-owned postal operator is granted a monopoly on pick-up, transport and delivery of letters, which closes the full letter segment to private competitors. Express delivery services operate competitively, but the absence of pre-arrival customs processing and of a general *de minimis* regime affects cross-border services.

Recent policy changes

The Federal Supreme Court ruled in 2015 to exempt the designated postal operator from VAT and other local taxes for both its postal and courier services. Measures undertaken in 2016 to liberalise foreign participation in domestic airlines were temporarily reversed.

Efficient services sectors matter



Services account for only 14% of Brazil's gross exports, but almost half of its exports in value added terms, indicating that Brazil's exports of goods rely intensively on services inputs. The present contribution of services to value added exports is, however, lower than average. Cost effective state of the art services are therefore of utmost importance for the competitiveness of the Brazilian industrial sector. The STRI can be used to explore to what extent existing regulations explain this relatively low share and to identify best-practice regulation that can help improve overall productivity and competitiveness. Services account for around two-thirds of GDP and employment, which implies that earnings and aggregate demand depend crucially on productivity in the services sectors.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org