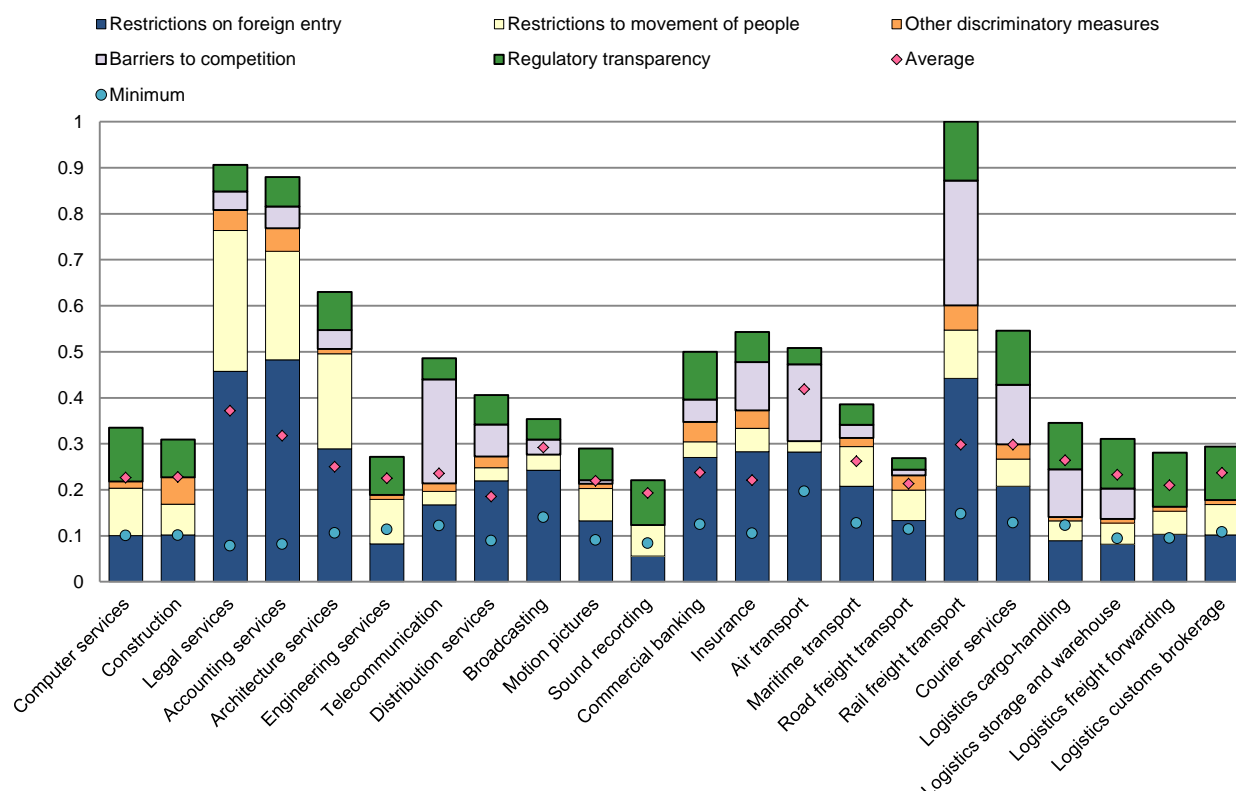


OECD Services Trade Restrictiveness Index (STRI): India

India exported services worth USD 155 billion and its services imports amounted to USD 122 billion in 2015. The largest services exports category was computer services and the largest import categories were travel and insurance services. India is the largest exporter of computer services in the world, second only to the European Union. India's score on the STRI index in the 22 sectors is presented 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

India has a STRI score above average in all sectors. Services trade through FDI is governed by the “Consolidated FDI Policy” (the current version in force since 7 June 2016). Sectors are categorised into two groups: prohibited sectors and permitted sectors. In the permitted sectors investment can take place either through the government route through which prior approval is needed, or the automatic route where no approval is required. In some sectors the automatic route applies up to a certain threshold beyond which approval is needed. Additional horizontal measures affecting all sectors are regulations on transfers of shares between residents and non-residents, which are subject to pricing guidelines, and regulations on mergers and acquisitions, which usually take place through the establishment of a holding company in India. India applies labour market tests for workers seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. These categories may stay in the country for up to 24 months on their first entry permit. However, multiple entry business visas are awarded for up to five years with each stay limited to six months. At least one of the board members and the

manager in corporations must be residents of India. Finally, national treatment of foreign suppliers is not guaranteed in public procurement.

The sectors with the relatively lowest STRI scores

Sound recording, engineering and broadcasting are the three sectors with the lowest score relative to the average. All three sectors follow the automatic route up to 100% equity share. In sound recording the only sector-specific contribution to the score is a statutory monopoly on copyright management. Engineering is not a regulated profession at the national level and the sector is subject to the general policy framework. India has recently liberalised cable and satellite broadcasting. Foreign equity limits have been lifted, but equity shares beyond 49% are subject to approval. Broadcasters must also obtain a license to operate. However, terrestrial television is still reserved for the national broadcaster.

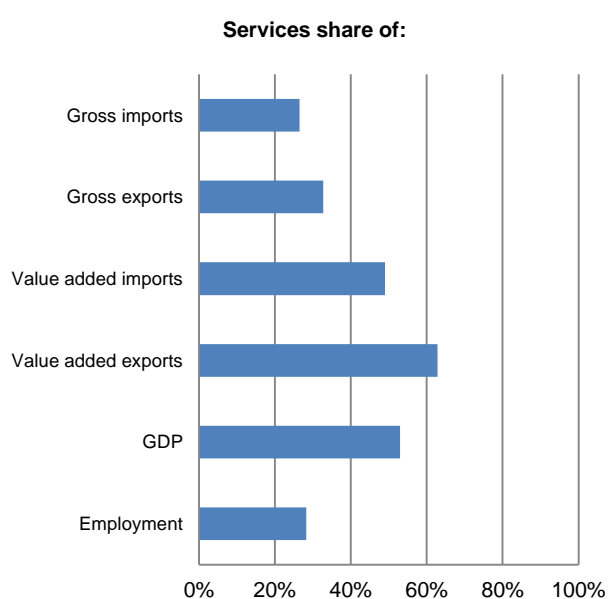
The sectors with the relatively highest STRI scores

Accounting services, legal services and rail freight transport, are the three sectors with the highest score relative to the average. Accounting and auditing are reserved for licenced accountants and auditors. A license is required to own and manage an accounting or an auditing firm and only Indian nationals may obtain a licence. Legal services, both national and international law, are reserved for licensed Indian lawyers. Indian nationality or citizenship is required for obtaining a full license. Only fully licenced lawyers (advocate) may form and own law firms. Corporations are not permitted in the sector and lawyers may not enter into partnerships or otherwise associate with other professions or foreign lawyers. The only opportunity for foreign legal services providers to do business in India is through business visits to provide legal advice to their clients (fly-in-fly out). Railway operations are on the list of prohibited sectors and reserved for Indian Railways, a state-owned enterprise. Transit rights are also limited rendering freight operations closed to foreign trade and investment. Nevertheless, 100% foreign equity is permitted through the automatic route for construction, operation and maintenance of railway infrastructure.

Recent policy changes

In 2015 India lifted foreign equity limits from 26 to 49% in the insurance sector and foreign branches were permitted in reinsurance. In addition minimum capital requirements for establishing a company were eliminated in most sectors. Further, investment liberalisation took place in 2016 when foreign equity limits were removed in civil aviation, although acquisition of local air lines remains restricted. Foreign equity limits were also removed for airport services and cable and satellite broadcasting.

Efficient services sectors matter



Services account for a higher share of employment than of GDP in most countries, but this is not the case in India. Services account for more than 30% of gross exports, among the highest of the 44 countries included in the STRI project, and more than 60% of value added exports. The Trade in Value Added (TiVA) database reports that exports of machinery and motor vehicles have the highest services content in India. The STRI can help India identify obstacles to broadening its competitiveness in services and services-intensive manufacturing. The OECD trade in value added database and the STRI together provide a powerful tool for assessing regulatory bottlenecks and regulatory spillovers that may hinder the objectives of attracting more manufacturers through the “Make in India” initiative

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