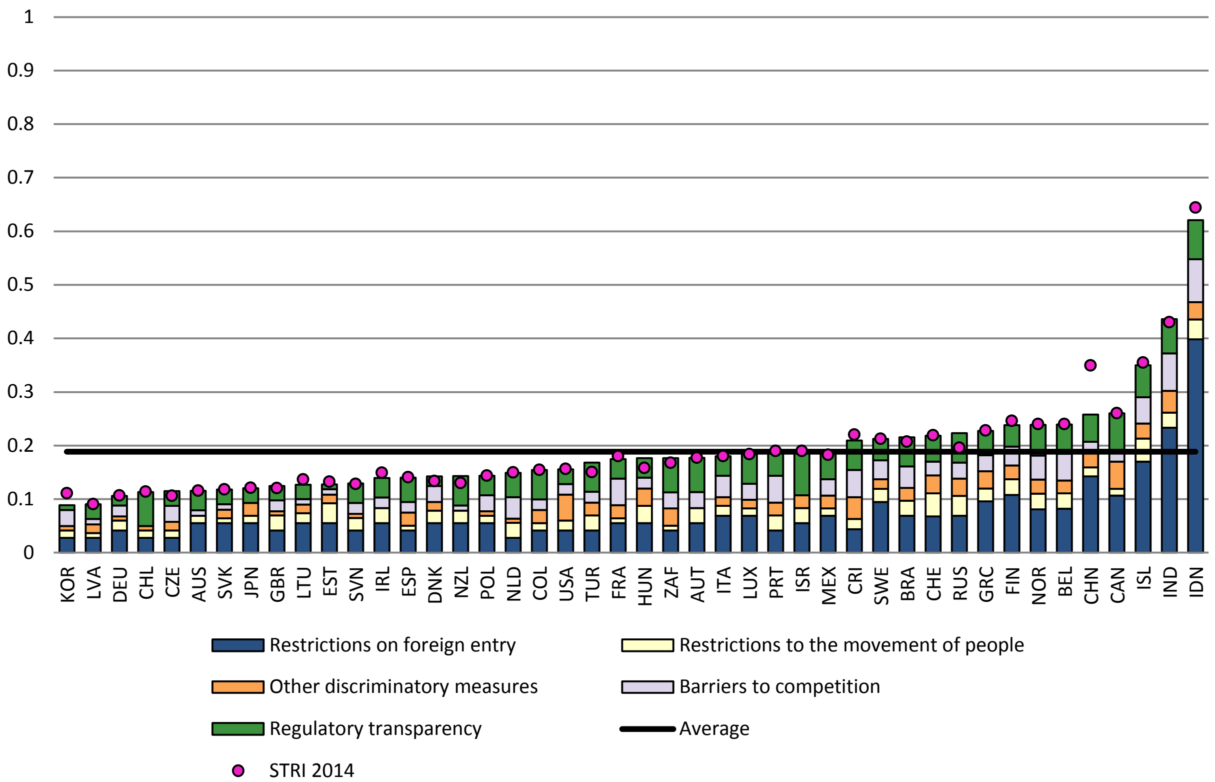
STRI Sector Brief: Distribution services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 35 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Lithuania, the Russian Federation and South Africa for distribution services in 2017.

The STRI for the distribution services sector covers general wholesale and retail sales of consumer goods (specific regulation of speciality distribution sectors such as pharmaceuticals and motor vehicles are not considered). The STRI in this sector also covers regulations relating to electronic commerce, given the increasing prevalence of multi-channel retail services as a form of distribution services.

STRI by policy area: Distribution services (2017)



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 records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.

The 2017 STRI results for distribution services range between 0.09 and 0.62, with an average of 0.19. There are 27 countries below and 17 countries above the sample average.

Restrictions on foreign entry significantly contribute to the results for almost three-quarters of the countries covered by the STRI. Only two countries employ foreign equity restrictions in the retail or wholesale segment. One country prohibits foreign equity participation at the retail level. Six countries require commercial presence to provide cross-border distribution services while four countries have restrictions which impair electronic commerce, such as the limitation of products that retailers can sell online and the prohibition of business to consumer (B2C) e-commerce. Over half of the countries covered restrict the acquisition and use of land and real estate by foreign providers. While 24 countries require licensing to operate at least one form of retailer, wholesaler or department store, seven countries employ quotas or economic needs test to obtain such licences. In nine countries, the distribution of certain products, such as alcoholic beverages at either the retail or wholesale level, is reserved for statutory monopolies. Nine countries impose discriminatory measures in relation to consumer credit. Regulations on package sizes, pre-packaging and labelling provisions (going beyond information requirements) are also observed in a few countries. In terms of cross-border e-commerce, online tax registration and declaration is not available in fourteen countries.

Barriers to competition also have a substantial impact on the regulatory environment in many countries. Regarding restrictions on business practices, 20 countries impose an upper limit on shop opening hours, ten countries regulate seasonal sales period, and 12 countries employ price regulations on certain products. There are 37 countries that have national contract rules for cross-border transactions, consistent with internationally standardised rules such as the United Nation Convention on Contract for International Sales of Goods.

Regulatory transparency in distribution services includes custom procedures and licensing procedures. The majority of countries covered in this analysis have pre-arrival processing and a *de minimis* regime in place, but lengthy customs clearance procedures contribute to the STRI index of 11 countries. With regard to licensing procedures, most countries employ objective and transparent criteria for licensing.

Under *Restrictions on the movement of people,* there is no country in the database that does not limit market access for natural persons providing services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Ten countries impose quotas on one or more of these three categories, 37 countries apply economic needs tests to stays that last longer than 3-6 months and the duration of stay is limited to less than three years in 34 countries. *Other discriminatory measures* contain regulation related to taxes, subsides and public procurement. Two countries report areas where national treatment is not fully granted regarding taxes or subsidies, while 38 countries limit non-discriminatory access to public procurement to free trade agreement or WTO government procurement agreement (GPA) partners.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 21 countries, 11 have a lower (less restrictive) score, and 12 record a more restrictive (higher) value of the STRI index in 2017. The country that most reduced its STRI index was China, which eliminated certain foreign equity restrictions affecting electronic commerce and other retail and wholesale activity. Improvements in administrative procedures under the regulatory transparency area explain most of the improvements in the STRI index for the other three countries with a lower STRI index. Five countries have also implemented regulatory reforms affecting distribution services. Finland lifted a restriction on the upper limit on shop opening hours; Indonesia raised the limit of foreign equity participation for wholesale services from 33% to 67%; India eliminated minimum capital requirements; Japan lifted the requirement that at least one board member in a corporation must be resident; Korea removed the requirement that foreign investors shall transfer stocks to Korean nationals within six months and eased procedures on opening a bank account. Most of the increase in the index stems from tightening of regulations related to the movement of people.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Read more about services trade policies and their impacts in this publication: Services Trade Policies and the Global Economy
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org.

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