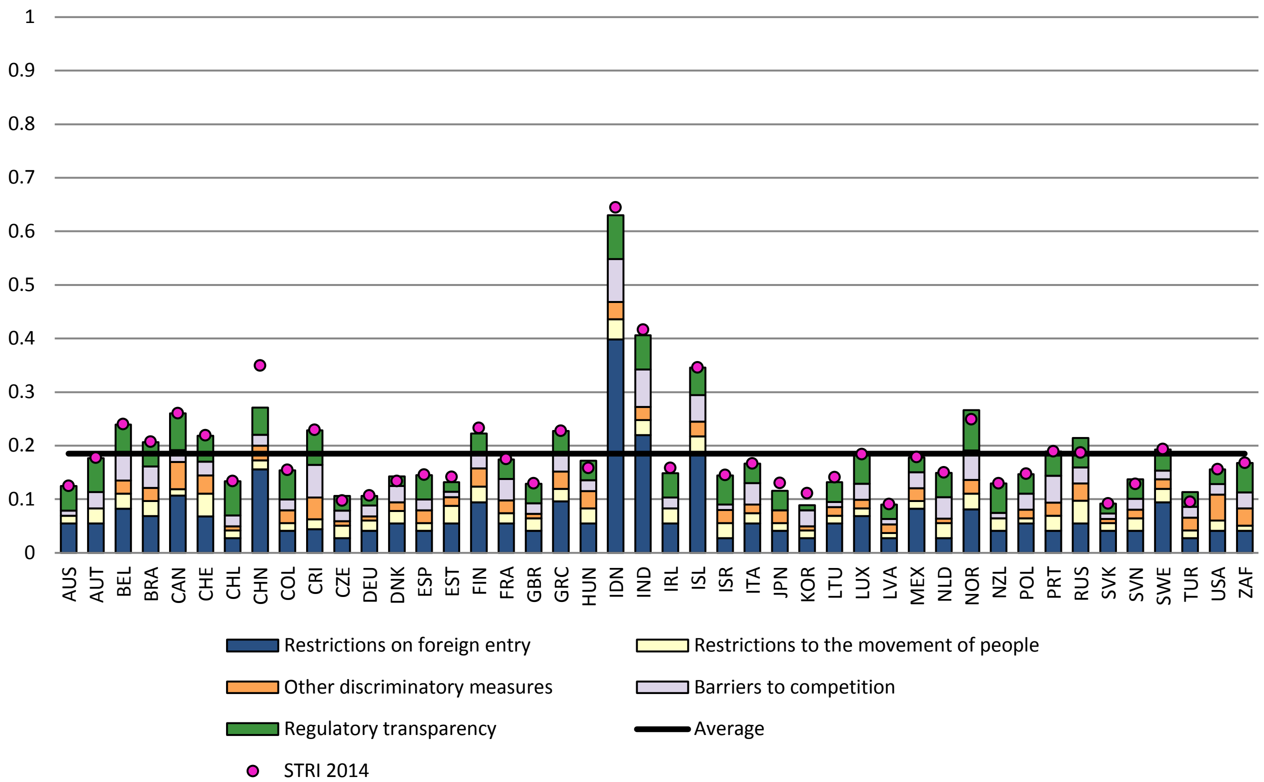
STRI Sector Brief: Distribution Services

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 2016.

The STRI distribution services sector covers general wholesale and retail sales of consumer goods while specific regulation of speciality distribution sectors for instance on pharmacies and car dealers are not considered. The STRI also captures regulations relating to electronic commerce as multi-channel retail services is getting more prevalent form of distribution services.

STRI by policy area: distribution services (2016)



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 chart depicts the overall index for each country by policy area. The 2016 scores for the distribution range between 0.09 and 0.63, with an average of 0.19. The distribution according to restrictiveness is somewhat skewed towards the low end as there are 29 countries below and 15 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 for retail or wholesale segment. One of them 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 prevent practice e-commerce e.g. limitation of products that retailers can sell online and the prohibition of B2C e-commerce. Over half of the covered countries restrict acquisition and use of land and real estate by foreign providers. While 25 countries apply licensing to operate at least one form of retailer, wholesaler or department store, 11 countries employ quotas or economic needs test for these licences. Finally, nine countries require that the distribution of certain products, such as alcohol beverages at either retail level or wholesale level, is reserved for statutory monopolies.

Under other discriminatory measures eight countries have discriminatory measures in relation to consumer credit. Regulations on pack sizes of pre-packages and labelling provisions 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 15 countries. Four countries included in the STRI database do not have any restriction in this policy area.

Barriers to competition also have a substantive impact on many countries. Regarding restrictions on business practices, 20 countries impose on an upper limit on shop opening hours, nine countries regulate seasonal sales period, and 13 countries employ price regulations on certain products. There are 36 countries which have national contract rule for cross-border transaction consistent with internationally standardised rules e.g. 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 the analysis have pre-arrival processing and a *de minimis* regime in place, but lengthy customs clearance procedure contributes to the score for 18 countries. With regard to licensing procedures, most countries employ objective and transparent criteria for licensing.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 28 countries, 9 have a lower (less restrictive) score, and 7 record a higher value of the STRI index (more restrictive) in 2016. The country that reduced the STRI index the most was China which eliminated the foreign equity restriction up to less than 50% for e-commerce and other retail and wholesale activity and fully opened up these markets. The index for China hereby went down by about eight basis points. In contrast, Russia was the country that raised the index the most, adding three basis points. The increase is due to a new requirement to store and process personal data of Russian citizen.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other three countries with a lower index. Five of them have also implemented regulatory reforms affecting distribution services. Finland lifted the restriction on the upper limit on shop opening hours; Indonesia has raised the limit of foreign equity participation for wholesale services from 33% to 67%; India has eliminated minimum capital requirements; Japan has lifted the requirement that at least one board member in a corporation must be resident; Korea has 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 the introduction of quotas for temporary services suppliers and stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data quotas for temporary services suppliers.

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

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