STR Injury Brief: Distribution services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 36 OECD countries and Brazil, the People’s Republic of China, Colombia, Costa Rica, India, Indonesia, Malaysia, the Russian Federation, South Africa and Thailand for distribution services in 2019.

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 (2019)

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 indices are based on laws and regulations in force on 31 October 2019.

The 2019 STRI results for distribution services range between 0.12 and 0.65, with an average of 0.20. There are 29 countries below and 17 countries above the sample average.

Restrictions on foreign entry contribute to the overall score in all of the countries covered by the STRI and account for 40 percent of the total scores in this sector. Only three countries employ foreign equity restrictions in the retail or wholesale segment. One country prohibits foreign equity participation at the retail level. Eight countries require commercial presence to provide cross-border distribution services, while 18 countries have restrictions which impair electronic commerce. The latter include rules limiting foreign providers’ ability to engage in direct selling via e-commerce, discriminatory access to certain settlement methods, and regulations preventing non-resident foreign providers from completing their tax declaration online.

In addition, 29 countries restrict the acquisition and use of land and real estate by foreign providers. While 26 countries require licensing to operate at least one form of retailer, wholesaler or department store, 14 countries employ quotas or economic needs test to obtain such licences. In eight countries, the distribution of certain
products, such as alcoholic beverages at either the retail or wholesale level, is reserved for statutory monopolies. Regulations on package sizes, pre-packaging and labelling provisions (going beyond information requirements) are also observed in five countries.

**Barriers to competition** also have a substantial impact on the regulatory environment in many countries. They contribute 16% to the total scores in this sector. Regarding restrictions on business practices, 22 countries impose an upper limit on shop opening hours, 11 countries regulate seasonal sales periods, and 12 countries employ price regulations on certain products. There are 9 countries that have national contract rules for cross-border transactions which deviate from 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 26 countries. With regard to licensing procedures, most countries employ objective and transparent criteria for licensing.

**Restrictions on the movement of people** account for 11% of the total scores in distribution services. In fact, 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. 12 countries impose quotas on one or more of these three categories, 35 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 37 countries.

**Other discriminatory measures** contain regulation related to taxes, subsidies and public procurement. Three countries report areas where national treatment is not fully granted regarding taxes or subsidies, while 22 countries have preferential measures for local suppliers or 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 of the distribution services sector remains unchanged for 11 countries. Conversely, 21 countries display a lower (less restrictive) score, and 14 record a more restrictive (higher) value of the STRI index in 2019. The country that most reduced its STRI index in this sector was China, which eliminated certain foreign equity restrictions affecting electronic commerce and other retail and wholesale activity. Several other 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 abolished the requirement that at least one board member in a corporation must be resident; Korea eased procedures for opening a bank account.

In the case of countries displaying a higher score relative to the one in 2014, a substantial part of the increase in the index stems from the tightening of regulations related to the movement of people. Poland introduced in 2019 quotas for foreigners entering the country on a temporary basis to provide services as intra-corporate transferees, contractual services suppliers or independent services suppliers. In addition, Poland introduced in 2018 a new regulation defining a special tax treatment of large retailers and an upper limit on shop opening hours entered into force. In 2018, the Protection of Investment Act brought new conditions on foreign investments in South Africa.

**More information**

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

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