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OECD Services Trade Restrictiveness Index (STRI)

INDIA – 2020

Key findings

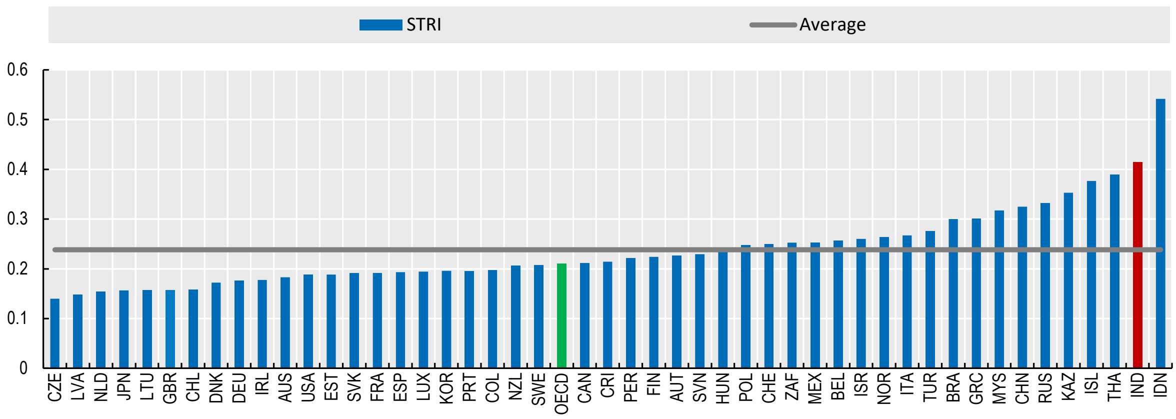
- The 2020 STRI of India is relatively high compared to other countries in the STRI sample, indicating a restrictive regulatory environment for trade.
- India demonstrated some progress in liberalising its services industries before 2016, but has introduced additional restrictions since then.
- Market access to certain key services sectors remains prohibited for foreigners or subjected to stringent conditions.

Recommendation

- Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, India could benefit from more open markets for services trade and competition enhancing reforms in key services sectors that overarch the entire economy.

The average STRI of India is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2020



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.
Source: OECD STRI and TiVA databases (2020).

The 2020 index reflects restrictions that apply on key strategic services sectors such as rail freight transport, legal services and accounting. These sectors are either reserved for public monopolies or they are completely closed for foreign direct investment and foreign services providers.

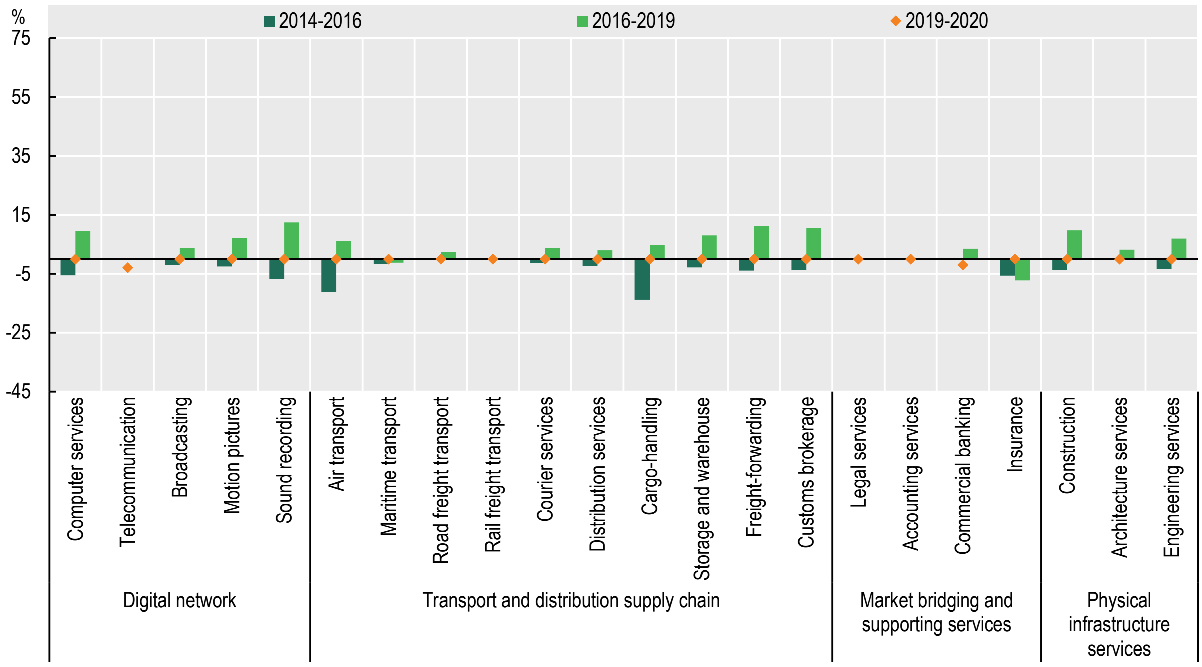
Limitations on foreign ownership also exist in other relevant sectors such as distribution, commercial banking and insurance. These limitations are governed by the "Consolidated FDI Policy" (the current version in force since 28 August 2017). Additional horizontal measures affecting all sectors are regulations 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 natural persons 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, there are preferences for local suppliers in public procurement.

India has been progressively introducing reforms over the past years, contributing to a slight liberalisation of services trade in some sectors before 2016 but implementing additional restrictions since then (Figure 2).

Figure 2. Evolution of STRI scores by sector in India

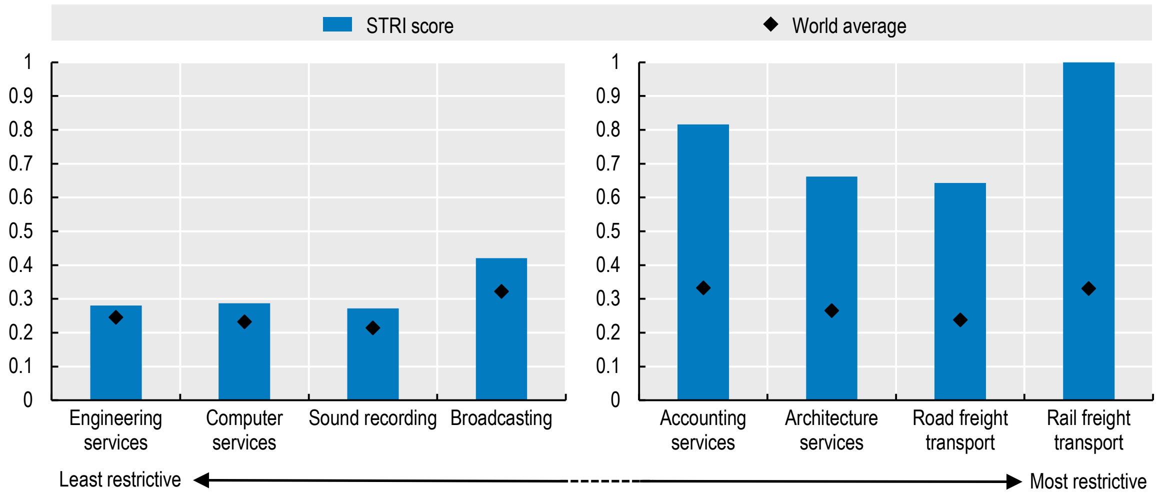
Services Trade Restrictiveness Index, percentage change over the period 2014-2016, 2016-2019 and 2019-2020



Source: OECD STRI database (2020).

Engineering services, computer services, sound recording and broadcasting are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Accounting services, architecture services, road freight transport and rail freight transport are the sectors with the highest score relative to the average STRI across all countries.

Figure 3. Sectoral breakdown – The least and most restricted sectors in India

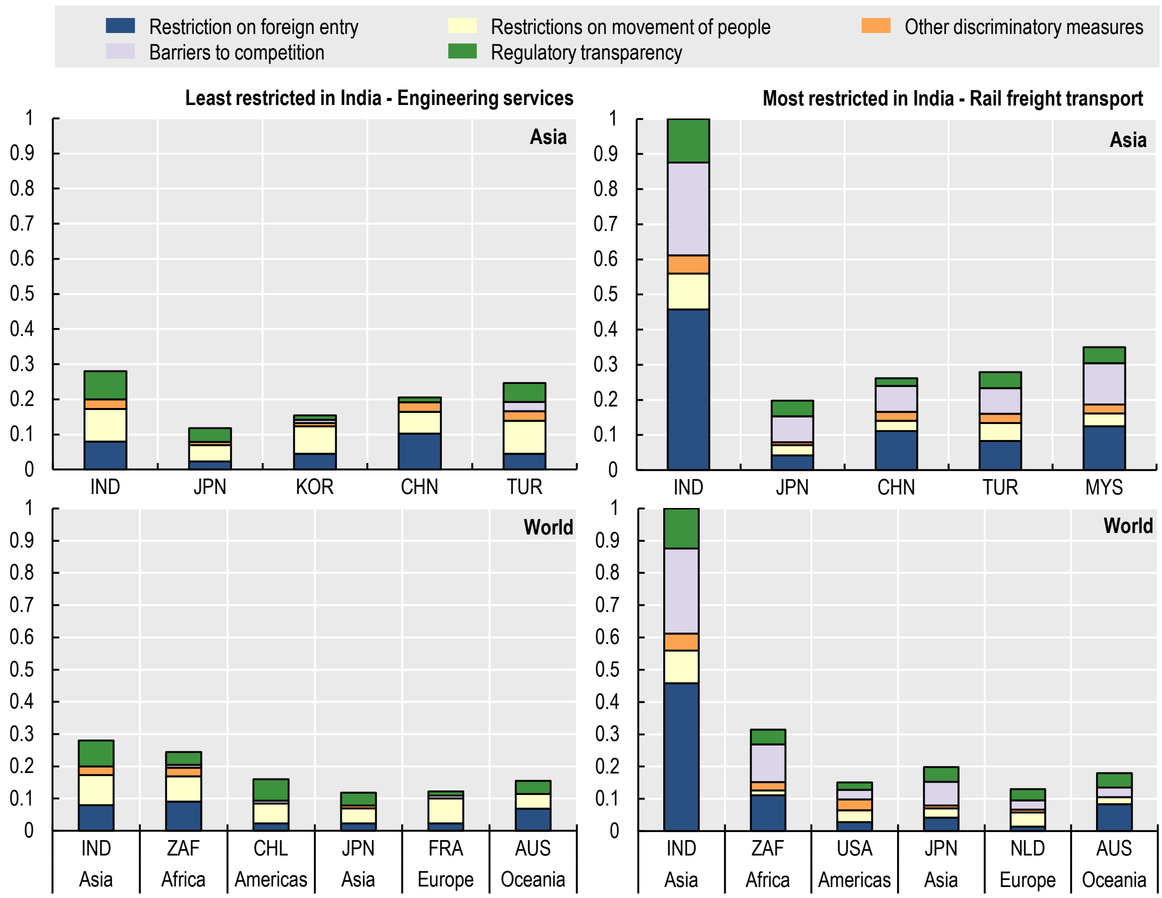


Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. $(STRI_{country, sector} - STRI_{world\ average, sector}) / STRI_{world\ average, sector}$

Source: OECD STRI database (2020).

Engineering services are the least restricted in India compared to Asia and the other best performers elsewhere while rail freight transport are the most restricted (Figure 4).

Figure 4. India compared to Asia and World's best performers



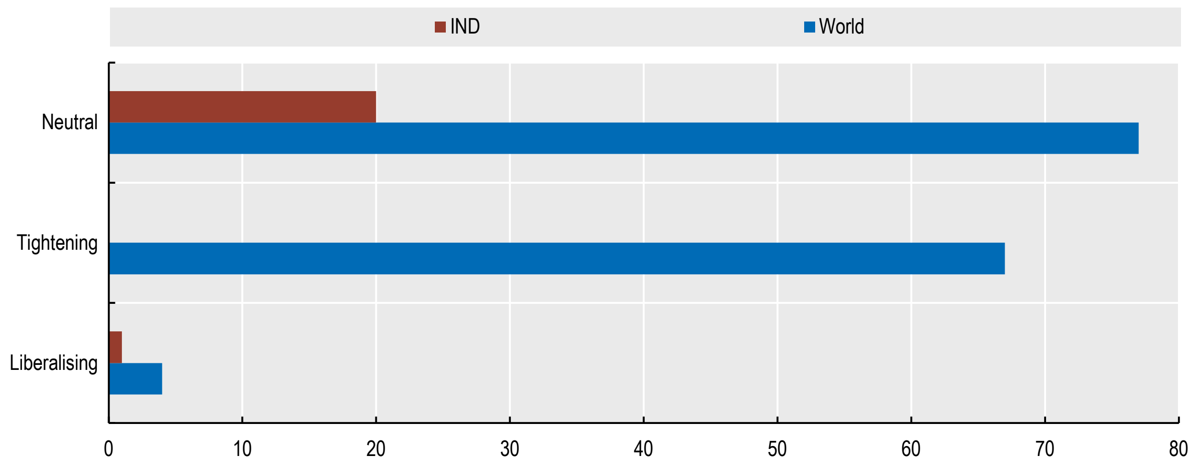
Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While India has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. India introduced additional restrictions for foreign direct investment from bordering countries.

Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements.

Figure 5. COVID-19 related measures in India and in the world



Source: OECD STRI database (2020).

Key reforms

In 2020, India introduced regulation on non-discriminatory interconnection rates in the telecommunications sector. Self-handling for air cargo operators was allowed in 2019 and in 2018 a number of restrictions were lifted on cabotage in maritime transport. On the other hand, India tightened its services regime in 2017 by introducing an equalization levy of 6% on purchases of advertising services from non-resident companies.

More information

» Access all country and sector notes, and interactive STRI tools on the OECD website at http://oe.cd/stri

» Read more about services trade policies and their impact in Services Trade Policies and the Global Economy

» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org