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OECD Services Trade Restrictiveness Index (STRI)

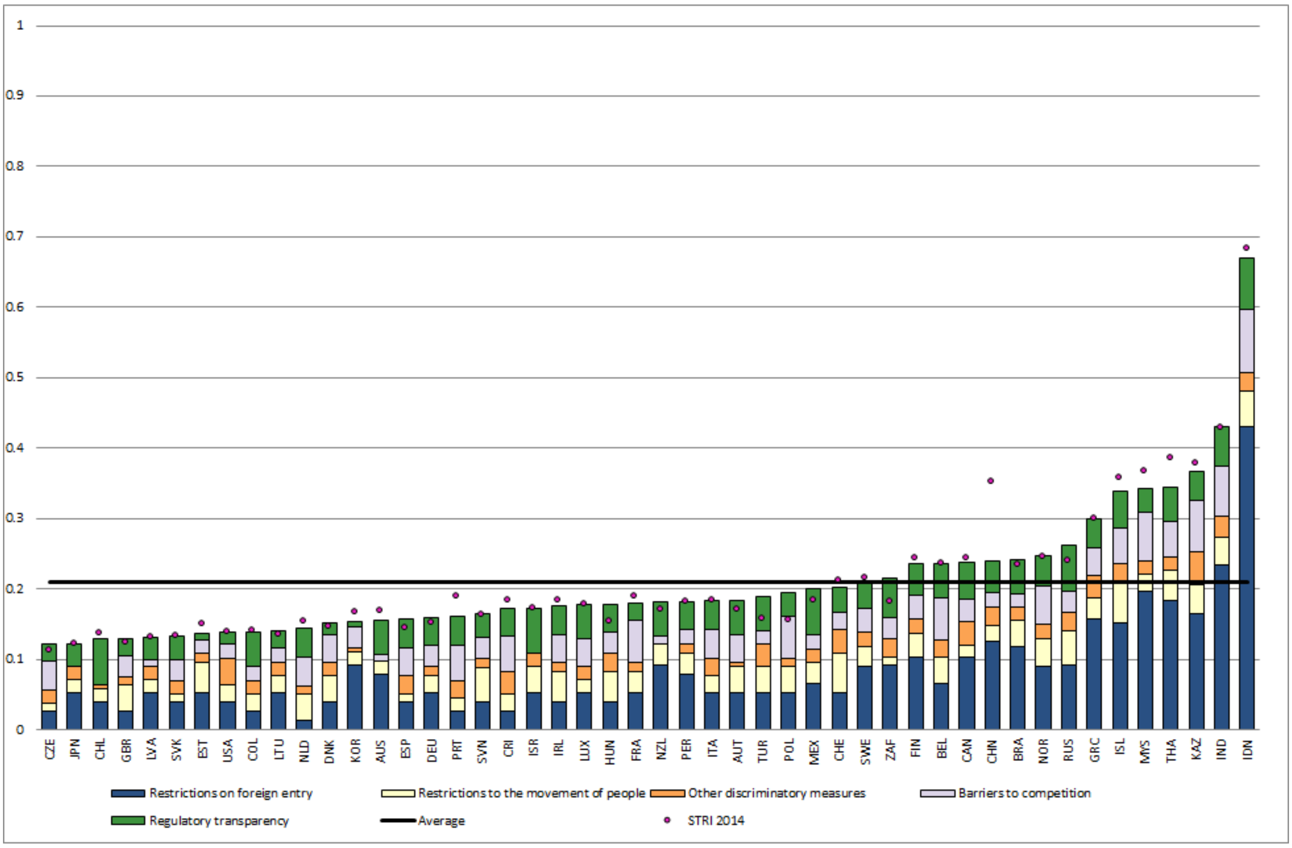
STRI SECTOR BRIEF: DISTRIBUTION SERVICES

2020

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 37 OECD countries and Brazil, the People's Republic of China, Costa Rica, India, Kazakhstan, Indonesia, Malaysia, Peru, the Russian Federation, South Africa and Thailand for distribution services in 2020.

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 (2020)



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 2020.

The 2020 STRI results for distribution services range between 0.12 and 0.67, with an average of 0.21. There are 33 countries below and 15 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 nearly 40 percent of the total scores in this sector. One country prohibits foreign equity participation in this sector. Nine countries require commercial presence to provide cross-border distribution services.

Regarding restrictions which impair electronic commerce, in 5 countries there are rules limiting foreign providers' ability to engage in direct selling via e-commerce. In addition, regulations in 18 countries prevent non-resident foreign providers from completing their tax declaration online. Moreover, e-commerce is hindered by discriminatory access to certain settlement methods in 10 countries.

Furthemore, 32 countries restrict the acquisition and use of land and real estate by foreign providers. While 28 countries require licensing to operate at least one form of retailer, wholesaler or department store, 9 countries employ quotas or economic needs test to obtain such licences. In 10 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 26 countries.

Barriers to competition also have a substantial impact on the regulatory environment in many countries. They contribute 17% to the total scores in this sector. Regarding restrictions on business practices, 22 countries impose an upper limit on shop opening hours, 12 countries regulate seasonal sales periods, and 14 countries employ price regulations on certain products. There are 11 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 23 countries. With regard to licensing procedures, most countries employ transparent criteria for licensing.

Restrictions on the movement of people account for 15% 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. 13 countries impose quotas on one or more of these three categories, 36 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 36 countries.

Other discriminatory measures contain regulation related to taxes, subsidies and public procurement. In 4 countries national treatment is not fully granted regarding taxes or subsidies, while 23 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 ten countries. Conversely, 20 countries display a lower (less restrictive) score, and 18 record a more restrictive (higher) value of the STRI index in 2020. 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 as well as Portugal 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. For example, 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. Several countries have also expanded the screening of foreign investments. In 2018, the Protection of Investment Act brought new conditions on foreign investments in South Africa. More restrictive rules regarding foreign investments in this sector were also introduced in Norway in 2019 as well as in Austria, Spain and New Zealand in 2020.

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.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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