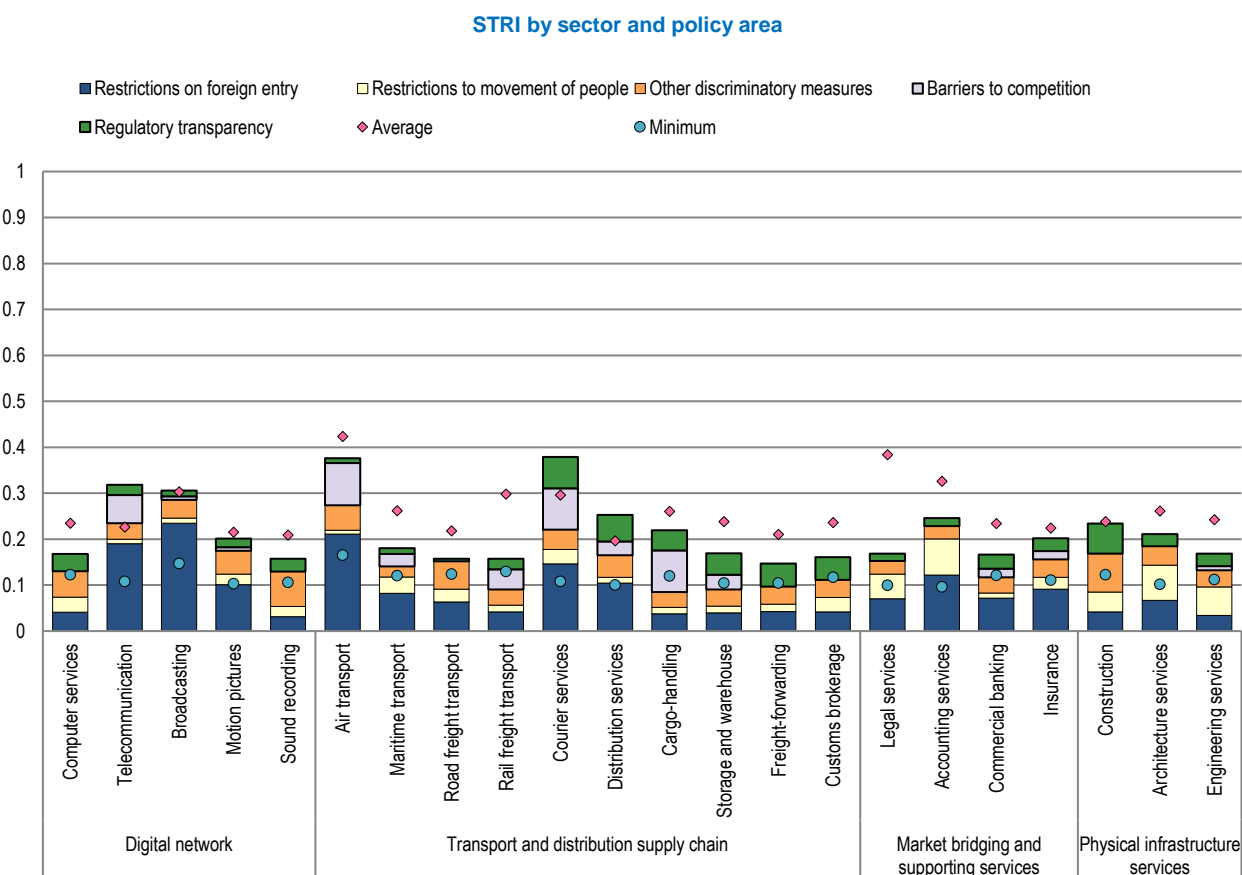


OECD Services Trade Restrictiveness Index (STRI): Canada

Canada exported services worth USD 88 billion and its services import value was USD 108 billion in 2017. Other business and tourism are the largest exporting services while tourism and travel are the largest importing sectors. Canada's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 45 countries included in the STRI database for each sector.



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 contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Canada has a lower score on the STRI than the average in 18 out of 22 sectors, which is explained by relatively liberal general regulations applying to all sectors of the economy. For those sectors to which the Investment Canada Act applies, investments are subject to screening, whereby foreign investors acquiring Canadian businesses that are valued above established thresholds must show likely net benefits to Canada. Canada also maintains labour market tests for workers seeking to provide services in the country on a temporary basis as contractual services suppliers or independent services suppliers. At least 25% of the board members of Canadian corporations must be Canadian residents or citizens. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. There is at least one major state-owned enterprise in broadcasting, courier services, distribution, logistics cargo handling and storage and warehouse at ports, maritime transport, and motion pictures.

The sectors with the relatively lowest STRI scores

Legal services, rail freight transport and logistics customs brokerage are the three sectors with the lowest score relative to the average in Canada. In legal services, a transparent and competency-based system is in place to recognise equivalent foreign law degrees. There are no nationality or residency requirements, and Canada's regime relating to foreign legal consultants allows foreign lawyers to offer advisory services in their home country law, on any foreign law where they are licensed, as well as on international law. Yet, there is a localisation requirement for professional liability insurance. Furthermore, locally licensed lawyers must own all shares of domestic law firms, and a requirement that all board members and the managers of domestic law firms must be locally licensed lawyers accompanies this ownership limitation. The regulation of rail freight transport follows best practice, and the regulatory framework for logistics customs brokerage is relatively liberal.

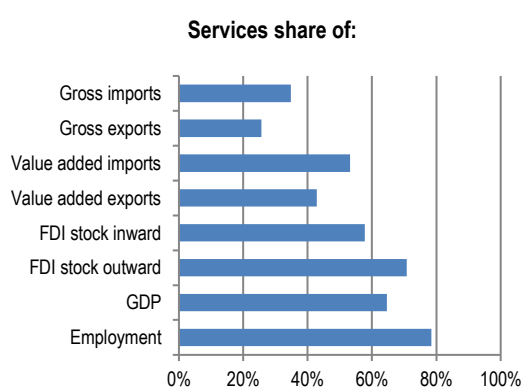
The sectors with the relatively highest STRI scores

Telecommunication, distribution services and courier services are the three sectors with the highest score relative to the average in Canada. The relatively high score for telecommunications is largely related to the investment regime, which maintains a foreign equity cap of 20% in large telecoms operators (the limits to foreign participation in providers holding less than a 10% market share have been removed). The law also requires that no less than 80% of board of directors' members in large telecoms providers be individual Canadians. Furthermore, local presence requirements are in place. Sector specific regulation in distribution services covers joint-venture requirements and restrictions on cross-border mergers and acquisitions in enterprises distributing books and magazines. Canada also maintains discriminatory access to certain settlement methods, acting as an impediment to e-commerce and multi-channel retailers. Lastly, there is a state monopoly for wholesale and retail sale of alcoholic beverages in Ontario. Canada Post, a state-owned company, maintains a statutory monopoly for letters of up to 500 grams in postal and courier services. In contrast, the Canadian regulatory regime for courier services outside the postal monopoly is effectively unregulated.

Recent policy changes

As of May 2018, Bill C-49, an amendment to the Canada Transportation Act, eased foreign ownership restrictions by lifting the foreign equity limit in the air transport sector from 25 to 49%. However, the voting share limits in Canadian airlines for individual foreign investors and foreign air carriers collectively remain at 25%.

Efficient services sectors matter



Services represent only 26% of Canada's gross exports, 43% of value added exports and 71% of outward FDI. These shares are below the average of the 44 countries included in the STRI database. Services also account for a notably higher share of employment than of GDP, showing that labour productivity is lower in services than in other sectors. The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Canada. 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, Canada could benefit from more open markets for services trade.

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.