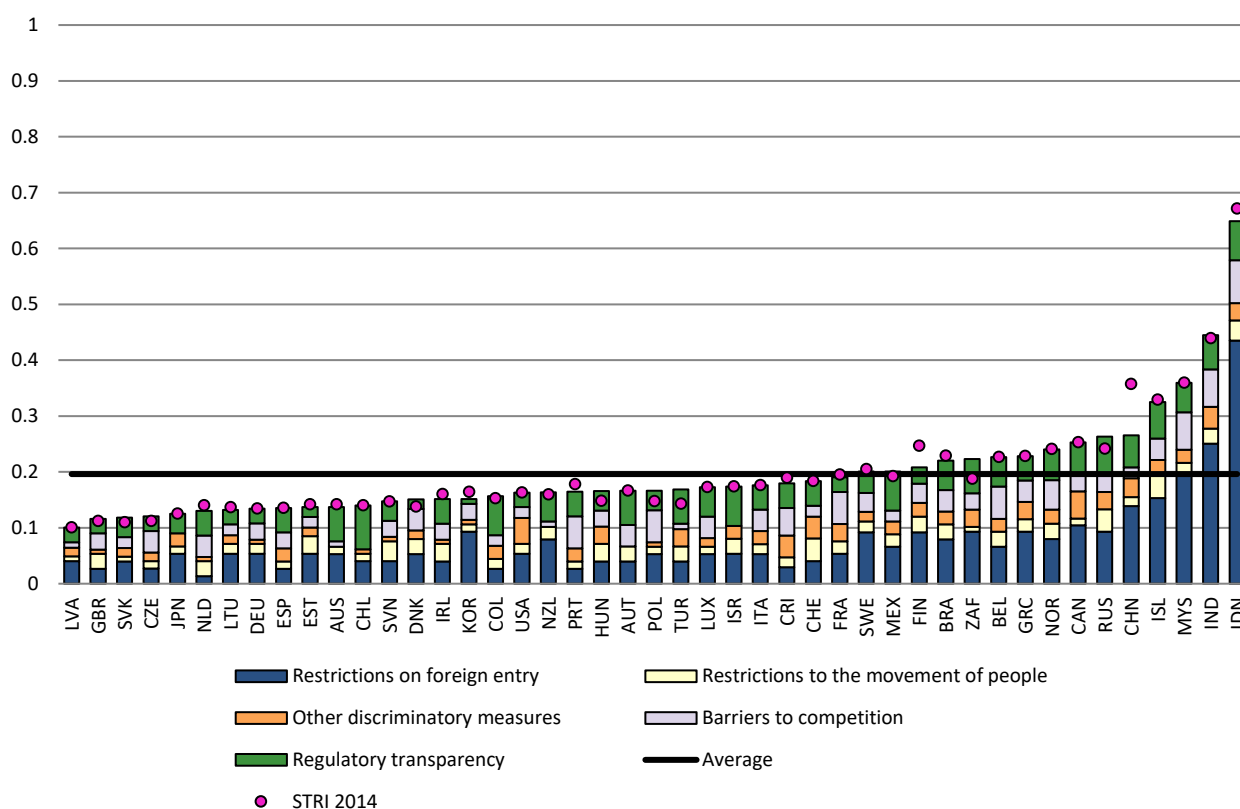


## STRI Sector Brief: Distribution services

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 and South Africa for distribution services in 2018.

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 (2018)



*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 2018 STRI results for distribution services range between 0.10 and 0.65, with an average of 0.20. There are 30 countries below and 15 countries above the sample average.

*Restrictions on foreign entry* contribute to the overall score in all of the the countries covered by the STRI and they 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 24 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, 28 countries restrict the acquisition and use of land and real estate by foreign providers. While 25 countries require licensing to operate at least one form of retailer, wholesaler or department store, 13 countries employ quotas or economic needs test to obtain such licences. In nine 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 17% to the total scores in this sector. Regarding restrictions on business practices, 23 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 37 countries that have national contract rules for cross-border transactions which are consistent with 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 18 countries. With regard to licensing procedures, most countries employ objective and transparent criteria for licensing.

*Restrictions on the movement of people* account for 12% 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. Nine 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 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 15 countries. Conversely, 16 countries display a lower (less restrictive) score, and 14 record a more restrictive (higher) value of the STRI index in 2018. The country that most reduced its STRI index 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. In the case of South Africa the score increased due to new legislation that entered into force in 2018: the Protection of Investment Act which brings 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>
- » 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](mailto: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.*