OECD Services Trade Restrictiveness Index (STRI)

BRAZIL – 2020

Key findings

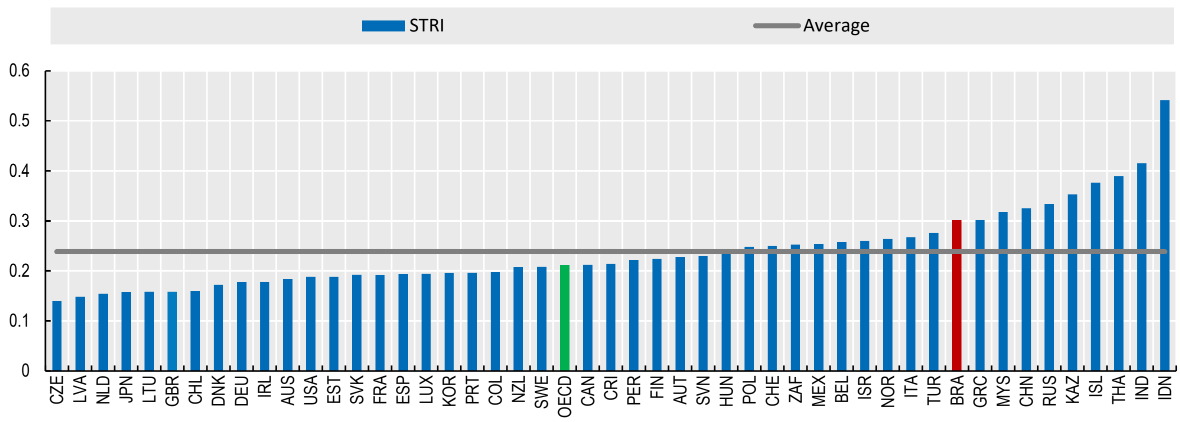
- The 2020 STRI of Brazil has decreased compared to 2019 due to regulatory reforms across different sectors.
- Key reforms in 2020 include the application of equal requirements to national and foreign banks and insurance providers to obtain a license as well as the suppression of economic needs test for commercial banking. Lastly, Brazil has adopted a General Data Protection Law that permits international transfers of personal data if specific safeguards are in place.
- Brazil demonstrated significant progress in liberalising its services industries over the past years, particularly in air transport and financial services.
- Despite progress on trade liberalisation efforts, the 2020 STRI of Brazil is relatively high compared to other countries in the STRI sample. Courier services, commercial banking and motion pictures are sectors with the highest barriers.

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, Brazil could benefit from more open markets for services trade.

The 2020 STRI of Brazil is relatively high compared to other countries in the STRI sample, but has decreased compared to 2019 (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).

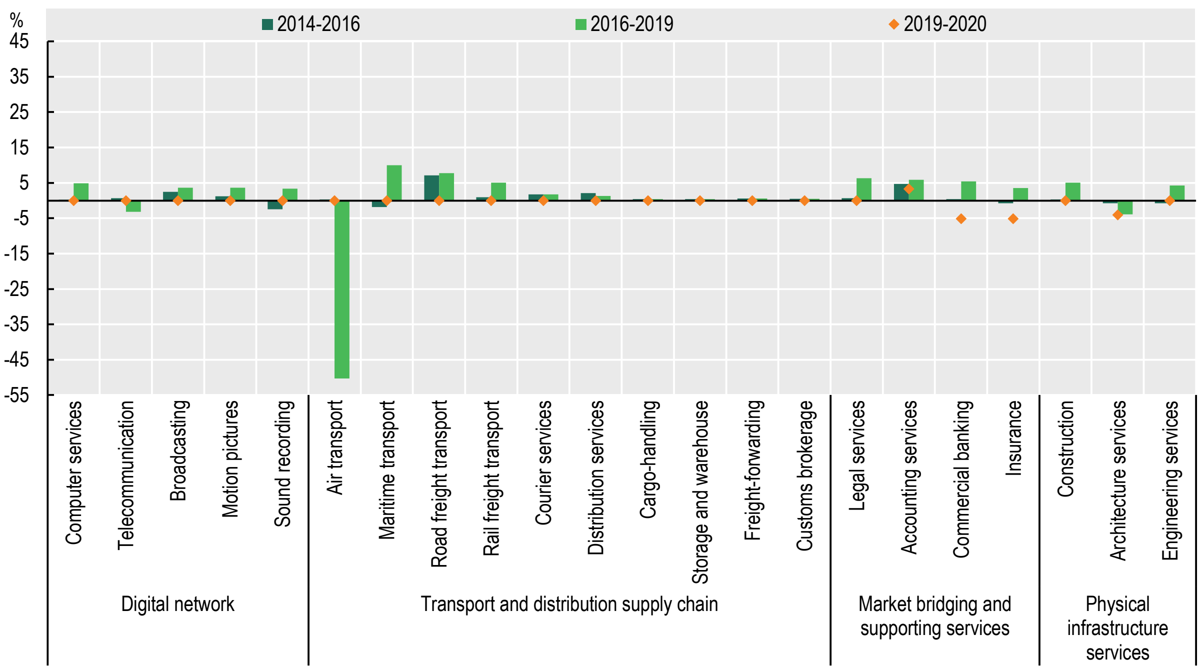
Over the past years, Brazil has been progressively introducing reforms, contributing to easing the conditions for trade and investment in several sectors (Figure 2). Highest levels of liberalisation were recorded in air transport sector in 2018, while more moderate reforms occurred in 2019-2020.

The 2020 index is partially due to stringent economy-wide regulations including the need for specific approval from the federal government to establish a foreign branch in the country, labour market tests that restrict movement of people and the requirement that at least two-thirds of the workforce of a Brazilian company is composed of nationals.

Moreover, restrictions that apply on key strategic services sectors such as courier services, commercial banking and motion pictures contribute to the high score. For instance, the admission of foreign participants in the banking sector is subject to prior approval by Brazilian authorities based on international agreements, reciprocity or national interest, and the provision of cross-border banking services is not allowed. For courier services sector, while express delivery services operate competitively, the absence of pre-arrival customs processing and of a general *de minimis* regime affects cross-border services. Domestic content and film quotas for motion pictures and broadcasting are required therefore contributing to increase the score for these sectors.

Figure 2. Evolution of STRI scores by sector in Brazil

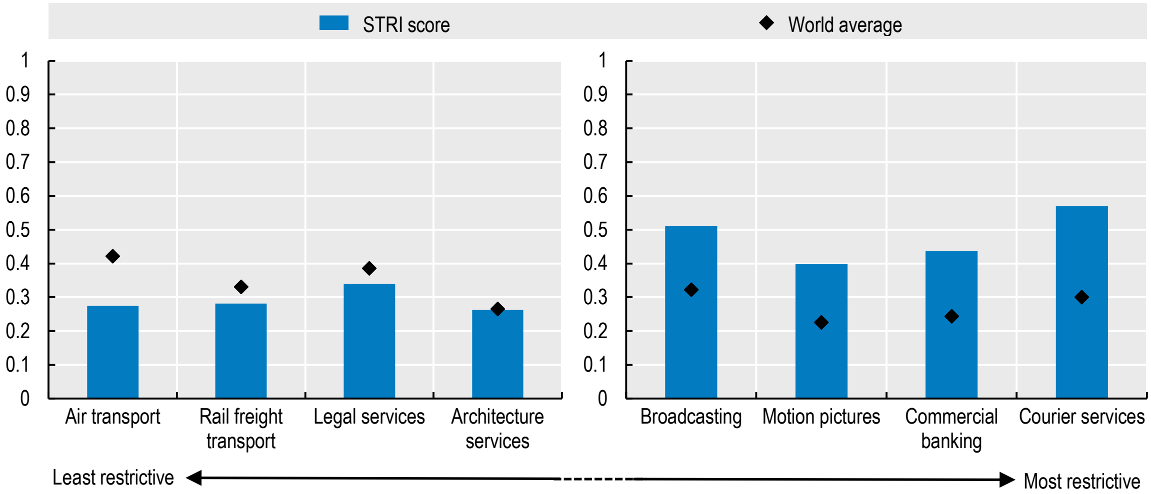
Services Trade Restrictiveness Index, percentage change over the period 2014-2016, 2016-2019, and 2019-2020



Source: OECD STRI database (2020).

Air transport, rail freight transport, legal services and architecture services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Broadcasting, motion pictures, commercial banking and courier services 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 Brazil

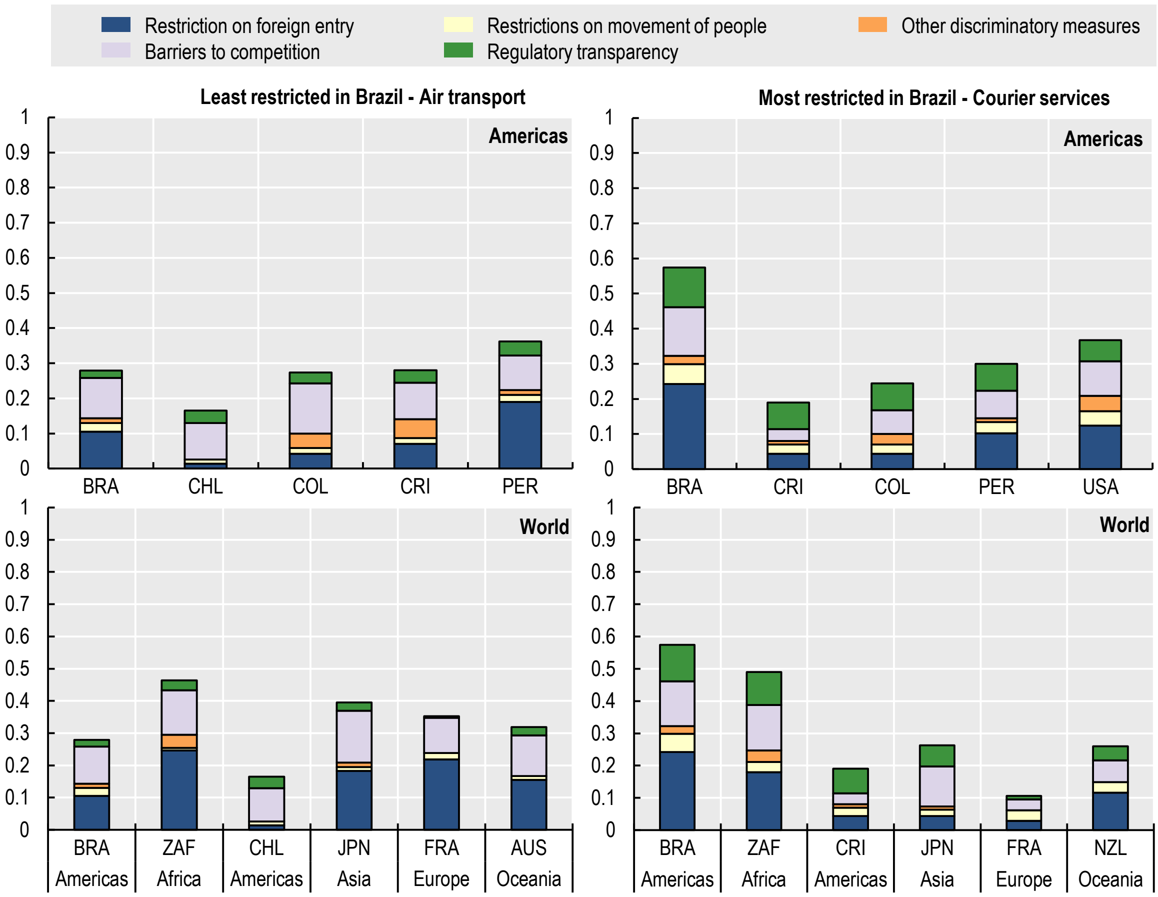


Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. ($STRI_{country, sector}$ - $STRI_{world\ average, sector}$) / $STRI_{world\ average, sector}$

Source: OECD STRI database (2020).

Air transport is the least restricted services sector in Brazil compared to Americas and the other best performers elsewhere while courier services are the most restricted (Figure 4).

Figure 4. Brazil compared to Americas and World's best performers

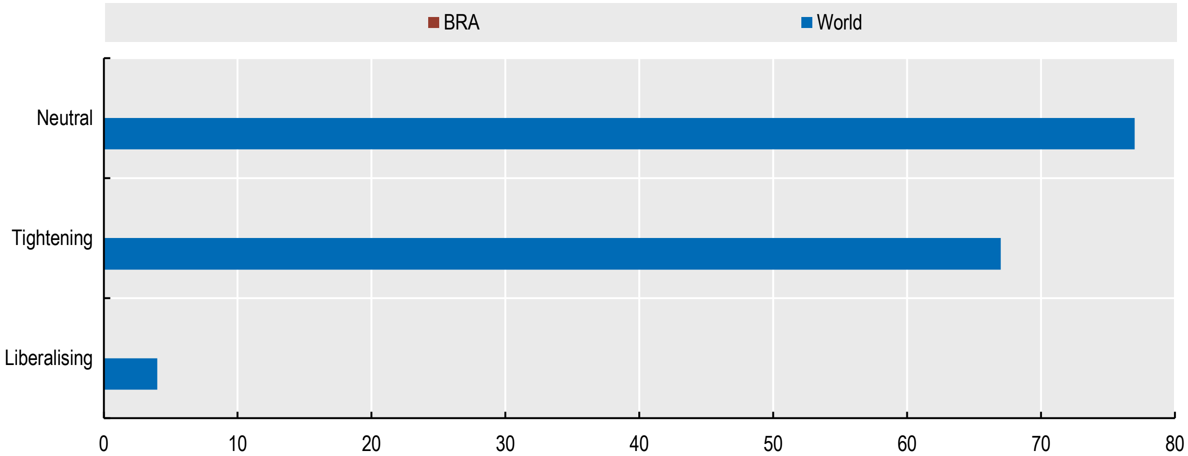


Source: OECD STRI database (2020).

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

While Brazil 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. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements (Figure 5).

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



Source: OECD STRI database (2020).

Key reforms

In 2020, Brazil eased the licensing conditions for foreign banks and insurance providers, levelling the playing field compared to domestic financial services providers. A new General Data Protection Law (*Lei Geral de Proteção de Dados Pessoais*) entered into force in September 2020. The new law provides for the possibility to transfer personal data abroad if certain private sector safeguards are in place. In December 2018, new laws were introduced allowing foreign investors to own and control 100% of the voting shares of a Brazilian airline operating international and/or domestic traffic routes. In distribution services, recent policy changes in 2019 have removed upper limits on shop opening hours.

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