



BRAZIL – 2022

Key findings

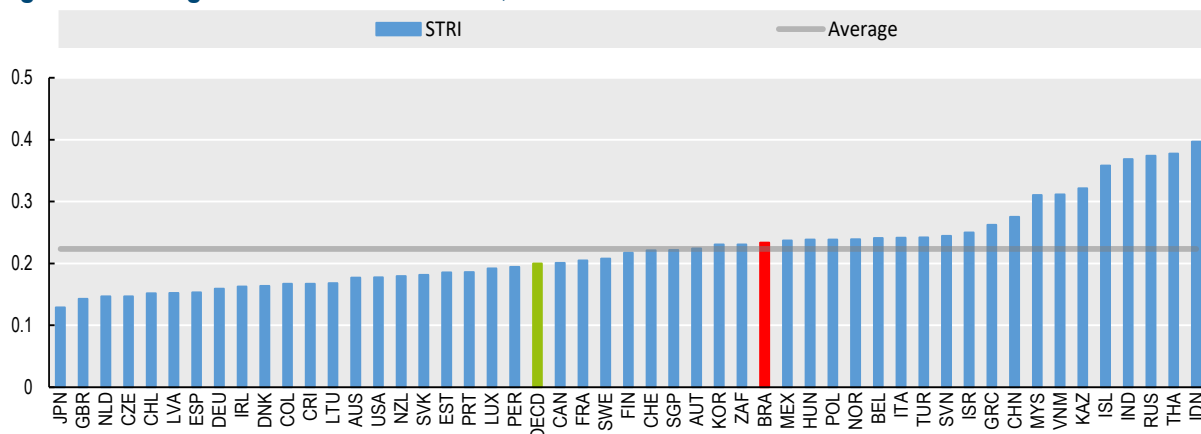
- The 2022 STRI of Brazil is above the OECD average and relatively high compared to all countries in the STRI sample. The indices have decreased slightly compared to 2021 in most sectors.
- Key reforms in 2022 include the suppression of the residency requirement for managers in most sectors as well as other reforms facilitating the movement of capital.
- Air transport services are the most open in Brazil compared to sectoral sample average while courier services are the most trade restrictive.

Recommendation

- Open and well-regulated services markets are essential to facilitate economic recovery, strengthen resilience to future shocks, and promote a more sustainable trading system. To ensure that the benefits of open markets and a rules-based international trading system are preserved, policy makers should focus on minimising barriers that increase trade costs for services providers, weaken the gains from digital transformation and undermine competitiveness.

The 2022 STRI of Brazil is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2022



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation 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 2022. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. 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. OECD (2022). STRI and TiVA databases.

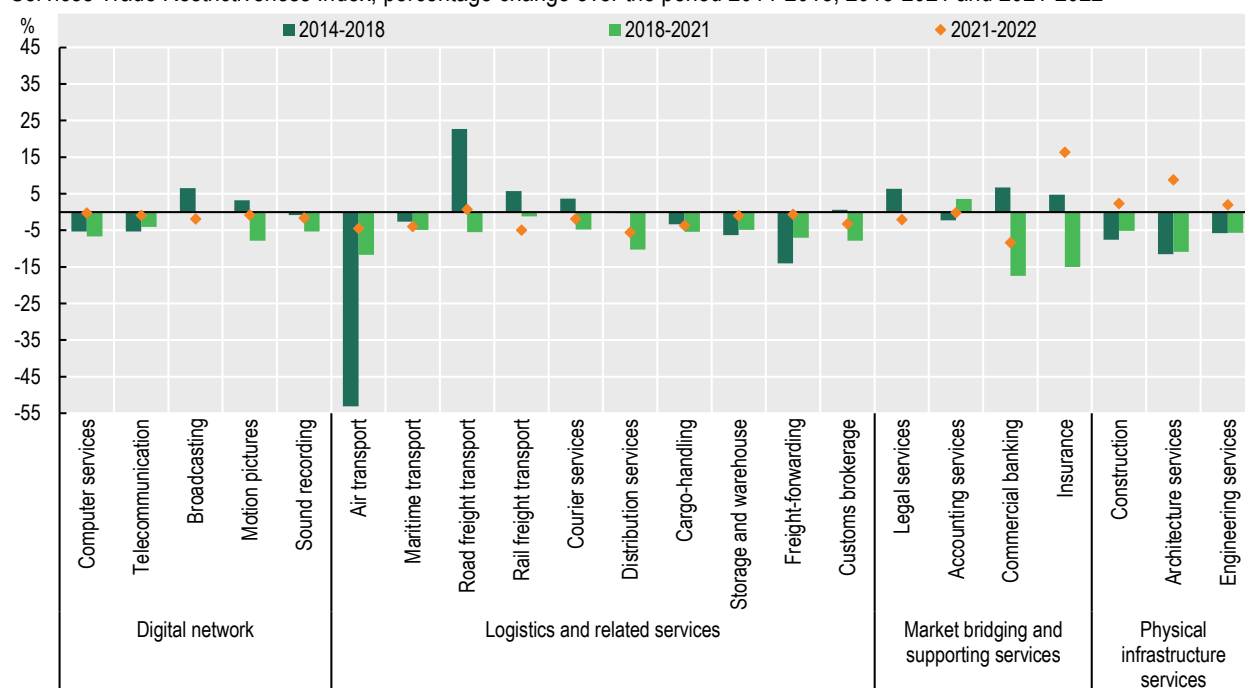
The 2022 index is partially due to stringent economy-wide regulations including the need for specific approval from the federal government to establish a foreign branch in the country, consideration of national interests when screening foreign direct investment, and the requirement that at least two-thirds of the workforce of a Brazilian company is composed of nationals.

Over the past years, Brazil has been progressively introducing reforms, contributing to easing the conditions for trade and investment in several sectors (Figure 2). In 2022, a new law on the foreign exchange market (*Lei No. 14.286, de 29 de dezembro de 2021*) entered into force, recognising equal treatment to foreign and national capital. It also suppressed the previous limitation for the National Treasury and other official public credit entities to guarantee or provide loans, credits or financing to companies obtaining credit abroad whose majority of the capital with voting rights belongs to non-residents. The foreign exchange market law also eliminates restrictions on the possibilities for banks headquartered in countries where Brazilian banks could not fully operate to acquire more than 30% of the voting rights within Brazilian banks.

Law 14195/2021 introduced important reforms including the elimination of residency requirements for managers in most sectors (except legal and accounting services). Managers are no longer required to reside in the country but need to appoint a representative in the country for legal purposes. In the same year, Brazil introduced an important reform on the organisation of the Banco Central do Brasil (Brazil Banking Supervisory Authority) and eliminated the residency requirement for members of the board of directors or managers of the Brazilian Post and Telegraph Corporation (*Empresa Brasileira de Correios e Telégrafos*). Lastly, the rule establishing screen quotas in movie theatres expired, ending a relevant restriction for the motion pictures sector.

Figure 2. Evolution of STRI indices by sector in Brazil

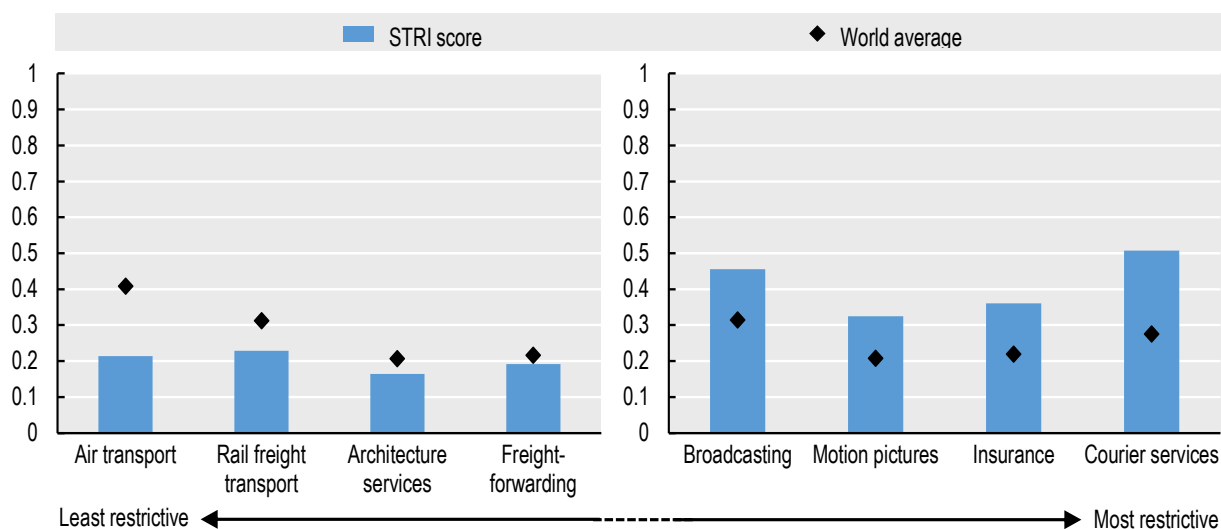
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



OECD (2022). STRI database.

Air transport, rail freight transport, architecture services and logistics freight-forwarding are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Broadcasting, motion pictures, insurance 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

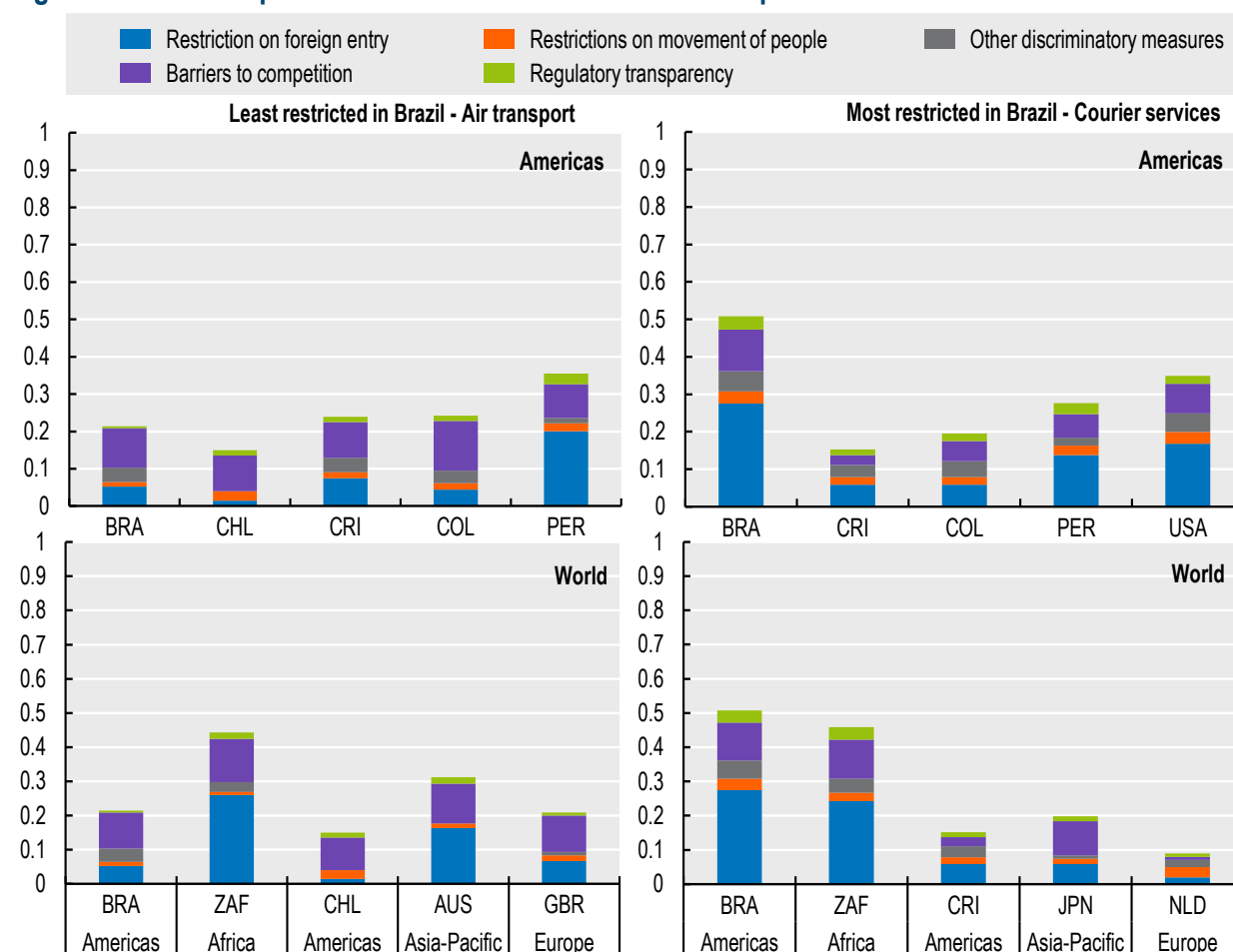
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2022). STRI database.

Air transport services are the least restricted in Brazil. Compared to the Americas, Brazil is one of the best performers in the region, and indeed in the world. While Brazil maintains low restrictions on foreign entry and regulatory transparency, barriers to competition could be further reduced, including with

regard to improving competitiveness in airport slot allocation at major airports. Courier services are the most restricted services sector in Brazil. Restrictions on foreign entry are significant compared to best performers. Courier services include letters, parcel and express delivery services. The state-owned postal operator *Correios* has a monopoly on pick-up, transport and delivery of letters and postcards, hence excluding private competitors from these segments. Express delivery services operate competitively, but the absence of a general *de minimis* regime affects cross-border trade (Figure 4).

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



Source: OECD (2022). STRI database.

Recent policy changes

In 2022, a new law on the foreign exchange market (*Lei No. 14.286, de 29 de dezembro de 2021*) facilitates the movement of capital between Brazilian and foreign firms. It also suppresses the previous limitation for the National Treasury and other official public credit entities to guarantee or provide loans, credits or financing to companies obtaining credit abroad whose majority of the capital with voting rights belongs to non-residents. Previously an analysis of the national interest for Brazil as well as an authorizing decree from the Executive Branch was necessary. Since this law entered into force, foreign banks headquartered in areas where the legislation imposes restrictions on the operation of Brazilian banks are no longer prohibited from acquiring more than 30% (thirty percent) of shares with voting rights in national banks.

In February 2021 a new law reformed the governance structure of the *Banco Central do Brasil* (Brazil Banking Supervisory Authority). This reform included recognising the *Banco Central do Brasil's* independency and financial autonomy, as well as its full authority over licensing and enforcement of prudential measures. The reform also includes a limitation of the length of term applicable to its

governing body. In the same year, Brazil eliminated residency requirements for managers in most sectors, except for legal and accounting services, with managers residing abroad needing only to appoint a representative residing in Brazil for legal purposes. Also in 2021, Brazil eliminated residency requirements for members of the board of directors or managers of the Brazilian Post and Telegraph Corporation (*Empresa Brasileira de Correios e Telégrafos*). Since 2021, cinemas are no longer required to show a quota of Brazilian movies.

In 2020, Brazil eased the licensing conditions for foreign banks and insurance providers, levelling the playing field compared to domestic financial services providers. In the same year, a new General Data Protection Law (*Lei Geral de Proteção de Dados Pessoais*) entered into force. The new law provides for the possibility to transfer personal data abroad if certain private sector safeguards are in place.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org