



OECD Services Trade Restrictiveness Index (STRI)

INDIA – 2022

Key findings

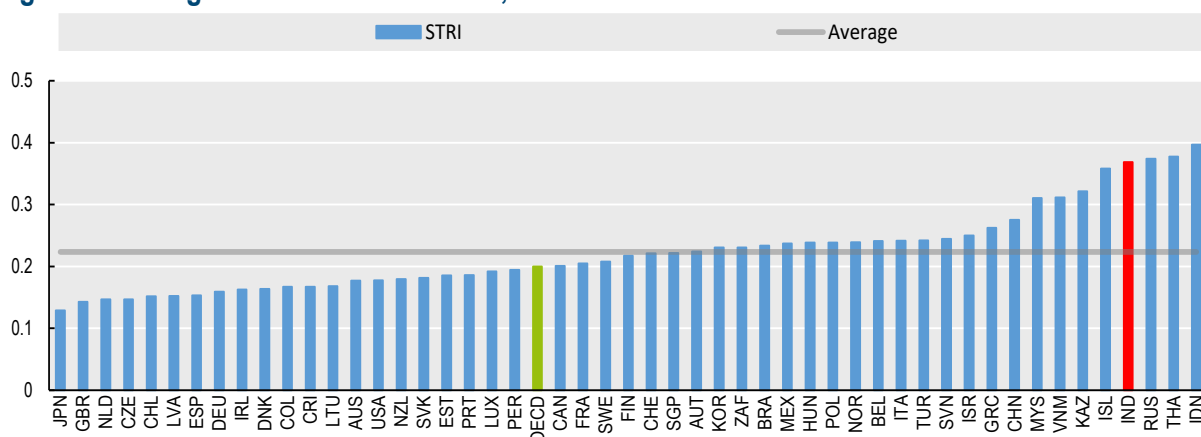
- The 2022 STRI of India is above the OECD average and high compared to all countries in the STRI sample.
- Recent reforms include the privatisation of Air India in January 2022 and the elimination of pricing guidelines for transfers of shares between residents and non-residents.
- Market access to certain key services sectors remains prohibited for foreigners or subjected to stringent conditions.

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 India 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.

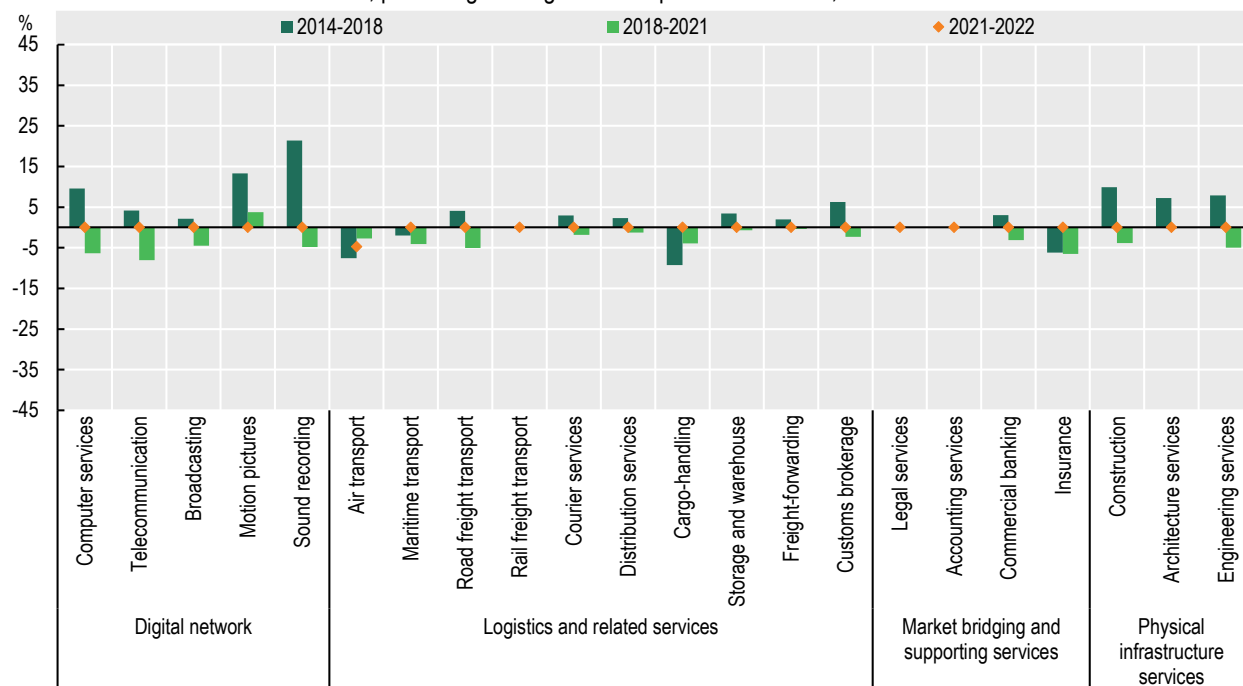
The 2022 STRI reflects restrictions that apply on key strategic services sectors such as rail freight transport, legal services and accounting. These sectors are either reserved for public monopolies or they are completely closed for foreign direct investment and foreign services providers.

Limitations on foreign ownership also exist in other relevant sectors such as distribution, commercial banking and insurance. These limitations are governed by the “Consolidated FDI Policy”, updated regularly by the government. India applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. These categories may stay in the country for up to 24 months on their first entry permit. However, multiple entry business visas are awarded for up to five years with each stay limited to six months. At least one of the board members and the manager in corporations must be residents of India. Finally, there are preferences for local suppliers in public procurement.

India has been progressively introducing reforms over the past years, contributing to a slight liberalisation of services trade in some sectors, most notably between 2018 and 2021 (Figure 2).

Figure 2. Evolution of STRI indices by sector in India

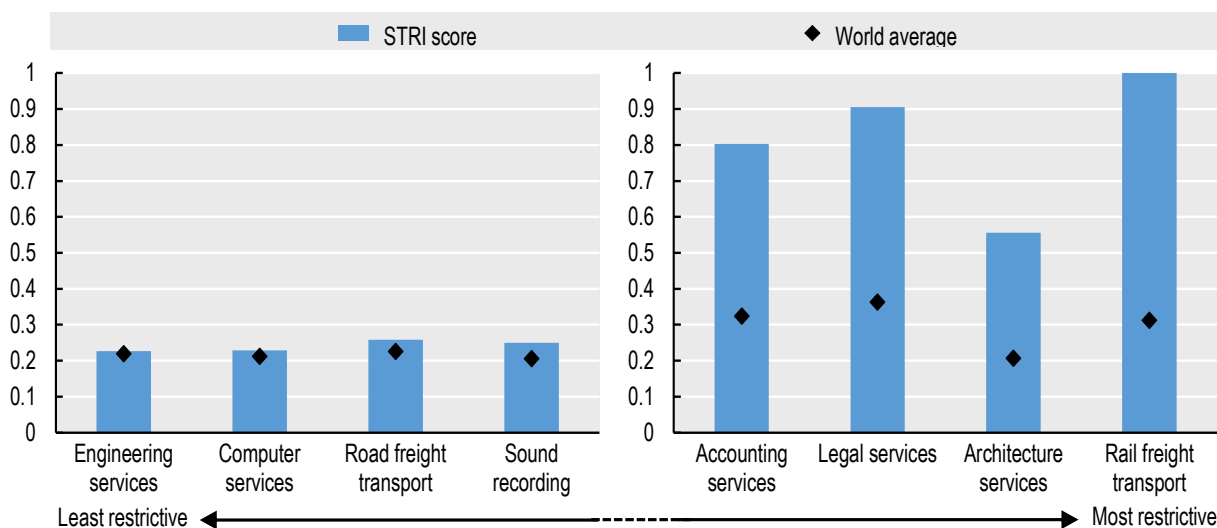
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



OECD (2022). STRI database.

Engineering services, computer services, road freight transport and sound recording are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Accounting services, legal services, architecture services and rail freight transport 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 India



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

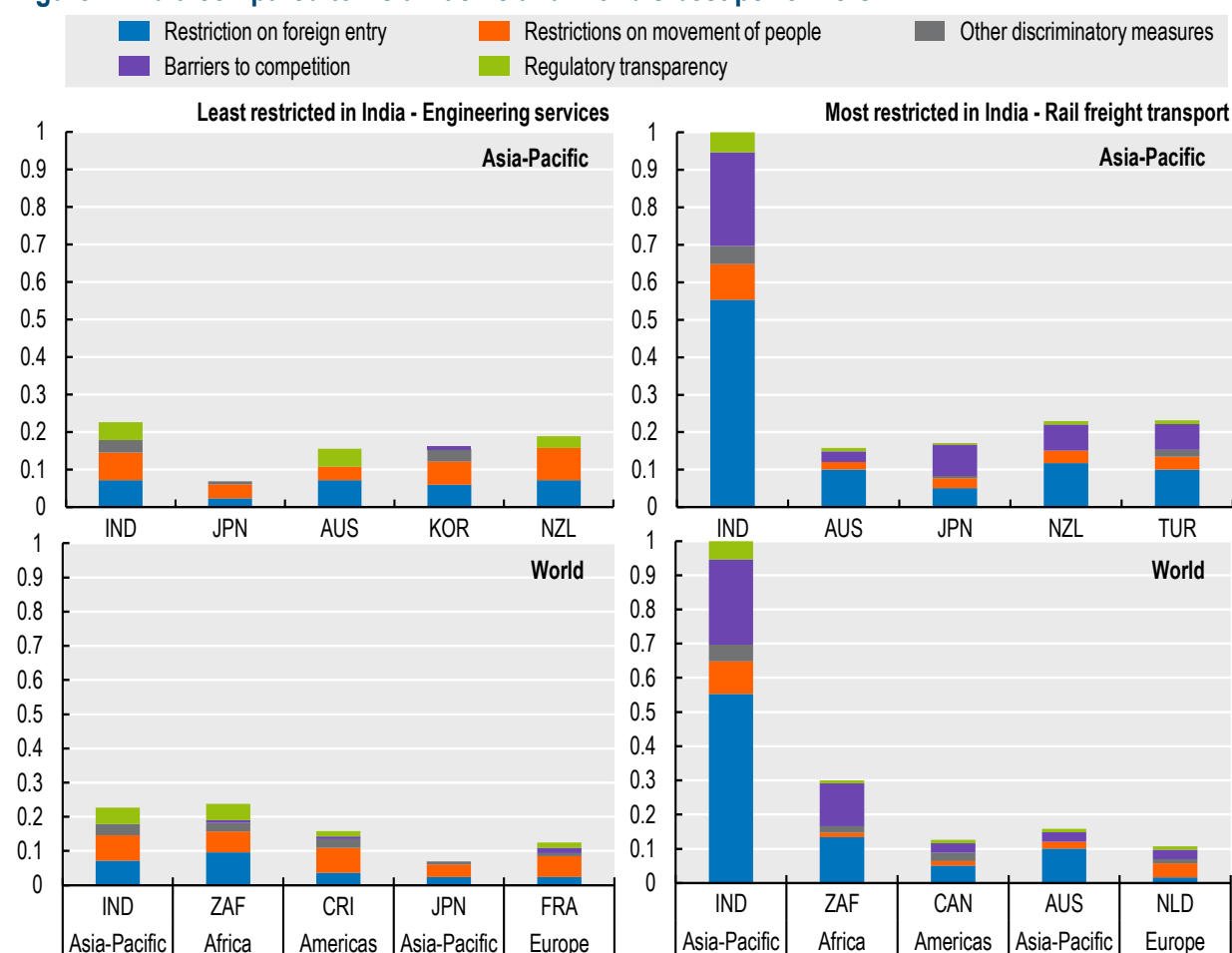
i.e. $(STR I_{country, sector} - STR I_{world average, sector}) / STR I_{world average, sector}$

Source: OECD (2022). STRI database.

Engineering services are the least restricted in India. The composition of the scores indicates that restrictions on foreign entry, restrictions to the movement of people and barriers related to regulatory

transparency have had an impact compared to the most liberal countries in this sector. The measures that contributed to this score include a residency requirement for board members and a relatively short duration of stay for intra-corporate transferees, contractual services suppliers, as well as independent services suppliers. Rail freight transport is the most restricted services sector in India. This sector is completely closed because Indian Railways and its subsidiaries functioning under the Ministry of Railways are the only train operators in India. (Figure 4). Exceptions exist only in container rail transportation, which is a very small share of total rail freight transport.

Figure 4. India compared to Asia-Pacific and World's best performers



Source: OECD (2022). STRI database.

Recent policy changes

Privatisation of Air India was completed in January 2022. In 2020, India eliminated pricing guidelines for transfers of shares between residents and non-residents, lowering barriers to services trade in several sectors. The same year saw the introduction of regulation on non-discriminatory interconnection rates in the telecommunications sector.

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

