

COMMUNICATION FROM COLOMBIA¹

Distribution Services

The following communication has been received from the delegation of Colombia with the request that it be distributed to the Members of the Council for Trade in Services.

I. DISTRIBUTION SERVICES IN COLOMBIA

1. Distribution services are an economic activity of great importance in economies, since they constitute a link between the producers of goods and the consumers. It is estimated that the distribution services in Colombia provide 9.58 per cent of GDP and involve 21.66 per cent of the workforce, of whom 74.4 per cent are in the informal economy, while the remaining 25.6 per cent work in the formal sector.

2. The major national chains have formed associations with foreign investors, resulting in an expansion of the sales outlets with stores of an area of over 10,000 square metres. Similarly, some international chains have formed associations with local economic groups, thereby initiating a process of domestic expansion. At the same time, some traditional stores, grouped around distribution cooperatives, have transformed themselves into supermarkets and have begun to develop other forms of trading, such as franchises and electronic commerce.

3. All this has led to an increase in the provision of distribution services in Colombia, which has significantly benefited the consumer. Greater competition has meant a substantial improvement in the provision of services, market control over prices, greater choice of goods for the consumer, improvements in the quality of goods and greater opportunities for the marketing of goods, etc.

4. The services for marketing mass consumption goods have reduced the number of intermediaries and have given rise to logistical operators, who take control of the goods from the end of the production lines, store them, transport and distribute them in large volumes to supermarkets and in small quantities to shops, so that they arrive at the various sales outlets on the national territory. Other consumer goods such as ready-made clothes, furniture, electrical appliances and vehicles are mainly distributed in specialized shops, although some goods, such as clothing, with the development of their own trademarks by the large commercial chains, encounter competition from the hypermarkets.

¹ Colombia reserves the right to amend its proposal at any time. This communication does not constitute an offer by Colombia with regard to this sector.

II. BARRIERS TO TRADE IN DISTRIBUTION SERVICES

5. Suppliers of distribution services in Colombia have encountered the following barriers to the provision of such services:

A. LIMITATIONS ON MARKET ACCESS

- Limitations on the participation of foreign capital;
- proof of economic necessity for commercial presence;
- discriminatory measures with respect to the number of sales outlets and the establishment of commercial networks;
- requirements of nationality or minimum percentages of employment of the domestic workforce, for the recruitment of staff in the case of commercial presence;
- restrictions on the entry and exit of qualified and unqualified staff.

B. LIMITATIONS ON NATIONAL TREATMENT

- Residence requirements for the recruitment of staff in the case of commercial presence;
- measures to prevent foreign suppliers from acquiring or possessing property titles in border areas;
- performance requirements as a means of ensuring the marketing of domestically produced goods when there is commercial presence for the provision of the distribution service;
- measures to ensure that advertising is carried out by nationals where the supplier of distribution services has commercial presence.

C. NATIONAL REGULATIONS THAT CONSTITUTE BARRIERS TO TRADE IN DISTRIBUTION SERVICES

- A lack of transparency in domestic town planning regulations, that might prejudice decisions on the location of installations to provide such services through commercial presence;
- a lack of transparency in the licensing regulations, owing to the lack of clearly established and objective criteria.

III. PROPOSALS

6. To continue with the classification in document MTN.GNS/W/120 which defines the distribution services on the basis of the Central Product Classification:

CPC

- Commission agents' services 621
- Wholesale trade services 622
- Retailing services 631-632-6111-6113-6121
- Franchising 8929

7. Restrictions on the participation of foreign capital should be abolished.
8. Requirements of proof of economic necessity for the provision of distribution services for both the wholesale trade and retailing should be abolished.
9. Restrictions on the number of suppliers of distribution services should be abolished.
10. Commitments should be made with regard to the movement of individuals, including both qualified and unqualified staff. This should be complemented by facilities for the granting of temporary work permits to foreigners who are recruited to carry out commercial activities.
11. Residence or nationality requirements for the provision of services should be abolished.
12. Performance requirements should be abolished, especially those that require the marketing of domestically produced rather than imported goods when there is commercial presence for the provision of the distribution service.
13. Market access commitments should not exclude any subsector of the distribution services.
14. Electronic commerce is a form of transborder distribution which facilitates the marketing of goods. Specific commitments that place no restrictions on the provision of this service stimulate the trade in goods.
15. To devise specific disciplines for this sector in domestic regulations – in conformity with the provisions of Article VI.4 of the General Agreement on Trade in Services – so that such domestic regulations do not constitute unnecessary barriers to the trade in distribution services.
