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Non-Tariff Barriers Faced by U.S. Franchisors Expanding Internationally

When U.S. franchisors expand into new international markets, they often encounter non-tariff barriers that can significantly impact their ability to establish and grow. Unlike tariffs, which are direct taxes on imports, non-tariff barriers include regulatory, cultural, and operational challenges that vary by country.

General Non-Tariff Barriers

• Regulatory Restrictions – Foreign ownership limits, franchise registration requirements, disclosure laws.
• Legal Complexity – Varying contract enforcement standards, intellectual property protection gaps.
• Local Partner Requirements – Mandates to partner with local businesses or investors.
• Operational Barriers – Licensing approvals, delays in permits, or complex labor laws.
• Supply Chain & Standards – Product certification, local sourcing mandates, or food safety standards.
• Foreign Exchange Controls – Restrictions on profit repatriation, currency conversion limitations.
• Cultural & Consumer Barriers – Brand adaptation to local tastes, religious sensitivities, and business norms.

Examples of Country-Specific Non-Tariff Barriers

• China – Strict franchise disclosure laws, restrictions on foreign exchange, and requirements to operate multiple units before subfranchising.
• India – Complicated regulatory environment, restrictions on foreign direct investment in multi-brand retail, and diverse state-level labor laws.
• Saudi Arabia – Requirements for local partners, compliance with Sharia law, and local sourcing mandates.
• Brazil – Bureaucratic licensing processes, heavy labor law compliance, and tax complexities.
• European Union (e.g., France) – Pre-contract disclosure obligations, strong labor protections, and consumer rights laws that impact franchise agreements.
• Indonesia – Local joint venture partner requirements, halal certification for food brands, and limits on foreign ownership in retail sectors.

Understanding and addressing non-tariff barriers is critical for U.S. franchisors to succeed internationally. Comprehensive due diligence, market assessments, and strong local partnerships are key strategies for overcoming these challenges.

William Edwards, CEO of EGS, is an Advisor to the U.S. Trade Representative on issues that impact the ability of U.S. franchisors to expand their brands into new countries.