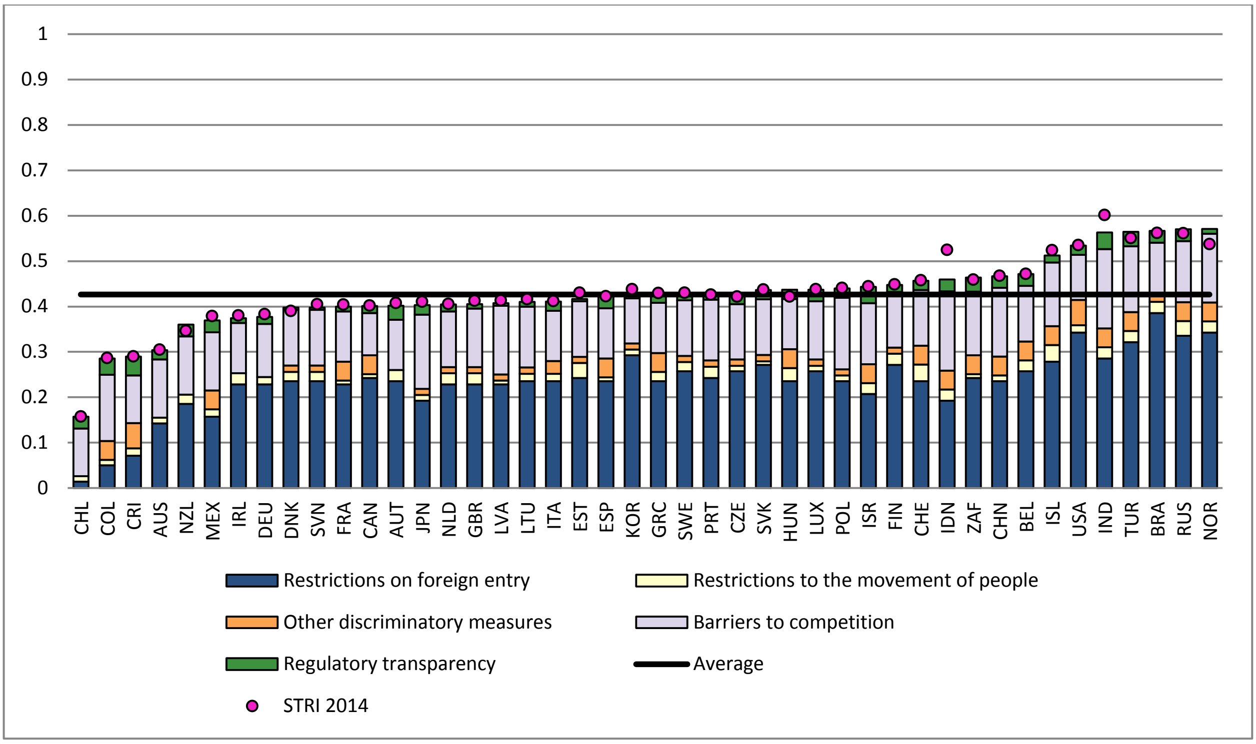
STRI Sector Brief: Air transport services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 35 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Lithuania, the Russian Federation and South Africa for air transport services in 2017.

Air transport services are defined as passenger and freight air transport (ISIC 51), carried domestically or internationally. The STRI for this sector covers commercial establishment only. Air transport services are not only significantly traded in their own right but are an intermediate service for other kinds of trade. Air cargo transport is also a key determinant in meeting demand for time sensitive products, such as perishable goods, textiles and clothing, and often represents the only viable means of transport to remote, peripheral regions and landlocked countries. Major exporters of air transport services are the European Union and the United States.

STRI by policy area: Air transport services (2017)



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.

The 2017 scores in the air transport services sector range between 0.16 and 0.57 with an average of 0.43. There are 26 countries below and 18 countries above the average. Apart from a few exceptions, there is limited variation across countries.

The measures in the STRI database are organised under five policy categories as indicated in the figure above. The index goes beyond discriminatory measures and includes domestic regulations that are important for effective market access and the creation of competitive markets. These include impediments to competition and technical standards, as well as a range of measures related to regulatory transparency and administrative requirements.

Restrictions on foreign entry feature prominently in the results. A large number of countries (38) restrict foreign equity participation in the sector to (at least) less than 50%. In most cases, the limitations affect airlines in both domestic and international traffic. Notable exceptions include Chile, Colombia, and Costa Rica which do not apply any limitations on foreign ownership of domestic airlines. India allows foreigners to invest up to 100% in domestic airlines but a 49% limitation remains in place for investments made by foreign *airlines.* Australia (with the exception of Qantas) and New Zealand also allow 100% foreign ownership in domestic airlines for the purpose of carrying domestic traffic only, whereas Mexico and Japan allow complete foreign ownership in domestic airlines carrying international traffic only. Indonesia allows foreign participation of 67% in cargo airlines. Ownership restrictions are often coupled with specific limitations on the nationality of board members and managers of air carriers. The lease of foreign aircrafts with crew (wet lease) is effectively prohibited in 28 countries, whereas in 12 others it is subject to prior approval. Leasing foreign aircrafts without crew (dry lease) is subject to prior authorisation in 37 countries. Finally, 34 countries have stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data.

The other main category that influences the degree of restrictiveness concerns *Barriers to competition.* Several countries maintain public ownership in aviation, usually also restricting foreign ownership in these firms. Non-competitive slot allocation is common as well, with most countries assigning slots in high demand airports based on historical rights, typically forbidding the commercial exchange of slots. However, in 34 countries, after the allocation of historic slots, half of the remaining slot pool is allocated to new entrants.

There is no country in the STRI database without *Restrictions on the movement of people* providing services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Ten countries impose quotas on one or more of these three categories, 37 countries apply economic needs tests to stays that last longer than 3-6 months and the duration of stay is limited to less than three years in 34 countries. *Other discriminatory measures* contain regulation related to taxes, subsides and public procurement. Two countries report areas where national treatment is not fully granted regarding taxes or subsidies, while 38 countries limit non-discriminatory access to public procurement to free trade agreement or WTO government procurement agreement (GPA) partners.

The *Regulatory transparency* policy area builds on information from administrative laws and regulations, information from the migration authorities on requirements for obtaining a business visa and the World Bank Doing Business Survey. The latter records time, cost and number of procedures required for establishing a company. These measures are benchmarked against a global threshold set at the 40 best performing countries. There are 29 countries included in the STRI database that are not among the 40 best performing countries on one or more of these measures. The score in the regulatory transparency area is largely attributed to this. In addition lengthy, costly and complex regulatory procedures related to obtaining a business visa contribute to the index for 38 countries.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 18 countries, 17 have a lower (less restrictive) score, and 9 record a higher value of the STRI index (more restrictive) in 2017. The country that reduced the STRI scores the most was Indonesia by introducing reforms in 2016 under the new Negative Investment List. In 2016, the Government of India raised the threshold on foreign investment in domestic airlines from 49% to 100. Investments above 49% remain, however, subject to Government approval. In 2017, Mexico has eased the limit on foreign ownership of capital stock in domestic traffic air carriers to allow 49% of foreign ownership from a previous 25%.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Read more about services trade policies and their impacts in this publication: Services Trade Policies and the Global Economy
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

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