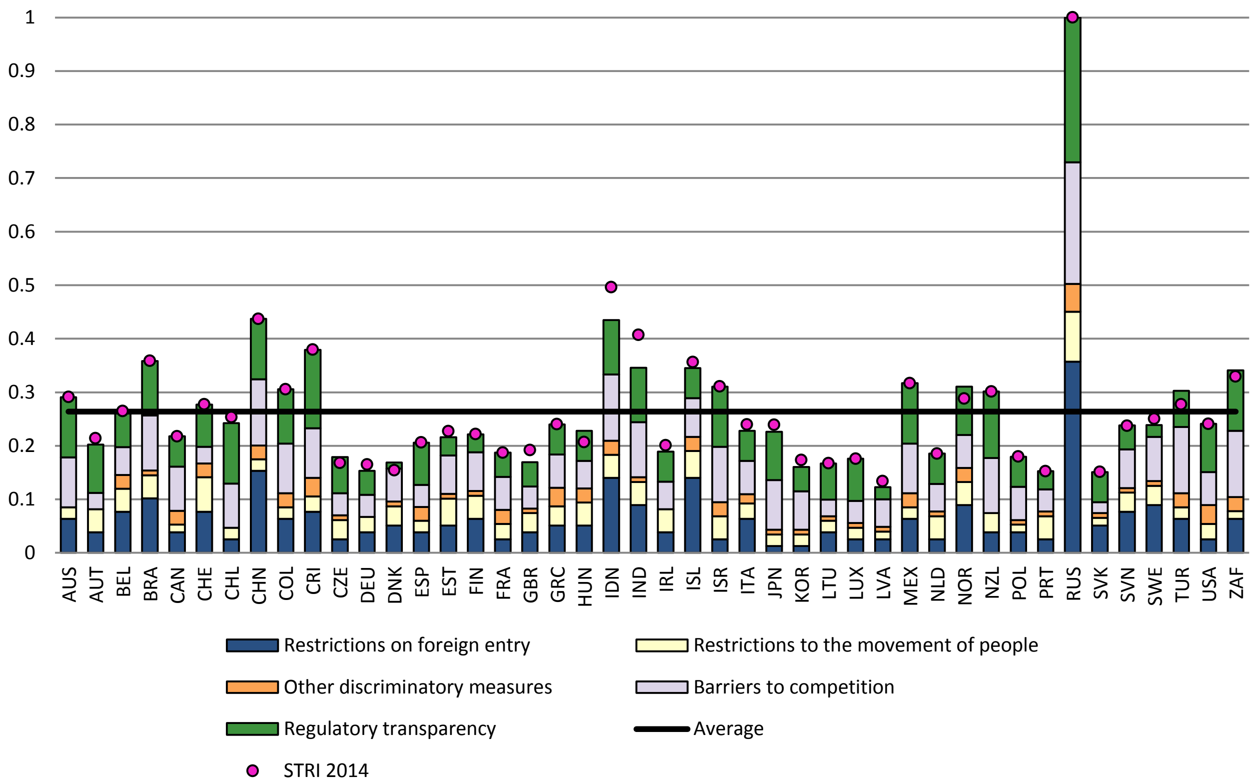
STRI Sector Brief: Logistics services

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 courier services in 2016.

Logistics services in the STRI are defined as cargo-handling services, storage and warehouse services (including customs warehouse services), freight transport agency services and customs brokerage services. Since the state of regulatory regimes relating to these four subsectors an be quite different in many countries, the index is developed separately for each subsector.

Cargo-handling services

STRI by policy area: logistics cargo-handling services (2016)



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 2016 scores in the cargo-handling services sector range between 0.12 and 1, with an average of 0.26. The distribution according to restrictiveness is skewed towards the low end, as there are 27 countries below and 17 countries above the average.

The measures in the STRI database are organised under five policy categories as indicated in the chart. In the cargo-handling sector, the results are driven by three policy areas: restrictions on foreign entry, barriers to competition and regulatory transparency. This reflects the characteristics of the sector and policy environment in which it operates. Trade in cargo-handling services has mainly taken place through commercial presence and the airport or port management company often provides cargo-handling services either directly or through subsidiaries.

Restrictions on foreign entry play a substantial role in the most restrictive countries. One country reserves all services provisions to a statutory monopoly and two other countries have a statutory monopoly for cargo-handling services at port facilities. Two countries limit foreign equity participation up to 49% and 67% respectively. Fourteen countries employ the maximum limit of shares that foreign investors can acquire in government-owned operator at airport, port, road or rail facilities. While the services provision is subject to licensing in 31 countries, five of them have quotas or require economic needs tests to obtain a licence.

Barriers to competition contribute the most to the score in 14 countries. Although government-owned operators retain a prominent role in this sector in around two thirds of the covered countries, few countries give them privileges in competition law. Where an airport or port management body provides cargo-handling services directly or through its subsidiary, competition might be distorted by discretion of selection of cargo-handling suppliers and a subsidy for its cargo-handling activity from the revenue from its airport or port authority. There is no competitive bidding for the selection of services providers in around half of the STRI countries. Nineteen countries lack effective measures to prevent cross-subsidisation between the airport management body and its related airport cargo-handling providers. In addition, one country prohibits self-handling operation at airport by foreign airlines.

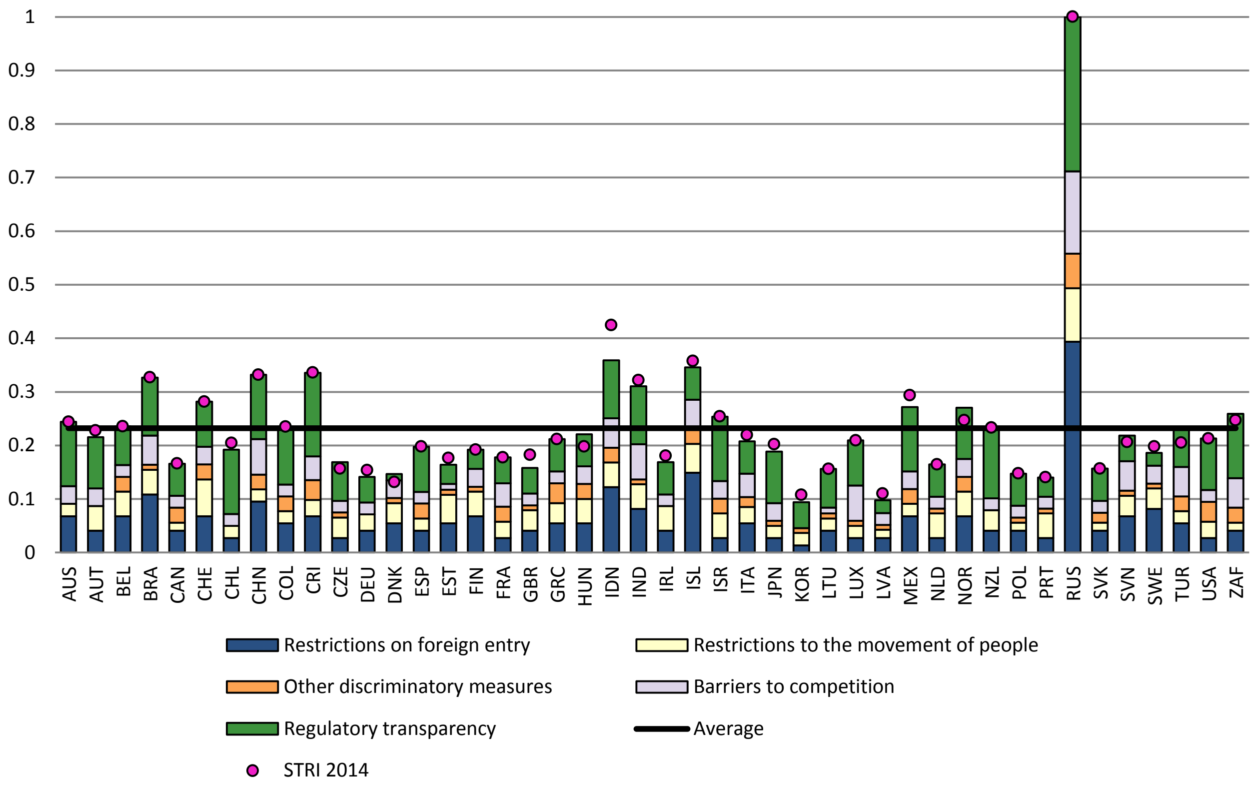
Regulatory transparency includes sector-specific measures with regard to visa and customs procedures. This policy area contributes the most to the score in 21 countries. Four to seven countries, depending on type of crew, have shorter duration of crew visa than three months. Visa exemption or visas on arrival scheme for air crew and seamen are widely observed across the STRI countries, but only nine countries has such a scheme for truck drivers. Many countries have multiple entry visas for crew or no requirement of crew visa. In terms of customs procedures, the majority of the covered countries have an advance ruling system, a single window regime, and pre-arrival processing. Two countries have no *de minimis* regime for import duties and seven lacks a *de minimis* for internal tax. The release of goods prior to determination and payment of import duties is not possible in five countries. Finally lengthy customs clearance procedure contributes to the score for 18 countries. The characteristics under regulatory transparency above are common to the 2016 score for cargo-handling, storage and warehouse, freight transport agency services and customs brokerage services.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 23 countries, 14 have a lower (less restrictive) score, and 7 record a higher value of the STRI index (more restrictive) in 2016. The countries that reduced the STRI index the most was India and Indonesia where the index went down by about six basis points, while Turkey was the country that raised the index the most, adding three basis points. It adopted a new law on the protection of personal data which imposed new standards on the transfer of personal data abroad.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other ten countries with a lower index. Five of them have also implemented regulatory reforms affecting cargo-handling services. Indonesia has raised the limit of foreign equity participation from 49% to 67% and has eliminated minimum capital requirement; India has fully opened up the foreign equity restriction of 49% for airport cargo-handling and has eliminated minimum capital requirements; Japan has lifted the requirement that at least one board member in a corporation must be resident; Korea has removed the requirement that foreign investors shall transfer stocks to Korean nationals within six months; Portugal has privatised a state-owned rail cargo-handling operator. Most of the increase in the index stems from the introduction of quotas for temporary services suppliers and stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data quotas for temporary services suppliers.

Storage and warehouse services

STRI by policy area: storage and warehouse services (2016)



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 2016 scores in the storage and warehouse services sector range between 0.09 and 1, with an average of 0.23. The distribution according to restrictiveness is skewed towards the low end, as there are 28 countries below and 16 countries above the average.

Similar to cargo-handling services, the results for storage and warehouse services are driven by three policy areas: restrictions on foreign entry, barriers to competition and regulatory transparency.

Restrictions on foreign entry account for almost 25% of the total scores on average. Two countries reserve services provision to a statutory monopoly. One applies the reservation to all facilities, which results in the overall index of one; the other applies only to a port facility. Only one country employs foreign equity restriction up to 67%. There are limits to the shares that foreign investors can acquire in state-owned enterprises at least one facility in nine countries. Forty countries introduced licensing system to operate customs warehouse while licensing for general warehouse services are observed in 19 countries. Only one country requires economic needs tests for licence for customs warehouse services.

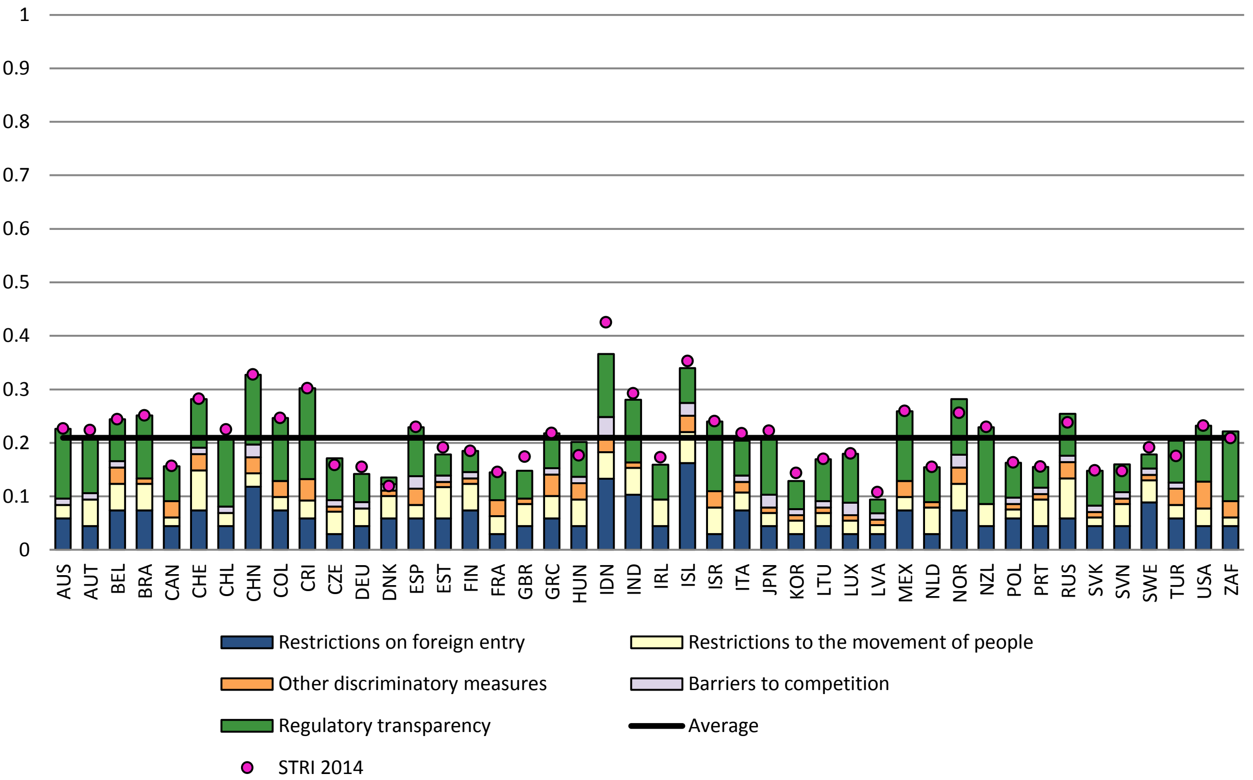
Under barriers to competition, although state plays less prominently in this sector than cargo-handling, half of the STRI countries retain government related enterprises. But few granted any privileges in competition law to them. Five countries regulate fees for warehouse and storage services at airports or ports.

Compared to 2014, denoted by the red dots in the chart, the STRI index is unchanged for 22 countries, 15 have a lower (less restrictive) score, and 7 record a higher value of the STRI index (more restrictive) in 2016. The country that reduced the STRI index the most was Indonesia where the index went down by about seven basis points, while Turkey was the country that raised the index the most, adding three basis points. It adopted a new law on the protection of personal data which imposed new standards on the transfer of personal data abroad.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other ten countries with a lower index. Five of them have also implemented regulatory reforms affecting storage and warehouse services. India has also eliminated minimum capital requirements; Indonesia has raised the limitation of foreign equity participation from 33% to 67% and has eliminated minimum capital requirement; Reforms on economy-wide measures in Japan and Korea described in cargo-handling services are also reflected in this sector; Mexico has introduced competitive bidding scheme for the selection of services suppliers at airports and ports. Most of the increase in the index stems from the introduction of quotas for temporary services suppliers and stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data quotas for temporary services suppliers.

Freight transport agency services

STRI by policy area: freight transport agency services (2016)



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 2016 scores in the freight transport agency services sector range between 0.09 and 0.37, with an average of 0.21. The distribution according to restrictiveness is slightly skewed towards the low end, as there are 23 countries below and 21 countries above the average.

The results for freight transport agency services are driven by two policy areas: restrictions on foreign entry and regulatory transparency. The latter policy area accounts for the largest portion, i.e. around 40% on average, of the total scores in the STRI countries. This reflects the characteristics of the sector and policy environment in which it operates. Freight transport agency services are a relatively less regulated services sector while the level of restrictiveness on crew visa regime and customs procedures matters for their operation because effective arrangement of transportation and just-in-time delivery define competitiveness in this sector.

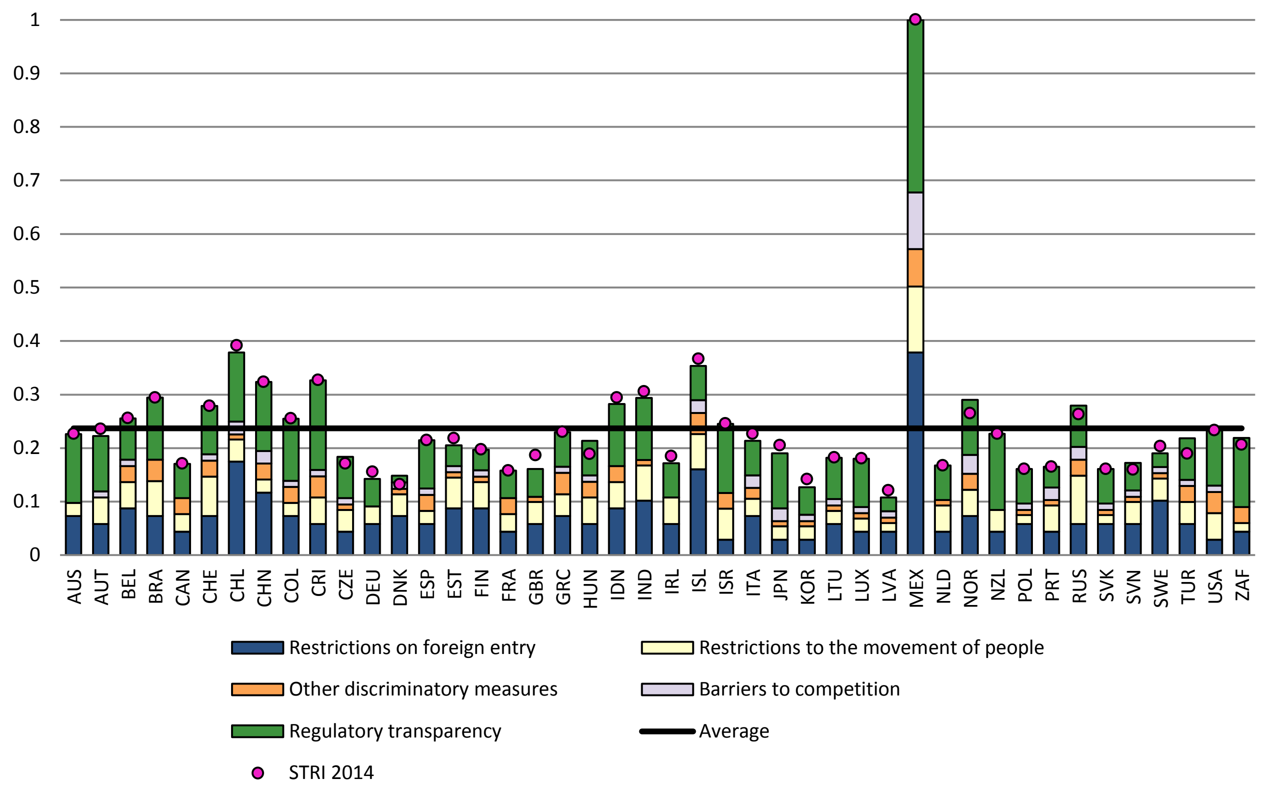
Restrictions on foreign entry explain more than 25% of the total scores. Only one country employs foreign equity limitation, but 14 countries has introduced commercial presence requirement to provide services, which impede cross-border services provision. Although 26 countries retain licensing scheme for the services provision, no country has quotas or economic needs test for it. Three countries limit the scope of the services provision by foreign operators. Two countries prohibits the provision of domestic freight forwarding services by certain transport modes; The other limits their activity to certain geographical areas in the host country.

Compared to 2014, denoted by the red dots in the chart, the STRI index is unchanged for 22 countries, 14 have a lower (less restrictive) score, and 8 record a higher value of the STRI index (more restrictive) in 2016. The country that reduced the STRI index the most was Indonesia where the index went down by about six basis points, while Turkey was the country that raised the index the most, adding three basis points. It adopted a new law on the protection of personal data which imposed new standards on the transfer of personal data abroad.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other ten countries with a lower index. Four of them have also implemented regulatory reforms affecting freight transport agency services. India has also eliminated minimum capital requirements; Indonesia has raised the limitation of foreign equity participation from 49% to 67%; Reforms on economy-wide measures in Japan and Korea described in cargo-handling services are also reflected in this sector. Most of the increase in the index stems from the introduction of quotas for temporary services suppliers and stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data quotas for temporary services suppliers.

Customs brokerage services

STRI by policy area: customs brokerage services (2016)



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 2016 scores in customs brokerage services sector range between 0.11 and 1 with an average of 0.24. The distribution according to restrictiveness is skewed towards the low end, as there are 30 countries below and 14 countries above the average.

The results for customs brokerage services are driven by three policy areas: restrictions on foreign entry, restrictions on the movement of people and regulatory transparency. This reflects the characteristics of the sector. Customs brokerage services are labour intensive and the quality of customs regime matters for the operation.

Although foreign equity restriction is rarely used in customs brokerage services, two countries employ it. One country limits it up to 49%; The other prohibits foreign equity participation altogether. Commercial presence requirement is observed in 33 countries, which impedes cross-border services provision.

Customs brokers are subject to economy-wide regulation on natural persons providing services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Eight countries have 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. The movement of customs brokers across borders is also affected by licensing. Twenty-four countries employ licensing system to qualify custom brokers. Ten of them require nationality or citizenship to operate and the other seven require that customs brokers mush be residents.

The requirement of obtaining a licence to practice and foreign equity limitation much affect market access from abroad. In case where a licence is required to operate and only nationals can obtain a licence, combined with the prohibition of foreign equity participation in domestic customs brokerage firms, the sector is completely closed in effect. This is the case for one country in the sample whose score is recorded one.

Compared to 2014, denoted by the red dots in the chart, the STRI index is unchanged for 22 countries, 14 have a lower (less restrictive) score, and 8 record a higher value of the STRI index (more restrictive) in 2016. The country that reduced the STRI index the most was the UK where the index went down by about three basis points, while Turkey was the country that raised the index the most, adding three basis points. It adopted a new law on the protection of personal data which imposed new standards on the transfer of personal data abroad.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other ten countries with a lower index. Four of them have also implemented regulatory reforms affecting customs brokerage services. India and Indonesia have eliminated minimum capital requirements; Reforms on economy-wide measures in Japan and Korea described in cargo-handling services are also reflected in this sector. Most of the increase in the index stems from the introduction of quotas for temporary services suppliers and stricter conditions on the transfer of personal data than recommended in the OECD Guidelines for Protection of Privacy and Transborder Flow of Personal Data quotas for temporary services suppliers.

More information

» Access all of the country notes, sector notes and interactive STRI tools on the OECD website at http://oe.cd/stri
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org