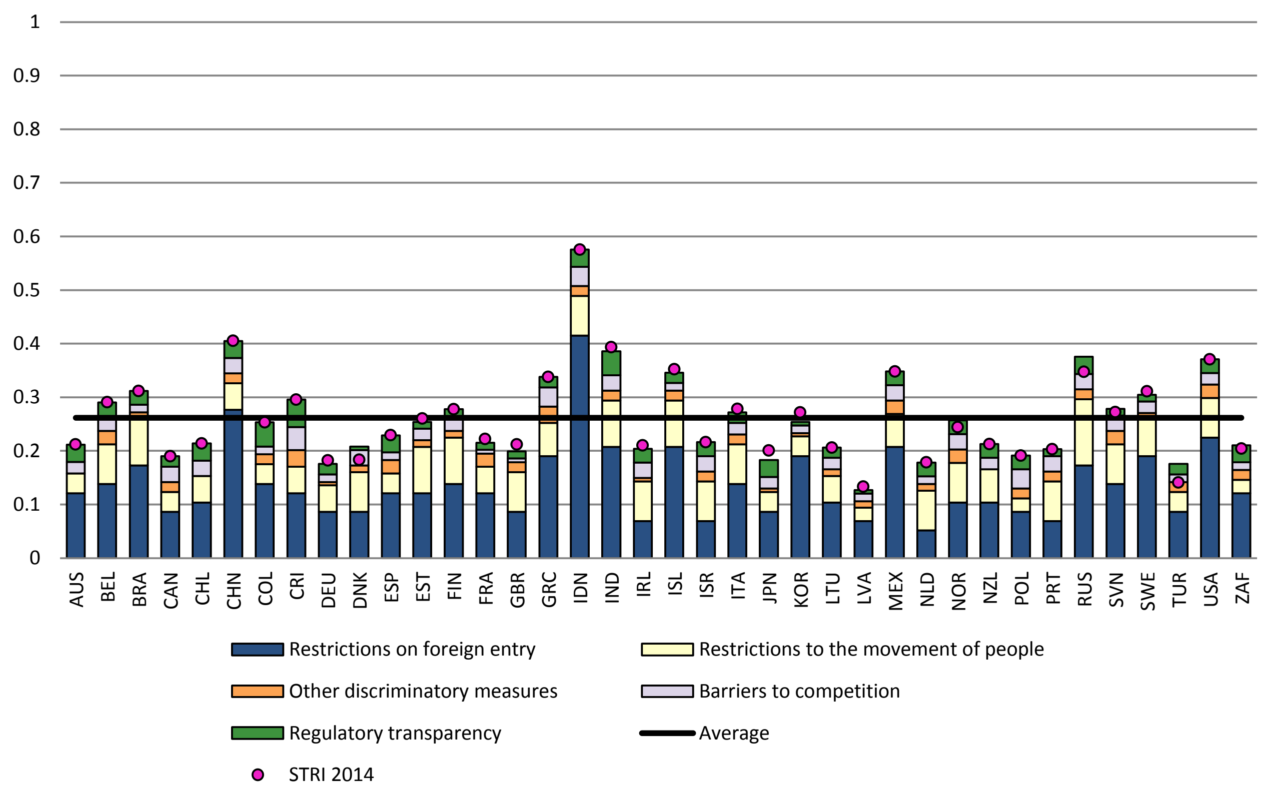
STRI Sector Brief: Maritime freight transport services

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 maritime freight transport services in 2016.

Maritime transport carries about 80% of merchandise trade by volume and over 70% by value. A special feature of the maritime transport sector is the separation of nationality of ship owners, the registration of the ship and the routes being serviced by the ships. As of 2016, about 71% of all ships (measured by tonnage) owned by the 35 largest ship owner nations were registered under foreign or international flag. Maritime transport is thus a truly international services sector where cross-border trade is important.

STRI by policy area: Maritime freight transport 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 STRI covers maritime freight transport, excluding transport on internal waterways, and services necessary to execute the maritime transport movement (pilotage, towing, tugging, and cargo-handling). Land-locked countries are not included in the STRI for maritime freight transport services. The 2016 scores in the maritime freight transport sector range between 0.13 and 0.58 with an average of 0.26. The distribution according to restrictiveness is slightly skewed towards the lower end, as there are 23 countries below and 15 above the average.

The measures in the STRI database are organised under five policy areas. *Restrictions on foreign entry* is the policy area that contributes the most to the index, particularly in the countries that score above the average. The most prominent sector-specific restrictions included in this category are restrictions on cabotage, restrictions to own and/or register vessels under the national flag, limitations to port-related services and cargo sharing agreements.

Conditions on flying the national flag are not considered a trade restriction *per se*, but in cases where flying the flag is linked to access to certain segments of the market, discrimination related to registering under the national flag is recorded under restrictions on foreign entry. Almost all countries impose to different degrees conditions to register vessels in the national registry, hence limiting the provision of maritime cabotage, although some countries partially allow foreign flagged vessels to engage in coastal trade. Ten countries have also signed cargo sharing agreements and five reserve specific types or shares of their domestic cargoes to the national fleet, therefore narrowing cross-border provision of maritime services from foreign vessels to international routes.

Ports are often publicly owned, while port services to various degrees are provided by private companies operating under concessions. However, seven countries still maintain restrictions to the provision of such services, including statutory monopolies precluding the entry of other port operators. Horizontal measures related to residency or nationality of board members apply to maritime services as well, and some countries have additional requirements for maritime services companies.

Turning to other policy areas, horizontal *Restrictions on movement of people* that apply across all sectors, also contribute to the score in maritime freight transport in a number of countries. In addition, several countries impose nationality requirements on captains and crew manning vessels flying the national flag. Among *Other discriminatory measures*, a few countries apply discriminatory tariffs for port services and in several countries, domestic shipping companies benefit from tax relief measures or other incentives to further increase the competitiveness of the national fleet. Under *Barriers to competition*, many countries exempt liner codes from competition law and a handful of countries reserve the provision of port services to concessions granted with exclusive rights. Finally, lack of regulatory transparency and red tape increase uncertainty and compliance costs for shipping companies which, coupled with lengthy custom clearance and excessive documentation at ports, contributes to increase significantly the costs of maritime freight transport.

Compared to 2014, represented by the pink dots in the chart, the STRI has largely remained unchanged in 20 countries; while 12 countries have a lower (less restrictive) score, and 6 record higher values (more restrictive). The countries with a noticeable reduction in the STRI score are Japan, Korea and the UK, where the indices went down by almost two basis points; while Turkey, the Russian Federation and Denmark, are the countries where the indices increased by two to almost four basis points.

Two-thirds of the decrease in the STRI scores stems from improvement in administrative procedures under the *Regulatory transparency* heading, and in particular in the number of days required to complete all mandatory procedures to register a shipping company, which is now lower in several STRI countries. Other regulatory reforms that have contributed to lower the STRI scores are the elimination of minimum capital requirements in Indonesia; the removal of conditions on subsequent transfer of capital and investments by Korea; and the exclusion of the requirement that at least one board member in a corporation must be resident in Japan. Most of the increase in the indices derives from the introduction of more stringent measures on cross-border transfer of data in two countries and an increase in the number of days for processing visas and other administrative procedures in few others.

Transport services are not only extensively traded; they are also intermediate services at the core of recent developments in global value chains and just-in-time inventory management, with the related demand for door-to-door services. Reducing unnecessary restrictions and improving productivity in the various sub-sectors can be expected to have significant benefits in downstream industries as well as in the sub-sectors themselves.

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