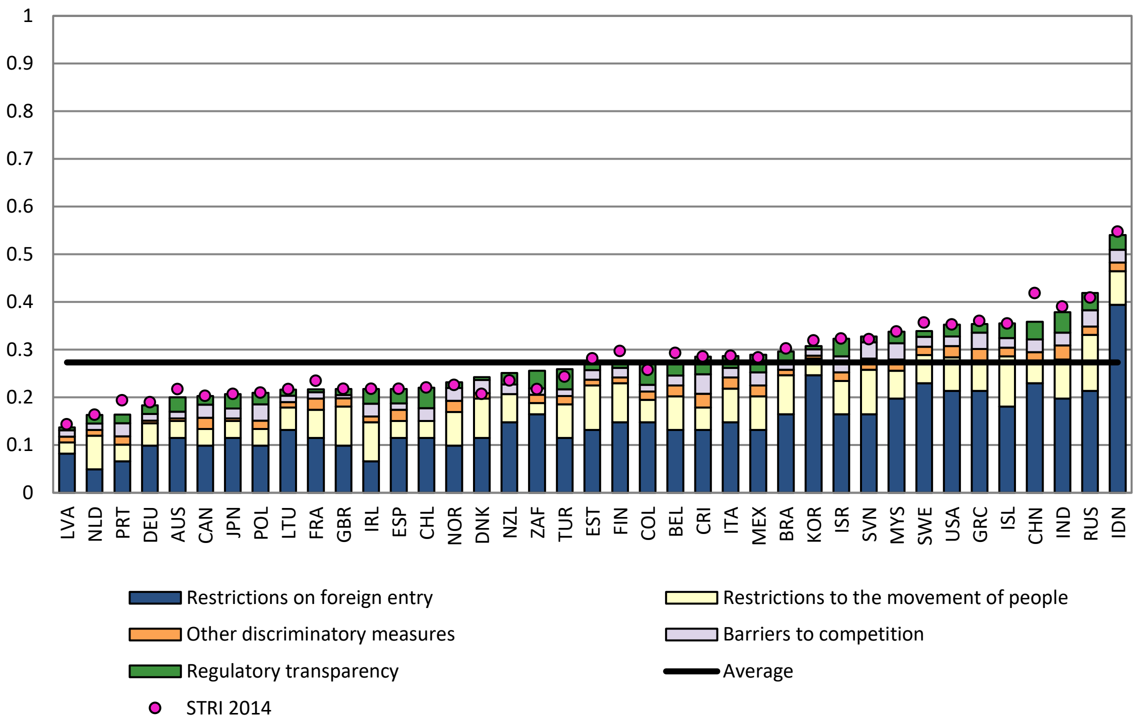
STRI Sector Brief: Maritime freight transport services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 30 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Malaysia, the Russian Federation and South Africa for maritime freight transport services in 2018. Land-locked countries are not included in the STRI for this sector.

Maritime freight transport services are at the heart of international trade and the global economy. It is estimated that around 80% of merchandise trade by volume and over 70% of global trade by value are carried by sea. The market is also highly concentrated with the top five ship owning countries accounting for nearly half of world's fleet (in dead-weight tonnage) in 2018. However, of these countries only one (Singapore) is among the top five largest registries, while most ships are registered under a different flag from the one of ownership. The separation between the nationality of ship owners, the registration of the ship, as well as the routes being serviced, makes maritime transport a truly international service sector.

STRI by policy area: Maritime freight transport services (2018)



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). The 2018 scores in the maritime freight transport sector range between 0.14 and 0.54 with an average of 0.27. There are 22 countries below and 17 above the average score in this sector.

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 various conditions to registering vessels in the national registry, hence limiting the provision of maritime cabotage. Only in twelve countries foreign-flagged vessels are fully excluded from cabotage, while in most countries foreign-flagged vessels are partially allowed to engage in coastal trade, if, for instance, no national vessels are available. Eight countries have signed cargo-sharing agreements, while six countries reserve specific types, or shares, of their domestic cargoes to the national fleet, therefore limiting foreign vessels provision of cross-border maritime services only to international routes. Ports are often publicly owned, while port services to different degrees are provided by private companies operating under concessions. However, a few countries still maintain restrictions to the provision of such services, including statutory monopolies precluding the entry of other port operators.

Turning to *Restrictions on movement of people*, horizontal restrictions that apply across all sectors, also contribute to the score in maritime freight transport in a number of countries. Nine countries impose quotas on foreign professional providers, while the majority of countries applies economic needs tests to stays that last longer than 3-6 months and limits the duration of stay to less than three years. In addition, a few countries impose nationality requirements on captains and crew manning vessels flying the national flag. Among *Other discriminatory measures*, seven countries apply discriminatory tariffs for port services and half the countries have adopted tax relief measures or other incentives for domestic shipping companies 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 port operating companies whose concessions are 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 score for maritime transport has largely remained unchanged in most countries; 17 countries have a lower (less restrictive) score, and ten others record higher values (more restrictive). The most noticeable reduction in the STRI score for maritime transport since 2014 occurred in China and in Portugal, where the indices went down by six and three basis points respectively. Australia, Belgium, Finland, France and Sweden also record a decline of around two basis points in their indices score since 2014. The largest increase since 2014 was associated with South Africa and Denmark, where the indices grew by four basis points.

Most of the decrease in the STRI scores stems from improvement in visa procedures in a number of STRI countries, while large part of the decrease observed in China reflects the opening of the sector to foreign investment in international maritime freight transport services (although there remain foreign equity caps for domestic maritime transport). Most of the increase in the indices derives from the introduction of more stringent measures on movement of people across a number of countries and, in the case of South Africa, the recent introduction of the Protection Investment Act in 2018, which screens foreign investment for economic interest.

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
» 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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