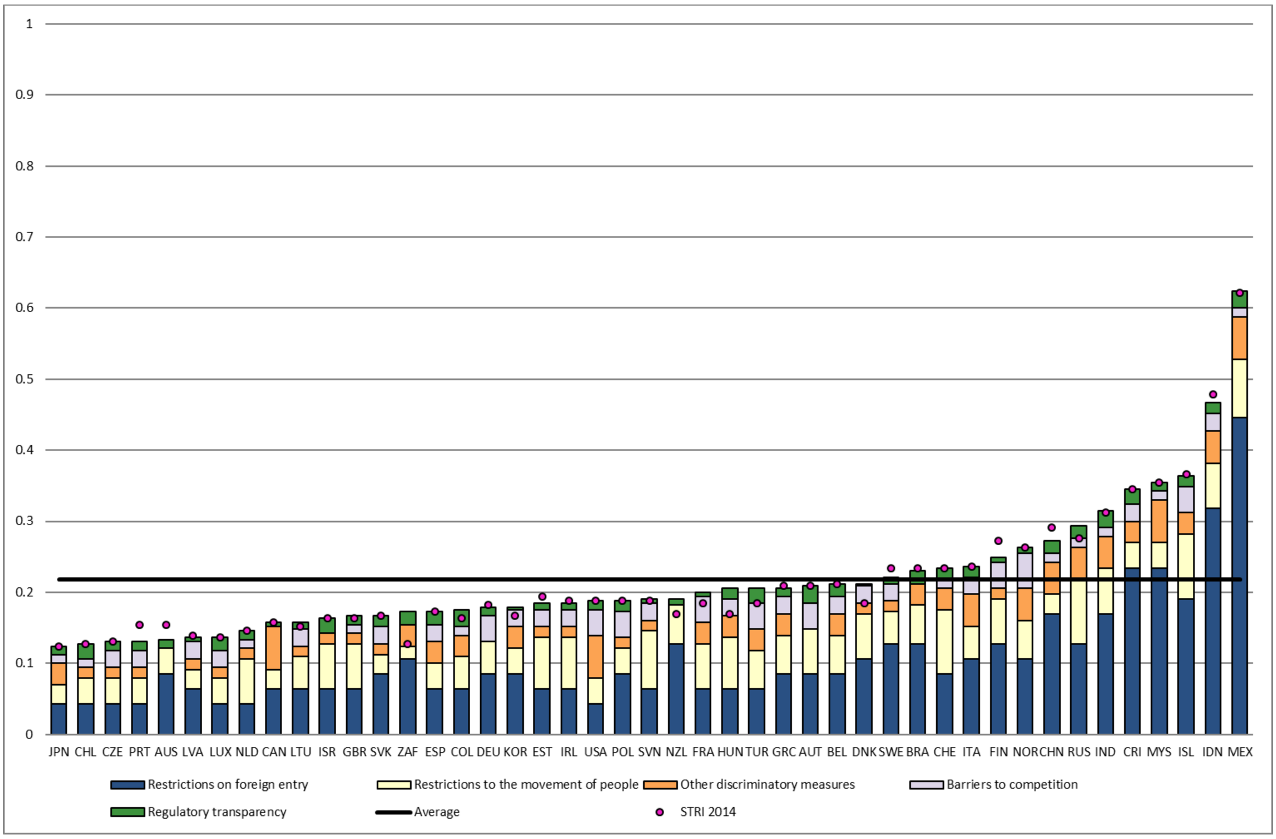
STRI Sector Brief: Road freight transport services

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 36 OECD countries and Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Malaysia, the Russian Federation and South Africa for road freight transport in 2018.

Road freight transport is defined as ISIC (rev 4) category 4293 freight transport by road. The STRI for this sector covers commercial establishment only. Cross-border trade is governed by a system of bilateral and plurilateral agreements which provide for permits, quotas and other regulations. Restrictiveness in this mode of supply for road freight transport will be subject to future investigation.

STRI by policy area: Commercial establishment in road 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 2018 scores in the road freight transport sector range between 0.12 and 0.62, with a sample average of 0.22. The distribution according to restrictiveness is slightly skewed towards the low end, as there are 31 countries below and 14 countries above the average.

The measures in the STRI database are organised under five policy areas. 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 account for almost half of the total restrictiveness in this sector. Four of the countries included in the STRI have foreign equity limits in force, and six countries have limitations on the establishment of foreign branches. One country requires that the majority of the board members in road transport corporations be nationals, while four other countries have a residency requirement for at least half of the board members. Residency requirements for managers apply in 28 countries. A license is required to operate road transport services in 20 countries and in three of them licensing is conditional on economic needs. Three additional countries impose economic needs tests on foreign investment in the sector. Four countries have limitations on cross-border mergers and acquisitions, and another three countries control foreign capital and investment flows. Finally, 37 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.

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 provide established processes and criteria for recognition of foreign qualifications on an MFN basis.

Other discriminatory measures contain regulation related to taxes, subsides and public procurement. Three countries report areas not fully granting national treatment regarding taxes or subsidies, while 23 countries have preferential measures for local suppliers or limit non-discriminatory access to public procurement to free trade agreement or WTO government procurement agreement (GPA) partners.

Road transport has characteristics of a network industry where *Barriers to competition* may be important. 26 countries exempt road freight carriers' agreements from competition law and pricing guidelines or price regulation for road hauliers are found in two countries. Moreover, state-owned enterprises still play an important role in the sector in seven countries.

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 21 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 28 countries, and 32 countries do not issue visa upon arrival for truck drivers.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 18 countries, 13 have a lower (less restrictive) score, and 14 record a higher value of the STRI index (more restrictive) in 2018. The countries that reduced the STRI index the most since 2014 were Finland and Portugal. Finland lifted the requirement that certain data must be stored locally in 2016. In 2018, the number of days required to obtain a visa was lowered from 15 to 5. Portugal eased limitations on the duration of stay for intra-corporate transferees, contractual and independent services suppliers in 2017. At the same time, the country introduced labour market tests on intra-corporate transferees.

Road freight transport has been a particularly dynamic sector in recent years. The service is not only extensively traded but it is also an intermediate service at the core of recent developments in networked production, global value chains and just-in-time supply management, with the related demand for door-to-door services. The sector plays an important role in market integration and is an intermediate input for other kinds of trade, particularly trade in goods but also in other services (e.g. distribution services and logistics). OECD estimates suggest that on average for all 45 countries halving the distance to best practice in this sector is associated with between 12% and 20% boost in trade in manufactured goods such as motor vehicles, electrical equipment and chemicals.

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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