

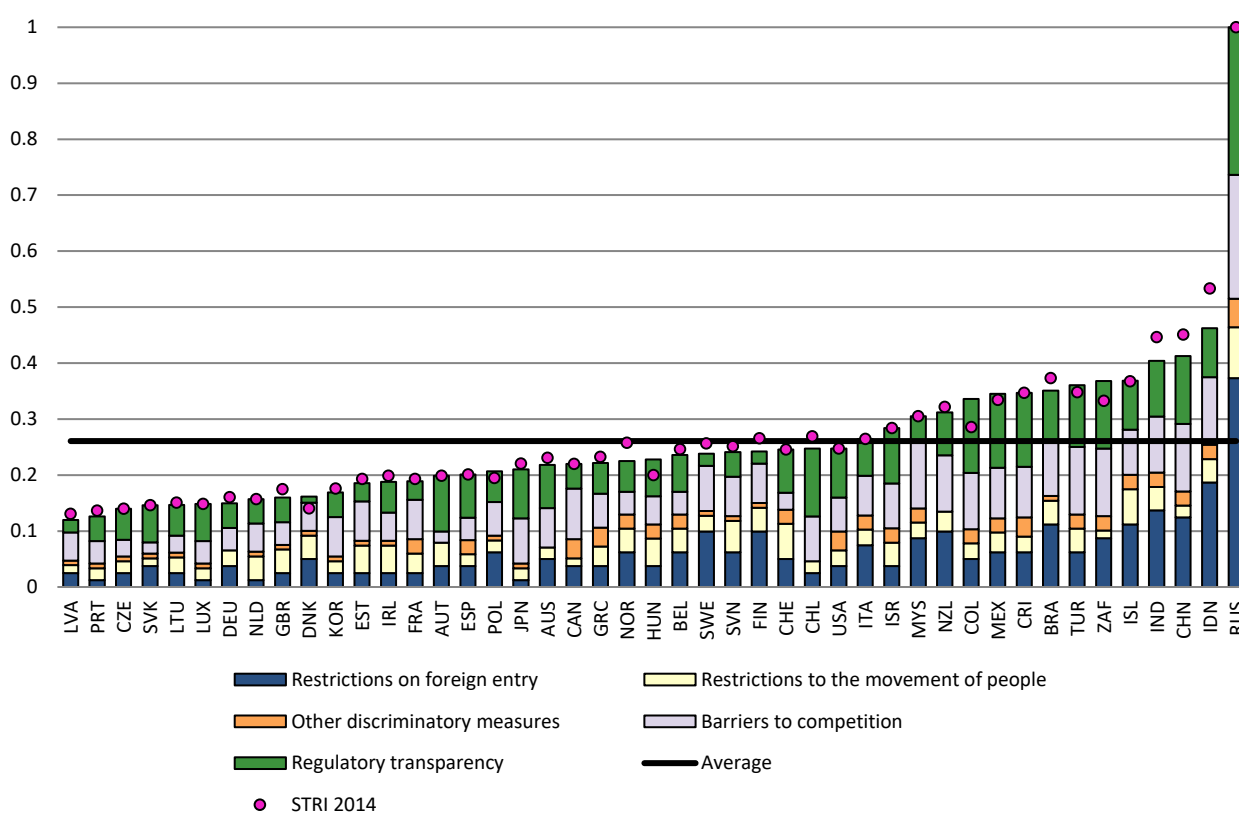
STRI Sector Brief: Logistics services

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 logistics services in 2018.

Logistics services in the STRI are defined as cargo-handling services (ISIC 5224), storage and warehousing services (including customs warehouse services) (ISIC 5210), freight transport agency services and customs brokerage services (ISIC 5229). Since the regulatory framework for these four sub-sectors can be rather different in many countries, separate indices are developed for each of them.

Cargo-handling services

STRI by policy area: Cargo-handling 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 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 30 countries below and 15 countries above the average.

The measures in the STRI database are organised under five policy areas 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 hinges on access to the relevant transport terminals and, in many cases, competition is affected by cargo-handling services being provided also by airport or port management companies either directly or through subsidiaries.

Restrictions on foreign entry play a substantial role in the most restrictive countries. One country reserves services provisions to a statutory monopoly at all transport terminals, and two others have a statutory monopoly for cargo-handling services at port terminals. One country limits foreign equity participation to a maximum of 67%. 17 countries limit the maximum shares that foreign investors can acquire in government owned operators at airports, ports, road or rail facilities. While the services provision is subject to licensing in 32 countries, five of them apply quotas or economic needs tests during licensing. Managers must be resident in seven countries.

Barriers to competition contribute the most to the score in 12 countries. Although government owned operators retain a prominent role in this sector in around two-thirds of the countries covered, few countries give them privileges in competition law. Where airport or port management bodies themselves also provide cargo-handling services directly or through a subsidiary, competition might be distorted if such bodies have significant discretion in selecting cargo-handling suppliers or when the cross-subsidisation between competitive and non-competitive activities is permitted. There is no competitive bidding for the selection of services providers in around one-third of the countries covered in the STRI. In 20 countries, there are no effective measures to prevent cross-subsidisation between the airport management body and its related airport cargo-handling providers. In addition, two countries prohibit self-handling operation at airports for foreign airlines.

Regulatory transparency includes sector-specific measures related to visa and customs procedures. These measures are covered commonly across all four logistics sub-sectors. Competitive logistics services depend on efficient entry procedures for transport crew, whether aircrew, seamen, or truck drivers. In nine countries, the duration of crew visa is shorter than three months for one or more categories of crew. Visa exemption or visas on arrival for air crew and seamen are widely available across the countries, but only ten countries have such a scheme for truck drivers. When visas are required for crew members, multiple entry visas are generally allowed. In terms of customs procedures, most countries have an advance ruling system, a single window regime, and pre-arrival processing is possible. One country has no *de minimis* regime for import duties and six countries lack a *de minimis* for internal taxes. The release of goods prior to determination and payment of import duties is not possible in five countries. Finally, lengthy customs clearance procedures contribute to the score for 18 countries.

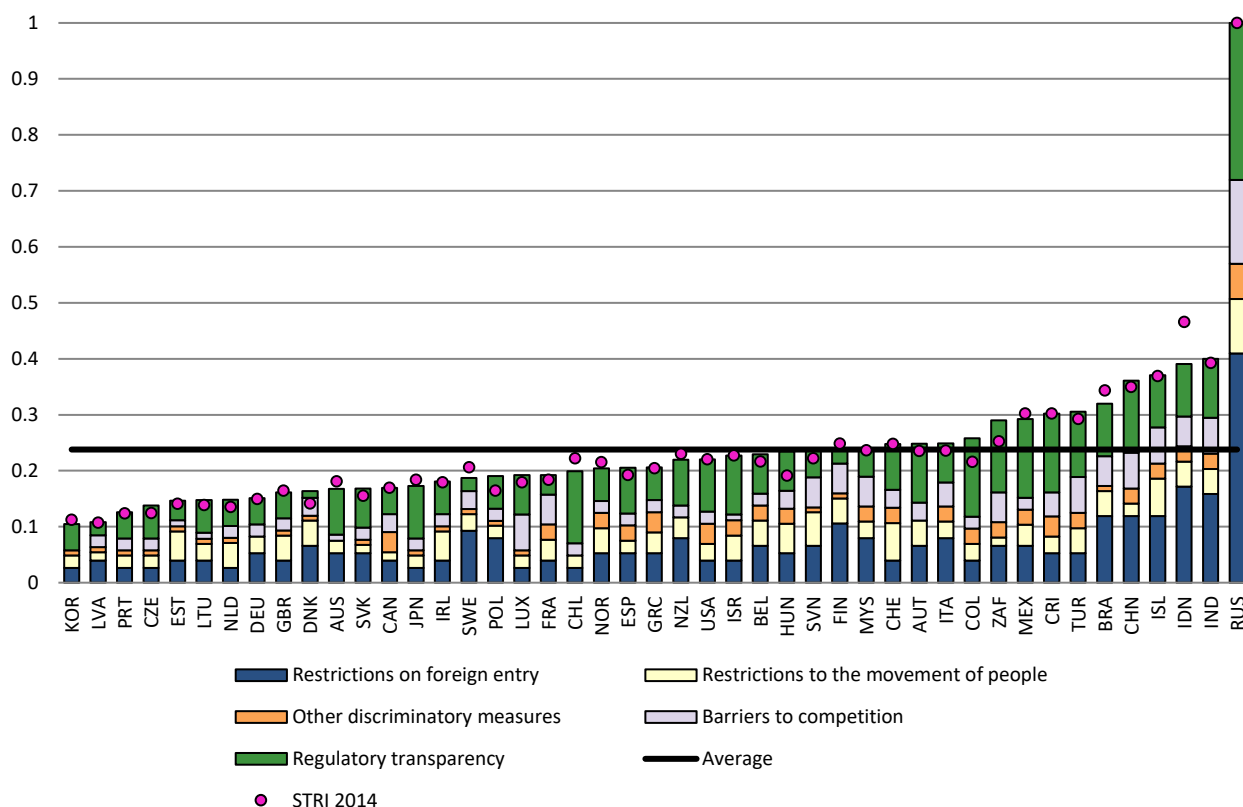
Under *Restrictions on the movement of people*, there is no country in the database that does not limit market access for natural persons providing services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Nine countries impose quotas on one or more of these three categories, 35 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 37 countries. *Other discriminatory measures* contain regulation related to taxes, subsidies and public procurement. Four countries report areas where national treatment is not fully granted 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.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 14 countries, 23 have a lower (less restrictive) score, and 8 record a higher value of the STRI index (more restrictive) in 2018. The country that reduced the STRI index the most was Indonesia which raised the limit of foreign equity participation from 49% to 67% in 2016 and eliminated minimum capital requirement in 2015. Conversely, a few countries have put in place restrictions on the minimum capital requirements on port and airport agents, and have introduced requirements that grant explicit preference for local suppliers in public procurement.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other countries with a lower index. Six of them have also implemented regulatory reforms affecting cargo-handling services. China has lifted foreign equity limited for international maritime cargo handling services. India has eliminated foreign equity restrictions for cargo-handling at airports as well as removed 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 transfer stocks to Korean nationals within six months; Portugal and Slovenia have privatised a state-owned rail cargo-handling operator. Most of the increase in the index stems from tightening of regulations related to the movement of people.

Storage and warehouse services

STRI by policy area: Storage and warehouse 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 storage and warehouse services sector range between 0.1 and 1, with an average of 0.24. The distribution according to restrictiveness is skewed towards the low end, as there are 31 countries below and 14 countries above the average.

Similarly 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 a significant share of the scores across the board. Two countries reserve services provision to a statutory monopoly. In one of them, the statutory monopoly operates at all transport facilities, effectively closing the market for foreign competitors, and resulting in a score of one. In the other country, the monopoly covers only port facilities. Only one country employs foreign equity restrictions up to 67%. There are limits to the shares that foreign investors can acquire in state-owned enterprises operating in at least one transport facility in 15 countries. In 41 countries, a license is required to operate customs warehouses whereas general warehouses are subject to licenses only in 19 countries. 24 countries apply economic needs tests before granting licenses for customs warehouse services.

Under *Barriers to competition*, the government retains control of a major operator in more than half of the countries covered. Nonetheless, few countries grant any privileges to such operators in competition law. Five countries regulate fees for warehouse and storage services at airports or ports.

In the other policy areas, the restrictions observed in cargo-handling apply in this sub-sector as well.

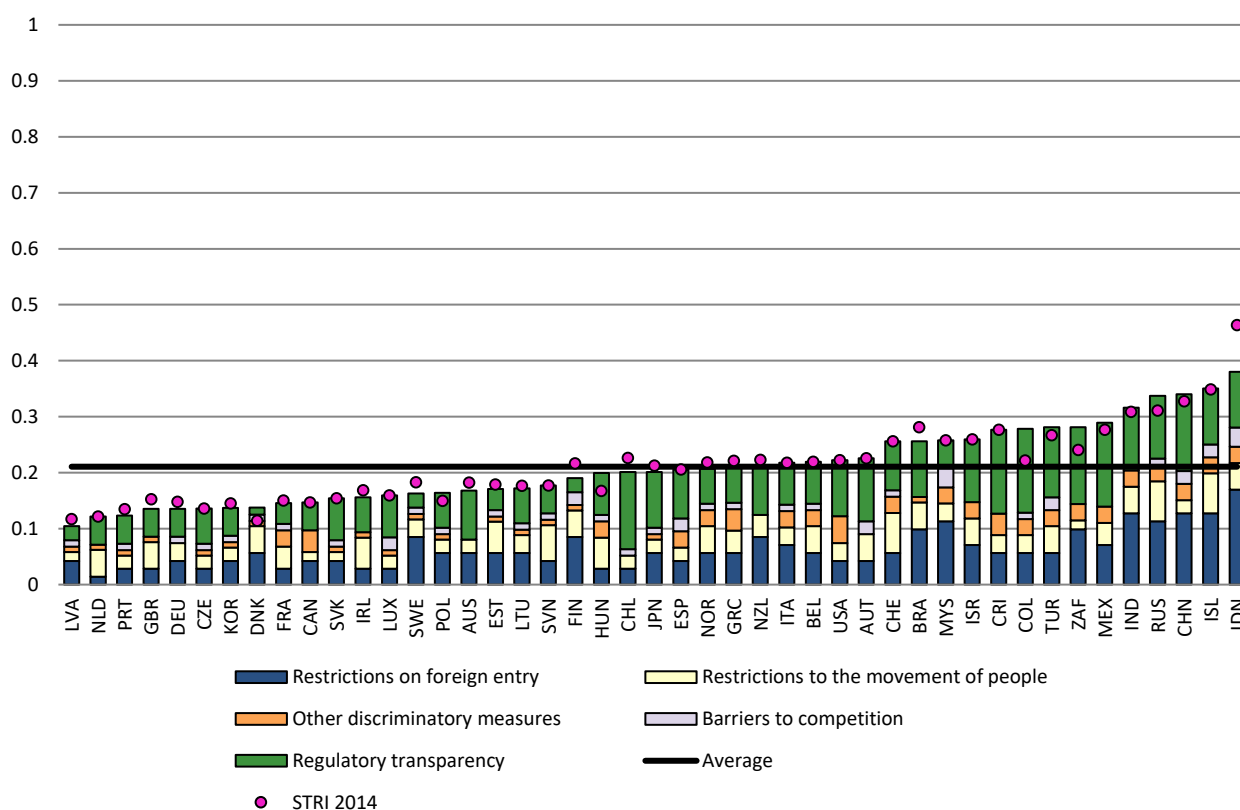
Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for seven countries, 12 have a lower (less restrictive) score, and 26 record a higher value of the STRI index (more restrictive) in 2018. The country that reduced the STRI index the most was Indonesia which raised the limit of foreign equity participation

from 33% to 67% and held competitive bidding to provide commercial service in the ports and airports in 2016, and eliminated minimum capital requirement in 2015.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other countries with a lower index. Four of them have also implemented regulatory reforms affecting storage and warehouse services. India eliminated minimum capital requirements. Reforms related to economy-wide measures in Japan and Korea described in cargo-handling services are also reflected in this sector. Mexico introduced competitive bidding scheme for the selection of services suppliers at airports and ports. Most of the increase in the index stems from tightening of regulations related to the movement of people and licences are subject to quotas or economic needs test.

Freight transport agency services

STRI by policy area: Freight transport agency 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 freight transport agency services sector range between 0.1 and 0.38, with an average of 0.21. The distribution according to restrictiveness is slightly skewed towards the low end, as there are 26 countries below and 19 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 share, around 40% on average, of the total scores across all countries. This reflects the characteristics of the sector and the policy environment in which it operates. Freight transport agency services are less regulated compared to other logistics sub-sectors. Nonetheless, the level of restrictiveness on transport crew visa regimes and customs procedures matter significantly as effective arrangement of transportation and just-in-time delivery define competitiveness in this sector.

Restrictions on foreign entry account for around 30% of the total scores. Only one country employs foreign equity limitations, but 14 countries require commercial presence to provide services which impedes cross-border services provision. Although 27 countries require a license for operations, no country imposes quotas or applies economic needs test for issuing them.

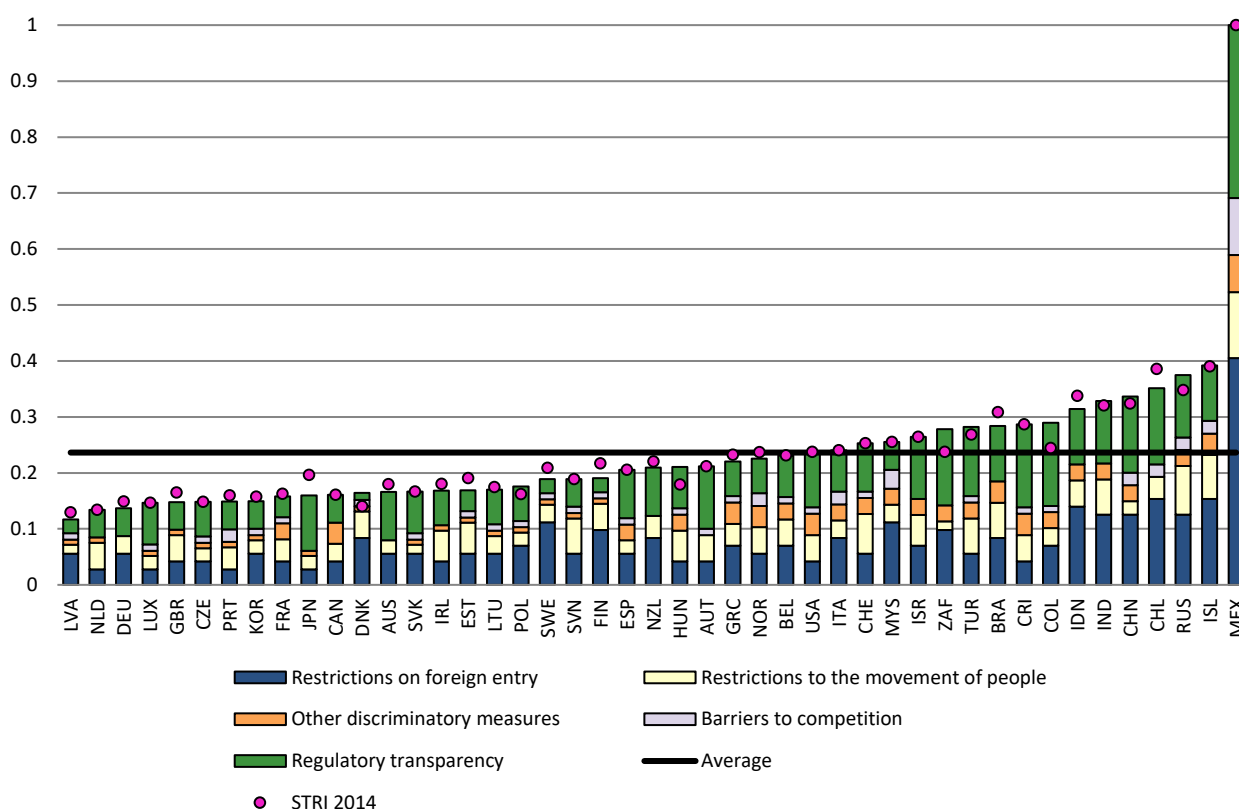
In the other policy areas, the restrictions observed in cargo-handling apply in this sub-sector as well.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 15 countries, 19 have a lower (less restrictive) score, and 11 record a higher value of the STRI index (more restrictive) in 2018. The country that reduced the STRI index the most was Indonesia which raised the limit of foreign equity participation from 33% to 67% in 2016, and eliminated minimum capital requirement in 2015.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvement in the STRI index for the other 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 lifted geographical limitations linked to licenses. 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 tightening of regulations related to the movement of people.

Customs brokerage services

STRI by policy area: Customs brokerage 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 customs brokerage services sector range between 0.12 and 1 with an average of 0.24. The distribution according to restrictiveness is skewed towards the low end, as there are 28 countries below and 17 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 efficiency of customs procedures matters for the operation.

Under *Restrictions on foreign entry*, although foreign equity restrictions are rarely used in customs brokerage services, two countries employ it. One country limits foreign ownership to a maximum of 49%, while the other prohibits foreign equity participation altogether. Commercial presence requirement is observed in 33 countries, which impedes cross-border services provision.

With respect to *Restrictions on the movement of people*, 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. Nine countries have quotas on one or more of these three categories, 35 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 37 countries. The movement of customs brokers across borders is also affected by licensing. In 26 countries, licenses are required to operate as a custom broker. In ten countries, only nationals or citizens can obtain a customs brokerage license, and in seven others, residency is required.

In the other policy areas, the restrictions observed in cargo-handling apply in this sub-sector as well.

The requirement to obtain a license to practice and foreign equity limitations significantly affect market access in this sector. In case where only nationals can obtain a customs brokerage license and foreign equity participation in domestic customs brokerage firms is prohibited, the sector is effectively closed for foreign services suppliers. This is the case for one country in the sample where the score is one.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 16 countries, 19 have a lower (less restrictive) score, and 10 record a higher value of the STRI index (more restrictive) in 2018. The country that reduced the STRI index the most was Japan which removed economic needs test in licensing procedures under the Customs Business Act.

Improvements in administrative procedures under the regulatory transparency area explain most of the improvements in the STRI index for the other countries with a lower index. Five of them have also implemented regulatory reforms affecting customs brokerage services. India and Indonesia have eliminated minimum capital requirements. Estonia has removed nationality requirement for customs brokers. 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 tightening of regulations related to the movement of people.

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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