

# OECD Services Trade Restrictiveness Index (STRI)

## STRI SECTOR BRIEF: LOGISTICS SERVICES

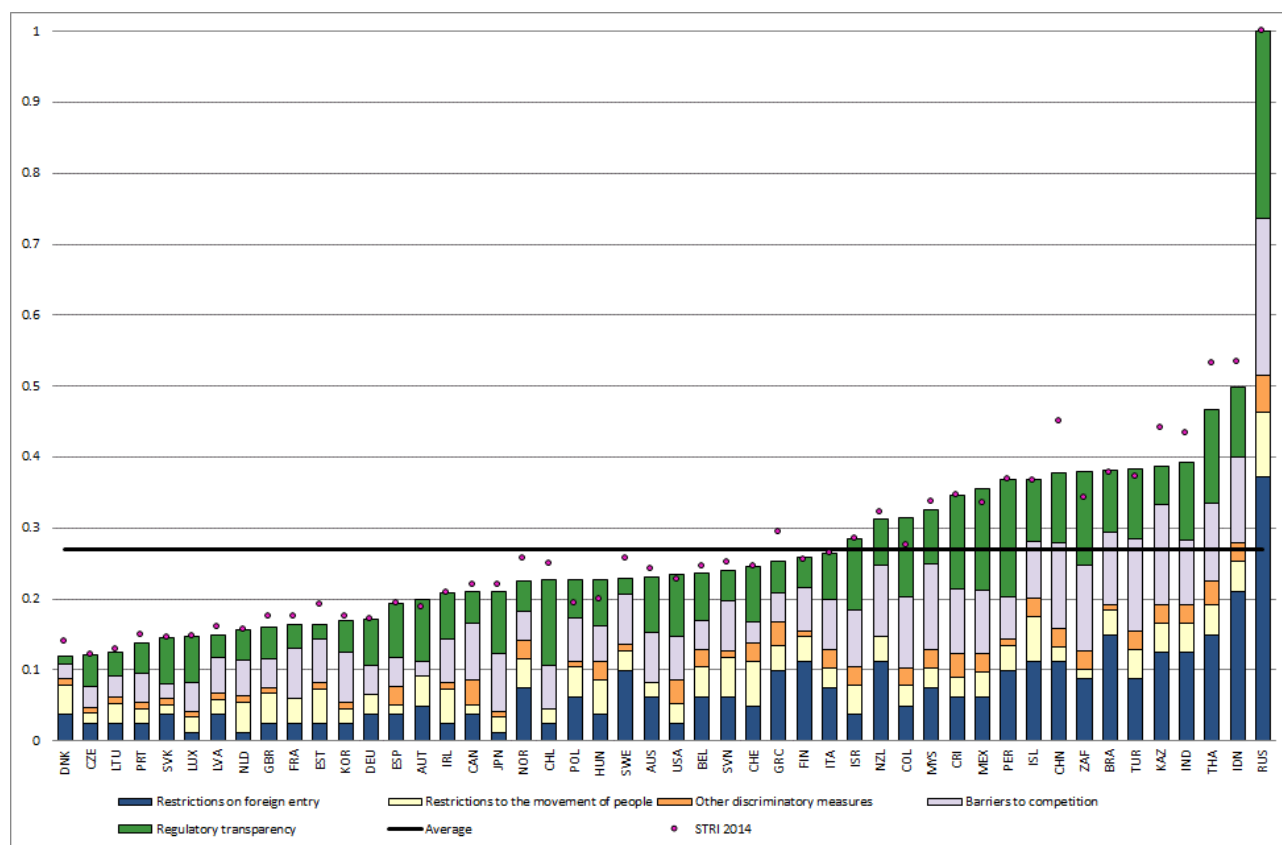
2020

This note presents the Services Trade Restrictiveness Indices (STRI) for the 37 OECD countries and Brazil, the People’s Republic of China, Costa Rica, India, Kazakhstan, Indonesia, Malaysia, Peru, the Russian Federation, South Africa and Thailand for logistics services in 2020.

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 different in many countries, separate indices are developed for each of them.

### Cargo-handling services

STRI by policy area: Cargo-handling services (2020)



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 2020 scores in the cargo-handling services range between 0.12 and 1, with an average of 0.27. 31 countries are below the average, and 17 countries are above the average.

The measures in the STRI database consist of five policy areas as indicated in the chart. The results are driven by three policy areas: *Restrictions on foreign entry*, *Barriers to competition*, and *Regulatory transparency*.

*Restrictions on foreign entry* have a substantial impact on many countries. Of all, restrictions on foreign equity, limitations on foreign investment, and residency requirements for members stand out widely. For example, 23 countries employ screening scheme for foreign investment. Seven countries apply quotas or economic needs tests as part of the process of licensing. 16 countries require at least one of the board members to be residents. Russia limits foreign equity and Indonesia also limits the foreign equity up to 67%, both measures explain their high scores. Besides, many countries count as restrictive as to data-transfer.

*Barriers to competition* represent a large part of scores in most of the countries. The Cargo-handling sector has the potential to favour the management body of facilities, putting other service providers at a disadvantage. To ensure a fair condition, 19 countries require the management body at a port to separate accounting from cargo-handling and other activities, and eight countries prohibit them from cross-subsidization. However, one-third of countries lack a competitive bidding scheme for selecting service providers.

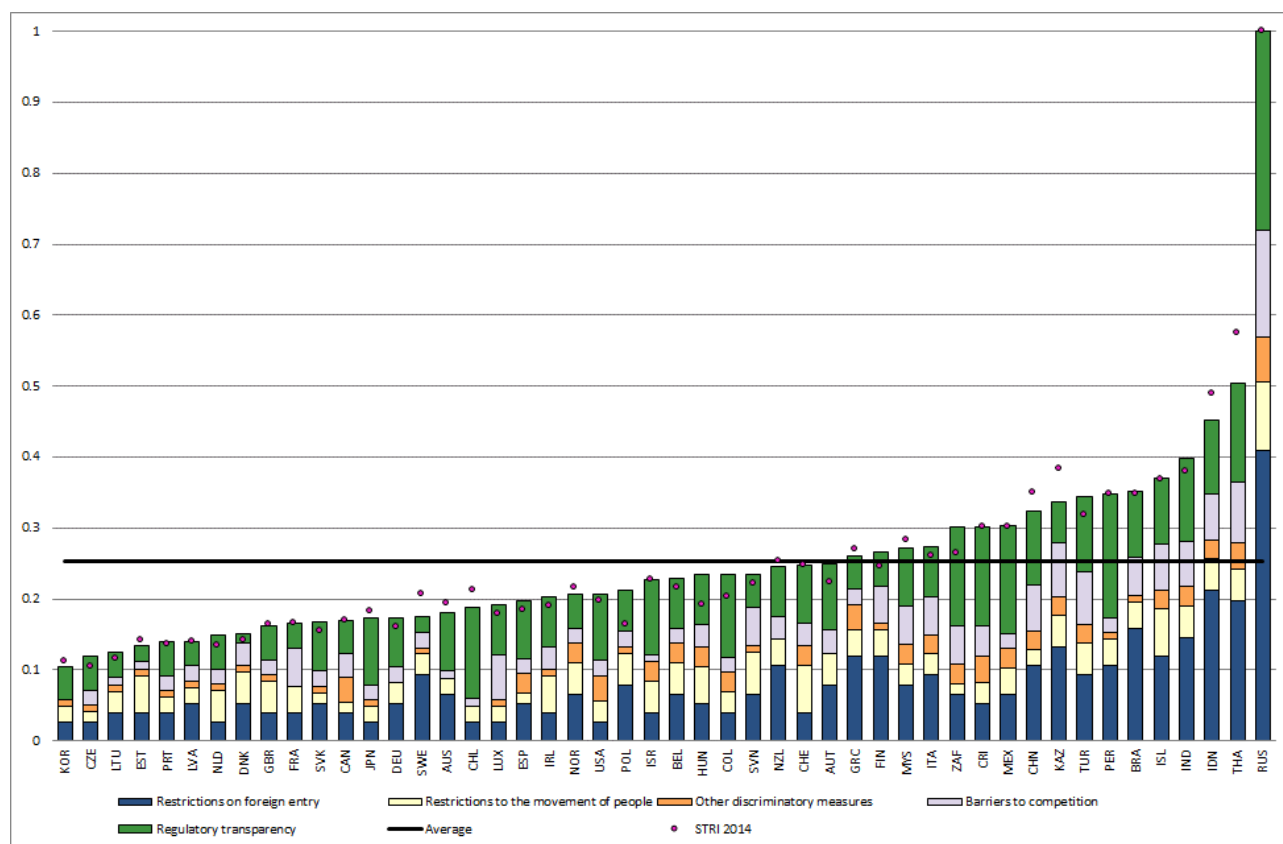
*Regulatory transparency* includes important measures for logistics, namely, custom procedures and visa processes. Most of the countries provide an advance ruling system, a single window regime, pre-arrival processing, and a de minimis regime. However, 29 countries count as restrictive on a visa processing time and 27 countries count as restrictive on numbers of documents for obtaining a visa. 14 countries lack visas on arrival scheme or visa exemption.

*Restrictions on the movement of people* represent a relatively small score. Fewer foreign workers hinder service trade, through the additional cost of new staff or delaying the establishing of commercial presence. 13 countries impose quotas for temporal workers, and 33 countries apply labor market tests for temporary movement of workers. Besides, over 20 countries count as restrictive on the duration of stay for temporary movement of workers. *Other discriminatory measures*, as to public procurement, 23 countries give preferential treatment to local suppliers, and 41 countries give discriminatory access to partners of free trade agreement or WTO government procurement agreement (GPA).

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 13 countries, 24 countries have a lower (less restrictive) score, and 11 countries higher in value of the STRI in 2020. The country that reduced the score the most was China, raising the foreign equity share participation from 49% to 100% in 2018. Indonesia raised foreign equity share participation from 49% to 67% in 2016. Thai also introduced the pre-arrival process in custom clearance in 2017. Kazakhstan abolished the economic needs test for movement of temporal workers in 2017 and stop to reserve an exclusive statutory monopoly to services in 2016.

## Storage and warehouse services

STRI by policy area: Storage and warehouse services (2020)



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 2020 scores in the storage and warehouse services sector range between 0.12 and 1, with an average of 0.27. 31 countries are below the average, and 17 countries are above the average.

The results are driven by three policy areas: *Restrictions on foreign entry*, *Barriers to competition*, and *Regulatory transparency*, same as cargo-handling services.

*Restrictions on foreign entry* account for a large part in restrictive countries. Same measures as cargo-handling are widely observed in restrictions on foreign equity, limitations on foreign investment, and residency requirements. Besides, 32 countries restrict the acquisition and use of land and real estate by foreigners. 25 countries license to practice subject to economic needs tests or quotas. One-third of countries limit the shares acquired by foreign investors in publicly-controlled firms. Around three-quarters of countries included in the STRI have minimum capital requirement on storage and warehouse services providers

*Barriers to competition* have an impact on all countries except Korea. In 29 countries, the government controls a major operator at either facility, however, only three countries give them privilege in competition law. Besides, 33 countries lack a competitive bidding scheme for selecting service providers at ports or airports. Around 30 countries have a minimum capital requirement, which may hinder SMEs participation. Only 4 countries limit operation hours for storage and warehouse facilities

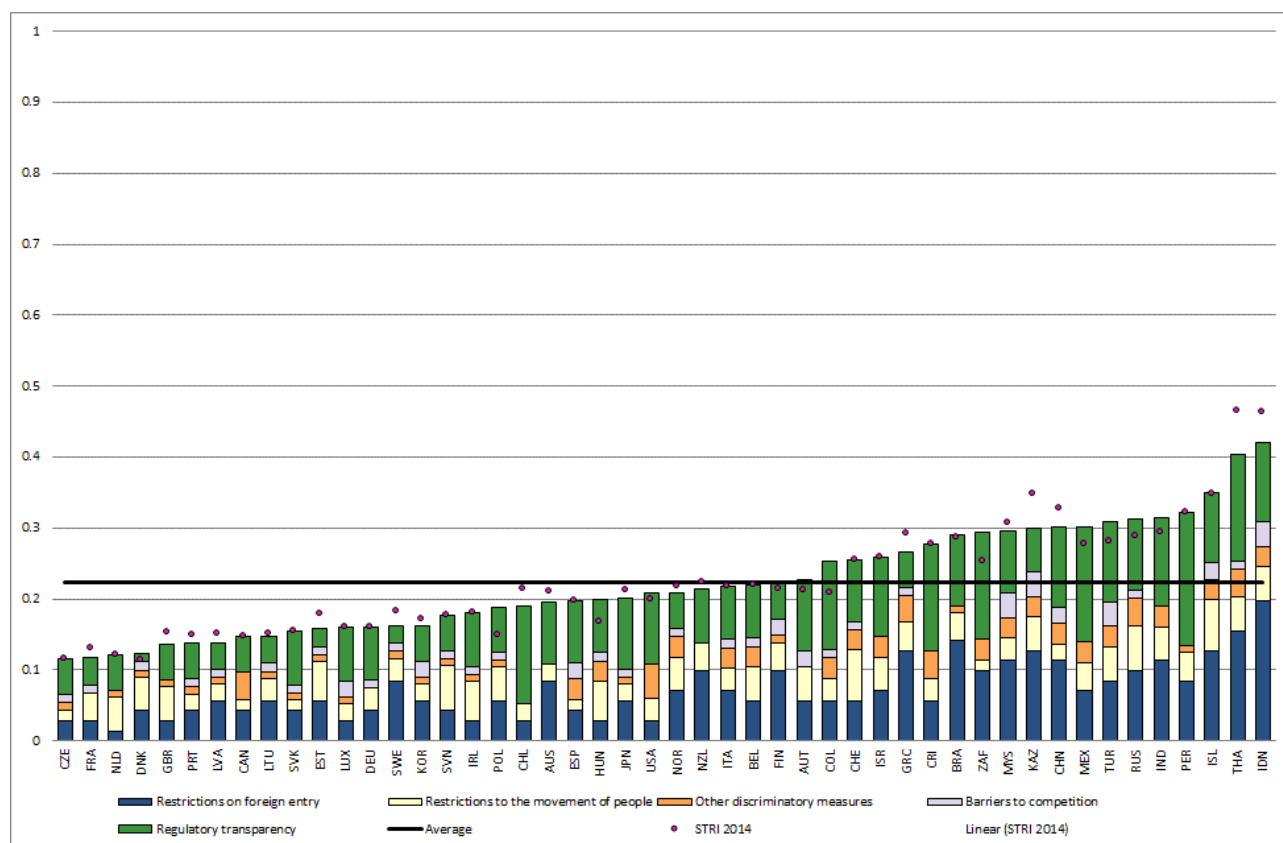
*Other discriminatory measures*, a few countries deviate transport packages' sizes from international standards so it may prevent services suppliers from efficient cross-border transportations.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for six countries, 16 have a lower score, and 26 record a higher value of the STRI index in 2020. The country that reduced the STRI index the

most is Indonesia, raising foreign equity participation from 33% to 67% and removed the minimum capital requirement in 2014.

## Freight transport agency services

STRI by policy area: Freight transport agency services (2020)



*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 2020 scores in the freight transport agency services range between 0.12 and 0.42, with an average of 0.22. 29 countries are below the average and 19 countries are above the average. The results are driven by two policy areas: *Restrictions on foreign entry* and *Regulatory transparency*.

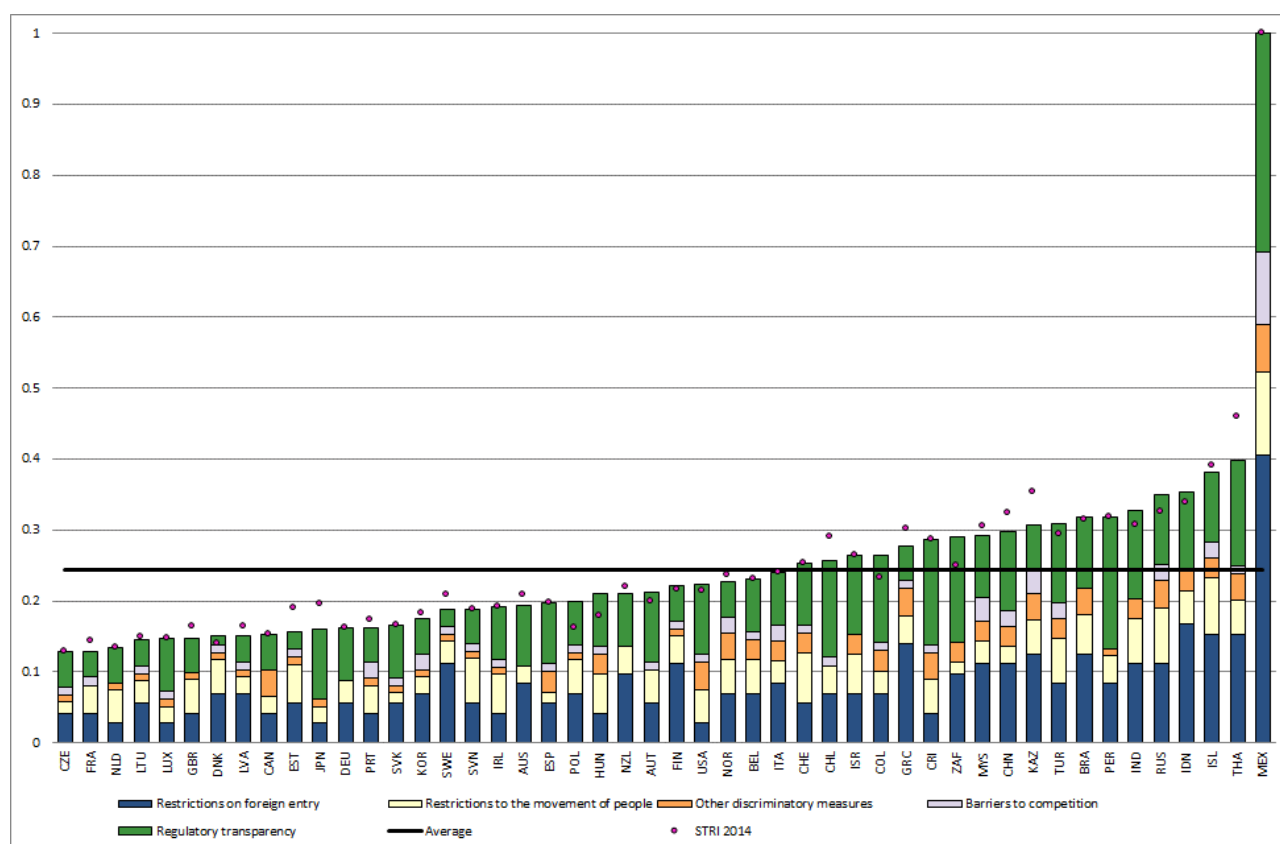
*Restrictions on foreign entry* are substantial to all the countries. Notably, 15 countries require commercial presence for cross-border supply, 23 countries screen for foreign investment, especially, in the restrictive countries. Besides, no country limits foreign equity share other than Indonesia, which restricts it up to 67%, explaining its highest score. No countries limit the foreign forwarder's operation geographically.

*Regulatory transparency* increases the scores in countries. In addition to the measures seen in the Cargo-handling, those countries commonly require a licensing/registration by each service from different government agencies, limiting the ability of providers to integrate their activities.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 15 countries, 19 have a lower, and 14 record a higher value of the STRI index in 2020. The country that reduced the STRI index the most is Indonesia. Indonesia raised foreign equity participation from 49% to 67% in 2016 and abolished a minimum capital requirement in 2015.

## Customs brokerage services

STRI by policy area: Customs brokerage services (2020)



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 2020 scores in the customs brokerage services sector range between 0.13 and 1 with an average of 0.25. 29 countries are below the average, and 19 countries are above the average.

The results for customs brokerage services are driven by two policy areas: *Restrictions on foreign entry* and *Regulatory transparency*.

*Restrictions on foreign entry* contribute to the score of all of the countries, especially, to the restrictive countries. No countries restrict foreign equity participation other than Mexico, the most restrictive country, that does not allow any share of the foreign equity participation. Besides, 12 countries adopt a residential requirement for managers.

*Regulatory transparency* also contributes to the strictness of this sector. Lengthy visa process or costly license process count as restrictive in many countries. Besides, Mexico, the most restrictive in this sector, scores highly due to the limitation of duration of stay for temporal workers.

*Restrictions on the movement of people*, 9 countries grant a license to operate only to nationals, and 12 countries require a residency to practice, both of which hinder the market entry of foreign firms. Besides, around 10 countries have quotas on the temporal movement of natural persons, over 30 countries apply labour market tests.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 16 countries, 19 have a lower score, and 13 record a higher value of the STRI index in 2020. The countries that have reduced the STRI index the most are Thailand, Japan, and Kazakhstan. For example, Japan removed the quotas or economic needs test on licensing in 2017, and geographical restrictions to foreign operators, Kazakhstan removed the economic needs test for movement of temporal workers in 2017.

### 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](mailto:stri.contact@oecd.org).

*The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.*