



### Air Transport Services 2022

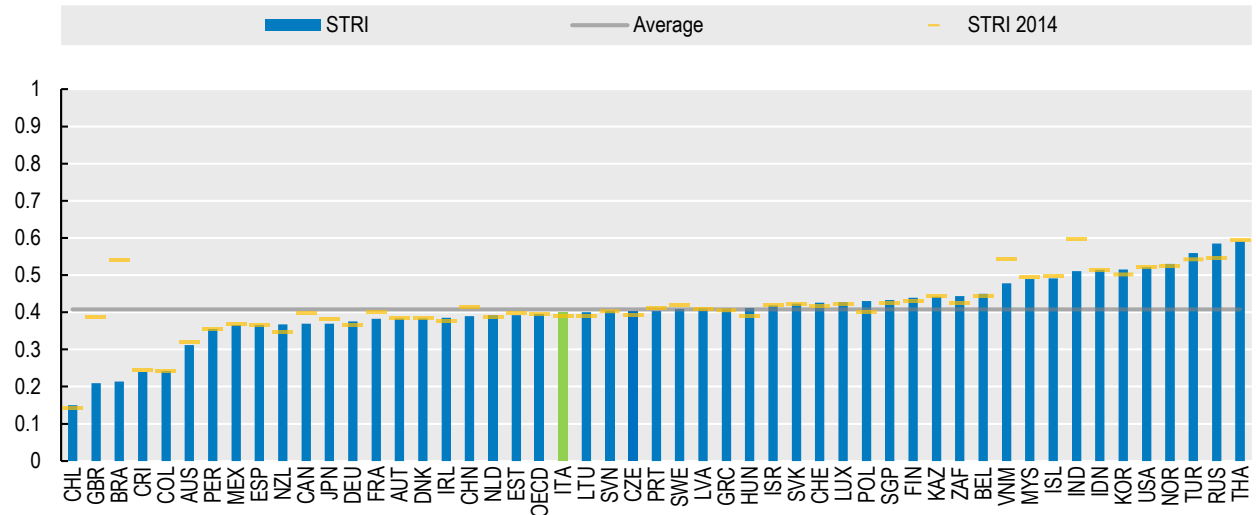
#### Key findings

- The average 2022 STRI in the air transport sector is 0.41 out of a maximum of 1 (most trade restricted) indicating a relatively low/high overall level of restrictiveness. However, individual country scores diverge considerably, ranging between 0.16 and 0.59.
- The best performing countries in the sector are Chile, the United Kingdom and Brazil. Most reforms in 2022 were recorded in India, Japan and Viet Nam.
- Restrictions on foreign entry are the main drivers of trade restrictiveness in the sector, with contributions to the total index values of 59% in OECD economies and 55% in non-OECD economies.
- OECD estimates suggest that halving the distance to best practice in this sector is associated with a reduction in the costs of cross-border trade in air transport services between 9% and 25% for the average country included in the STRI database.

Air transport services are defined as passenger and freight air transport (ISIC Rev 4, code 51), carried domestically or internationally. The STRI for this sector covers commercial establishment only. Air transport services are not only significantly traded in their own right but are an intermediate service for other kinds of trade. Air cargo transport is also a key determinant in meeting demand for time sensitive products, such as perishable goods, and often represents the only viable means of transport to remote, peripheral regions and landlocked countries. Major exporters of air transport services are the European Union and the United States.

The 2022 STRIs in the air transport sector range between 0.16 and 0.59, with a sample average of 0.41 (Figure 1). There are 25 countries below and 25 countries above the average. The best performing countries in the sector are Chile, the United Kingdom and Brazil.

**Figure 1. STRI in air transport services, 2022**



Note: The STRI indices take values between zero and one, one being the most restrictive. The indices are based on laws and regulations in force on 31 October 2022. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, Singapore, South Africa, Thailand, and Viet Nam. 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.

Source: OECD (2022). STRI database.

Several countries introduced regulatory changes affecting the STRIs in 2022 and more so since 2014 (Figure 2). In 2022, the STRIs in this sector saw the biggest changes in Chile (6%), the Russian Federation (5%), Brazil (-5%), India (-5%), Japan (-5%), and Viet Nam (-6%). Since 2014, on the one hand, we have observed countries that have had the strongest restrictive trends such as the Russian Federation (7%), Poland (7%) and New Zealand (6%). On the other hand, we have strong liberalising trends in India (-14%), the United Kingdom (-46%), and Brazil (-60%).

**Figure 2. Change since 2014 and change in the last year, by country**

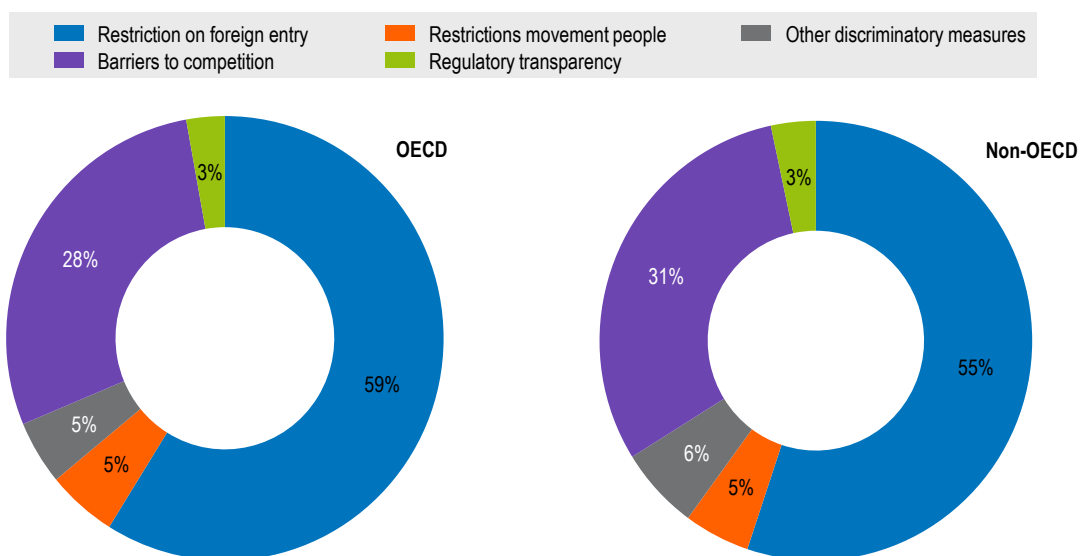


Note: Selection criteria for Panel A was based on largest absolute changes since 2021. Panel B selection is the 3 largest increases, and the 3 largest decreases in the STRI since 2014.

Source: OECD (2022). STRI database.

The measures in the STRI database are organised under five policy areas (Figure 3). Restrictions on foreign entry include barriers related to establishing and operating companies such as foreign equity limits or requirements on board of directors and cross-border data flows. Restrictions on the movement of people cover barriers that affect the temporary entry of foreign services providers through quotas, labour market tests and short durations of stay. Other discriminatory measures include discrimination of foreign services suppliers as far as taxes, subsidies and public procurement are concerned. Barriers to competition include information on competition or anti-trust policy, government ownership of major firms and the extent to which government-owned enterprises are exempt from competition laws. Regulatory transparency includes information on consultations and dissemination prior to laws and regulations entering into force. It also records information on obtaining a license or a visa. In air transport services, barriers related to restrictions on foreign entry are most prominent and amount to 59% in OECD economies and 55% in non-OECD economies. There are no countries that are fully closed to trade in this sector.

**Figure 3. STRI for air transport with policies areas in OECD and non-OECD economies, 2022**



Source: OECD (2022). STRI database.

Table 1 lists the most relevant restrictions identified in each policy area. Under restrictions on foreign entry, common impediments include screening foreign investments in aviation and residency requirements for at least one of the airlines' board members. An important barrier in air transport relates to limitation on foreign equity. Over 40 countries in the sample restrict foreign equity participation in both domestic and international air transport services to less than 50%. The lease of foreign aircrafts with crew (wet lease) is prohibited or subject to prior approval in 42 countries as well. Restrictions to the movement of people include mostly short stay permits for initial stay and labour market tests for contractual and independent services providers. Under other discriminatory measures, barriers related to accessing public procurement markets for foreign tenderers remain the most common challenge. Regarding barriers to competition, several countries maintain public ownership in aviation, usually also restricting foreign ownership in these firms. Non-competitive slot allocation is common as well, with most countries assigning slots in high demand airports based on historical rights, typically forbidding the commercial exchange of slots. However, in almost all countries, after the allocation of historic slots, half of the remaining slot pool is allocated to new entrants. Under barriers related to regulatory transparency, cumbersome visa conditions for air crew and procedural hurdles related to business visas are the most common challenges in this sector. In addition, the public consultation process for new legislative instruments falls short of best practice in 11 countries.

**Table 1. Top 5 most relevant measures by policy area, 2022**

Policy area	Measure	Countries having a restriction <sup>1</sup>
Restrictions on foreign entry	Screening exists without exclusion of economic interests	46
	Board of directors: at least one must be resident	45
	Foreign equity restrictions: maximum foreign equity share allowed (%) (domestic traffic)	42
	Lease of foreign aircrafts with crew (wet lease) is prohibited or permitted subject to prior authorization	42
	Foreign equity restrictions: maximum foreign equity share allowed (%) (international traffic)	41
Restrictions to movement of people	Limitation on duration of stay for contractual services suppliers	37
	Labour market tests: intra-corporate transferees	37
	Labour market tests: contractual services suppliers	37
	Limitation on duration of stay for independent services suppliers	35
	Labour market tests: independent services suppliers	33
Other discriminatory measures	Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	43
	Public procurement: The procurement process affects the conditions of competition in favour of local firms	25
	Public procurement: Explicit preferences for local suppliers	21
	Memo: The procurement process below the value thresholds affects the conditions of competition in favour of local firms	19
	Foreign suppliers are treated less favourably regarding taxes and eligibility to subsidies	4
Barriers to competition	Air carriers are allowed to retain already allocated slots from one season to the next	47
	The slot allocation process gives priority to historic slots, and once these have been allocated, 50% of the remaining slot pool must be allocated to new entrants	47
	Exemption of air carrier alliances from competition law	31
	Air carriers are not allowed to commercially exchange slots	27
	National, state or provincial government control at least one major firm in the sector	19
Regulatory transparency	Range of visa processing time (days)	28
	There is an adequate public comment procedure open to interested persons, including foreign suppliers	10
	Duration of visa for crew: number of months allowed by the visa	9
	Visas on arrival or visa exemption are available for temporary entry/transit of crew	7
	Multiple entry visas are allowed for crew	5

Note: The count for “memo” type of measures, which are not scored in the STRI, indicate the number of positive answers recorded for that measure across the 50 countries covered. Top most relevant measures are selected on the basis of the following criteria: (1) most restricted horizontal measures (i.e. same answer across sectors), (2) most restricted sector-specific measures, (3) key measures or (4) memos affecting the score of other measures through hierarchy rules.

Source: OECD STRI database (2022).

## More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>.
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#).
- » Calculation based on: Benz, S. and A. Jaax (2020), "The costs of regulatory barriers to trade in services: New estimates of *ad valorem* tariff equivalents", *OECD Trade Policy Papers*, No. 238, OECD Publishing, Paris, <https://doi.org/10.1787/bae97f98-en>.
- » Contact the OECD Trade and Agriculture Directorate with your questions at [stri.contact@oecd.org](mailto:stri.contact@oecd.org).