



Asia-Pacific
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Use of STRI in the project “Services to Support the Movement of Essential Goods in APEC”

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Session 3 - Non-government experiences using the STRI in research

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Advancing Free Trade
for Asia-Pacific **Prosperity**



Main points

- Project is focused on logistics as the critical areas of services needed to move essential goods across borders
 1. How did we use STRI?
 2. Why was a credible and recognizable logistics services definition important?
 3. Challenges to the work?
 4. Where could the OECD play a bigger role?
- *Project objective: To help governments towards understanding the need for better coordination of policy towards logistics services during crisis periods such as Covid-19 pandemic*
- *The project is supported by the Governments of Australia, Japan, New Zealand and the United States, and is being carried out through the APEC Group on Services.*

What is our project about?

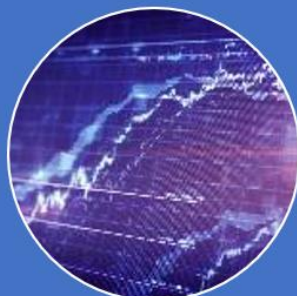
- Our project was mandated by APEC Ministers Responsible for Trade in Annex 2 to their Statement of June 2021 to examine “*Services to Support the Movement of Essential Goods*”
https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/trade/2021_mrt/annex-2
- To fulfil this mandate, we first carried out an evidence-based study, focusing on logistics services
- The study was presented and discussed at an APEC workshop on Logistics Services in which the OECD, World Bank, UN, WTO, APEC PSU, and the GTA participated, along with trade officials from APEC member economies – Logistics study is available on APEC publications page

<https://www.apec.org/publications/2022/09/services-to-support-the-movement-of-essential-goods-background-paper-on-logistics-services>

Why are logistics-related services important?



If logistics-related services perform, your economy is more resilient, flexible and responsive to economic shock*



Improving two sectors of logistics-related services will increase global GDP up to six times more than the world wide elimination of tariffs**



Better logistics performance ⇒ Faster GDP growth ⇒ Improved services competitiveness ⇒ Better supply chain connectivity*

*As underlined in [“Services to Support the Movement of Essential Goods”](#) Background Paper on Logistics Services

** [As reported in Enabling Trade Valuing Growth Opportunities, WEF with WB](#)

Better LRS performance has important impacts



Cost and Time



Environment



Resilience

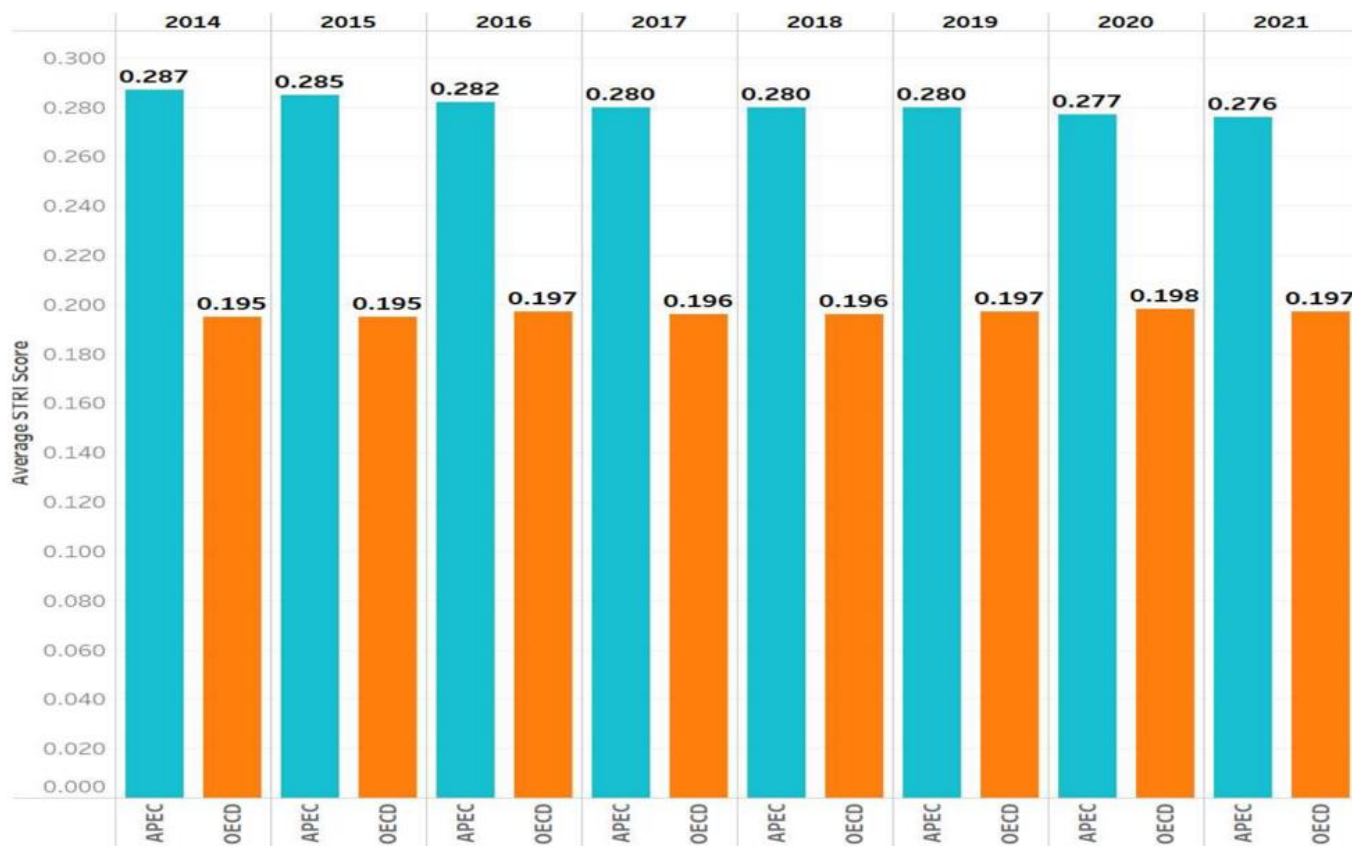


How did we use STRI?

- We used the STRI in the background study to present a snapshot of the policy measures that APEC economies had in place towards logistics-related services and to provide evidence of the relative openness in this area and how it has evolved
- Of the 22 sectors in the STRI database, we identified those 10 service sectors most important for the movement of essential goods across borders (and called these Logistics-related services)
- The OECD worked with us to produce STRI results for 16 individual APEC economies (which are currently included within the STRI database) for each of the individual logistics sectors
- The tables with STRI results are contained in Appendices to the Logistics study- several examples are in the next 4 slides

Examples of charts with STRI – LRS results for APEC and OECD economies

Comparison of the average STRI for logistics-related services for the APEC and OECD economies between 2014 and 2021



Source: Authors' calculations based on the information in the OECD STRI database.

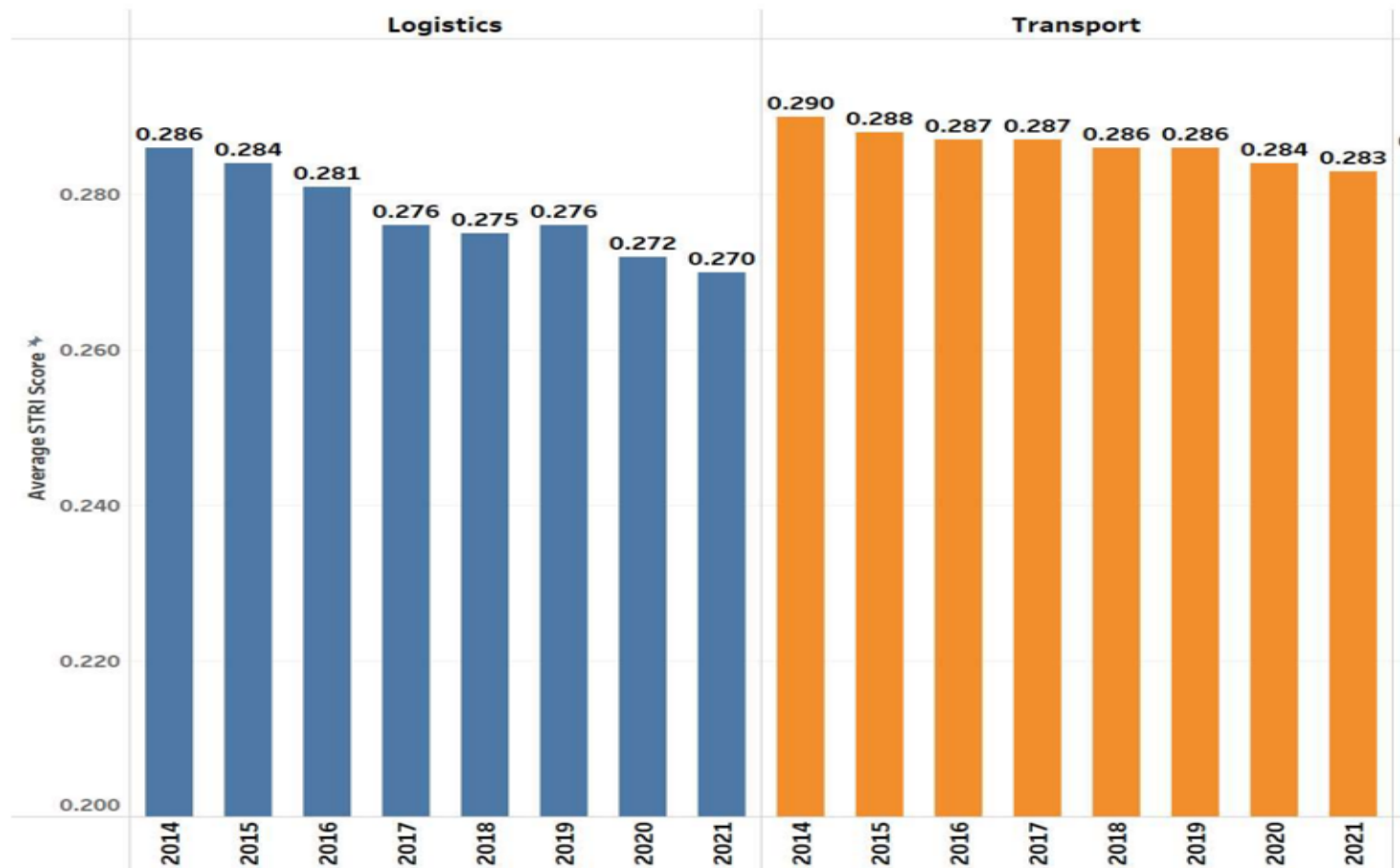


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Source: "Services to Support the Movement of Essential Goods" Background Paper on Logistics Services

Examples of charts with STRI – LRS results for APEC economies

Average STRI score for the 16 APEC economies in the Logistics and Transport sectors between 2014 and 2021



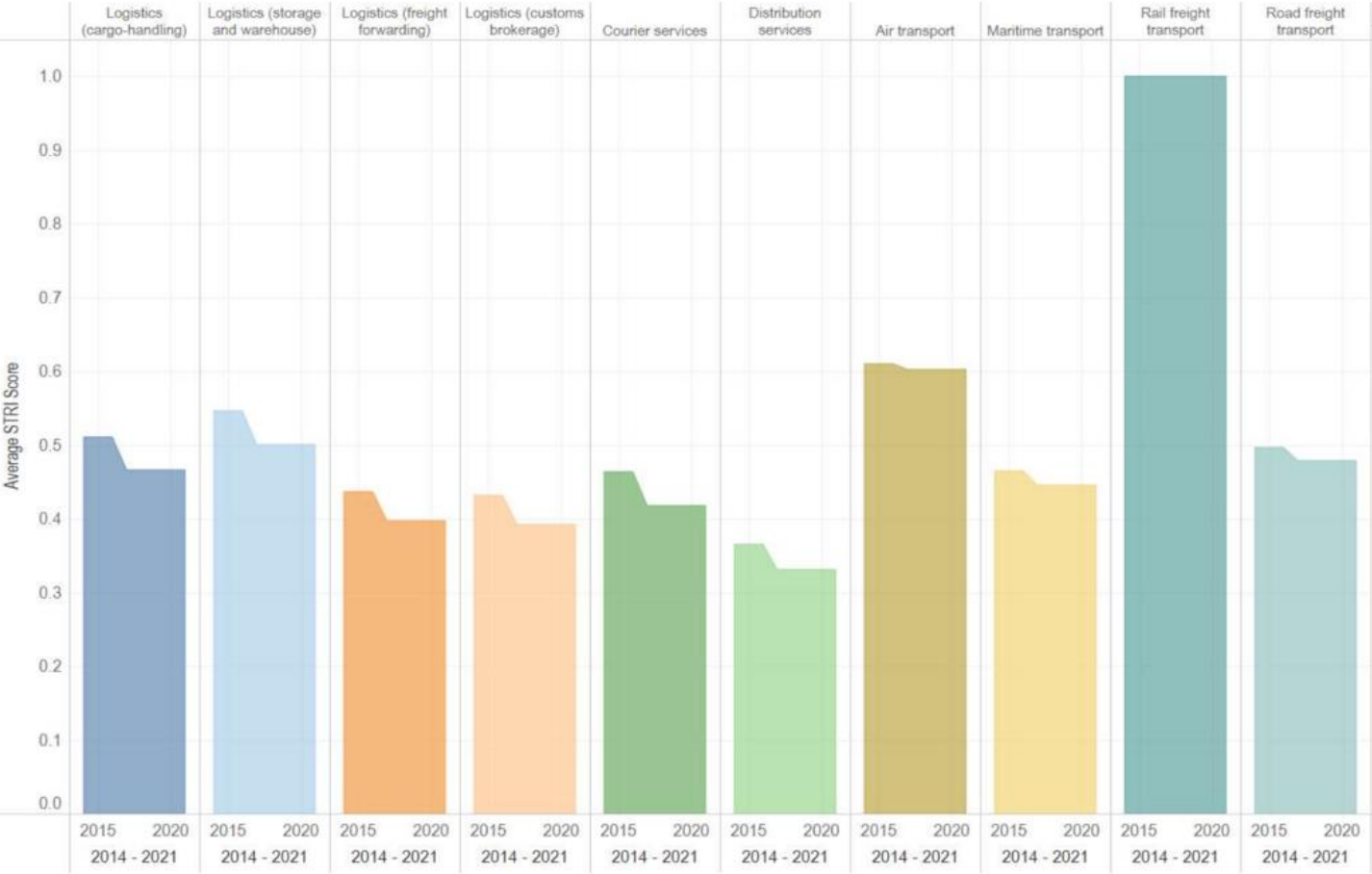
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Source: Authors' calculations based on the information in the OECD STRI database.

Services to Support the Movement of Essential Goods" Background Paper on Logistics Services

Examples of charts with STRI – LRS results for an individual APEC economy (Thailand)

STRI for Thailand in logistics-related services, 2014-2021



Improvements in STRI - LRS outcomes for APEC economies over 2014-2021

Sector	Economy with highest reduction	Scale of reduction (2014-2021)
Distribution	PRC	-47%
Air transport	VNM	-11%
Maritime transport	PRC	-33%
Road freight transport	PRC	-26%
Rail freight transport	PRC	-38%
Courier	SGP	-15%
Logistics cargo handling	PRC	-26%
Logistics storage and warehouse	VNM	-20%
Logistics freight forwarding	PRC	-27%
Logistics customs brokerage	JPN	-25%



Agreement on a common definition of logistics-related services (LRS)

- As a result of the project work, APEC economies felt it important to adopt a common definition of LRS, which was endorsed by APEC Ministers Responsible for Trade in June 2022

<https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/trade/apec-ministers-responsible-for-trade-statement-of-chair/annex-a-apec-definition-of-logistics-related-services>

- The 10 sectors in the OECD STRI were proposed for this purpose and included as the basis for this definition. These are:
 - customs brokerage services;
 - cargo handling;
 - storage and warehousing;
 - freight forwarding;
 - courier services;
 - distribution services; and
 - air-, maritime-, rail-, and road transport services.

Why was it important to have a credible and recognizable definition of logistics services?

The project moto was *“what we cannot define, we cannot measure; what we cannot measure, we cannot manage”*

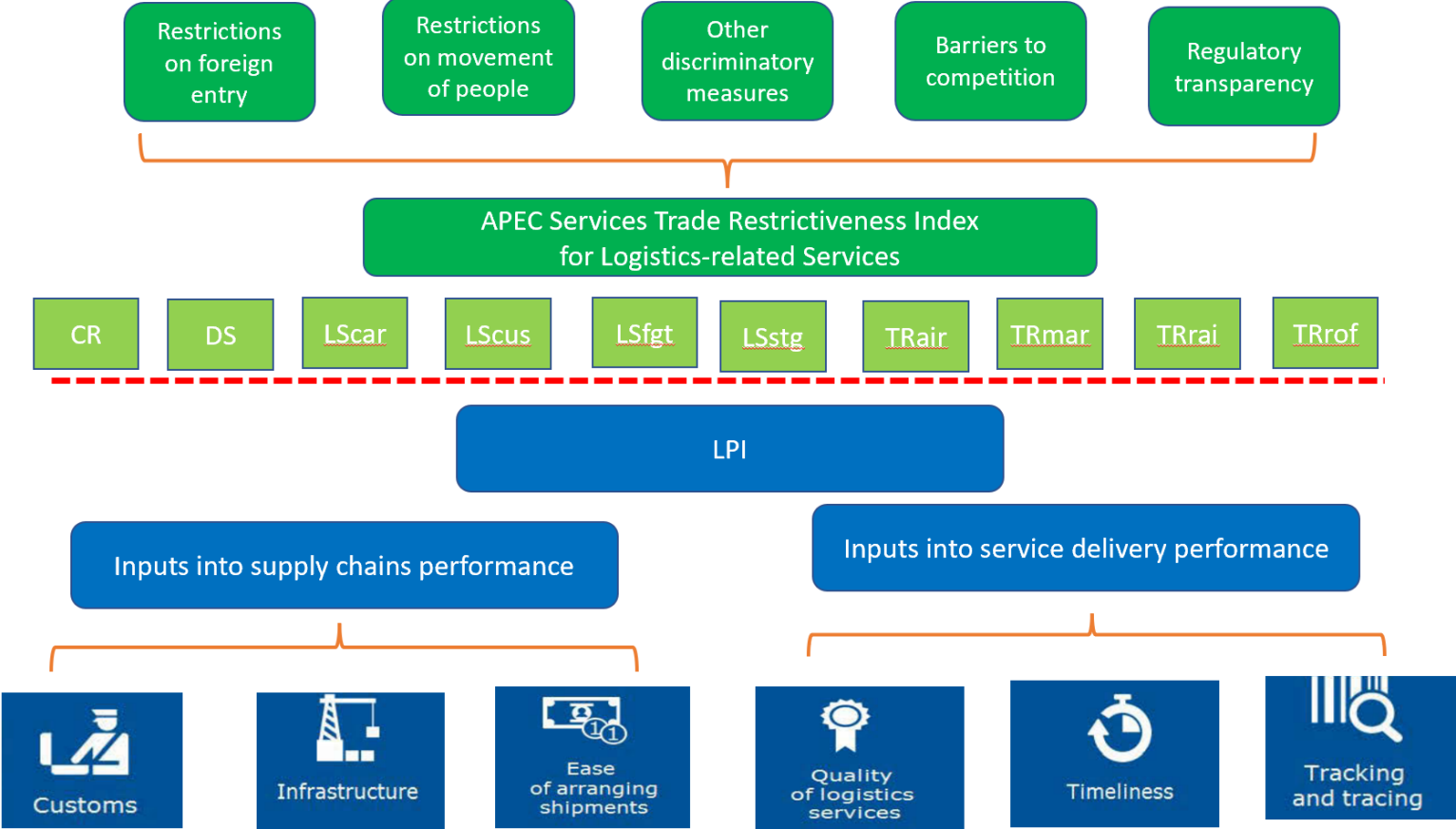
- Logistics are a very disparate set of activities and logistics are one of those “we will know when we see it” categories
- Necessary to have a common understanding and a common basis to evaluate regional policies over time and to develop agreed direction for regulatory reform
- Necessary to facilitate better coordination of policies during periods of crisis (e.g. differences in the STRI among economies may point to lack of coordination)

Challenges to our work with the STRI

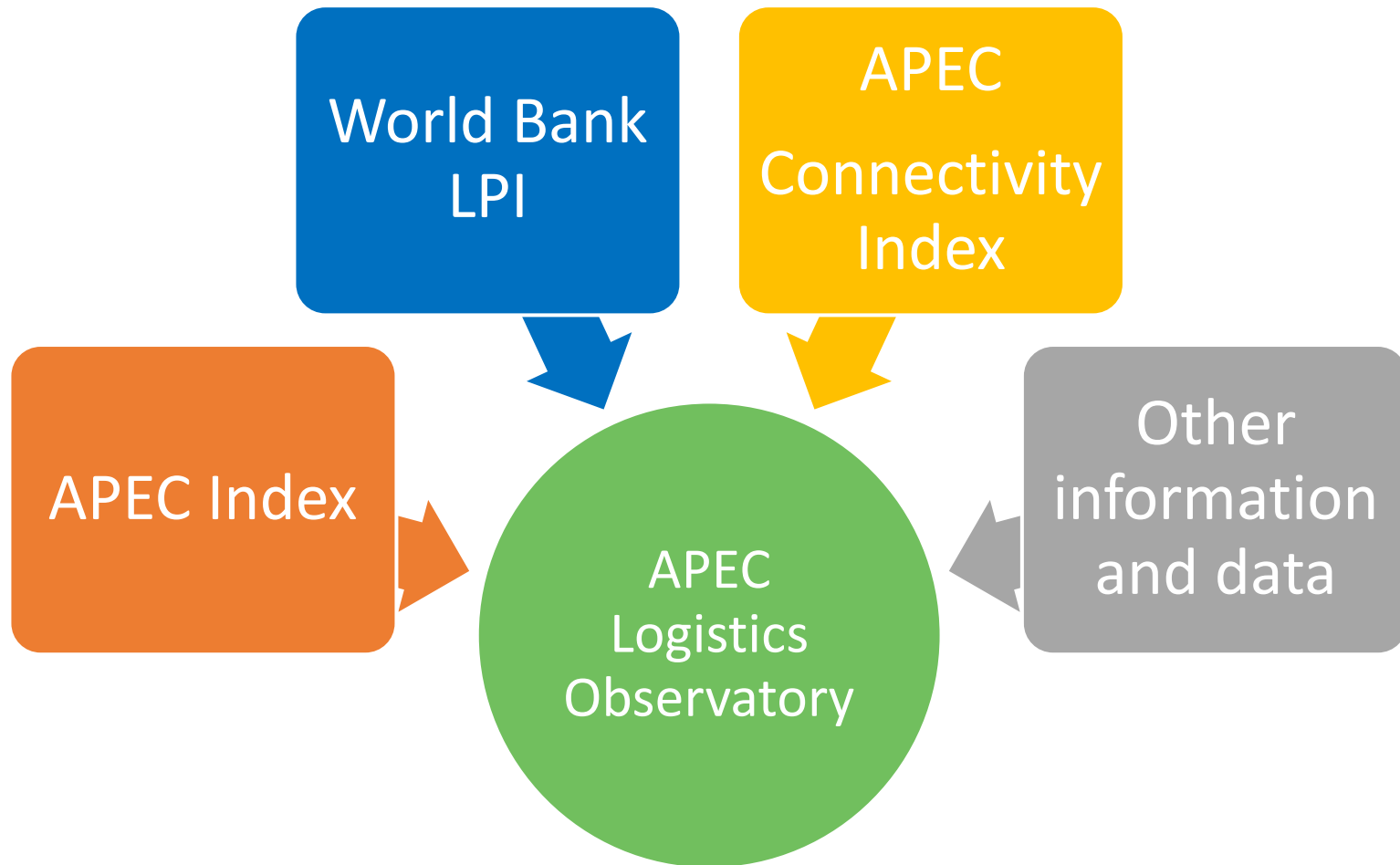
- After setting the definition, our objective was to examine the important links between policy and performance for the 10 agreed logistics services sectors
- Why? Two reasons:
 - 1) to help make the case for better and more efficient logistics services in the APEC region, as they are essential to improving supply chain connectivity and resilience,
 - 2) to incite action on regulatory reform

Doing this proved to be *a challenge as the sectors in the STRI do not align smoothly with any available logistics performance indicators*

At present, there is no one-on-one correspondence between measures of changes in policies and logistics performance



APEC proposed monitoring of logistics-related services



Where could the OECD play a bigger role?

- Already a very useful contribution provided through the “simulator” – indicating which levers to move to come close to the “best performer” in terms of STRI score BUT need to translate this into a bigger picture (cost-benefit of doing reform to achieve what exactly?)
- Consider creating a composite index for a cluster of LRS; or for each of its 3 main components: transport; narrow-defined logistics; distribution and courier services
- Consider providing estimates of changes in “trade in goods costs” linked to changes in LRS cluster of STRI
- Consider further work on “trade in services costs” or on pricing of services
- Work with industry to refine/revise some of the inputs for the STRI

Thank you for your attention!

