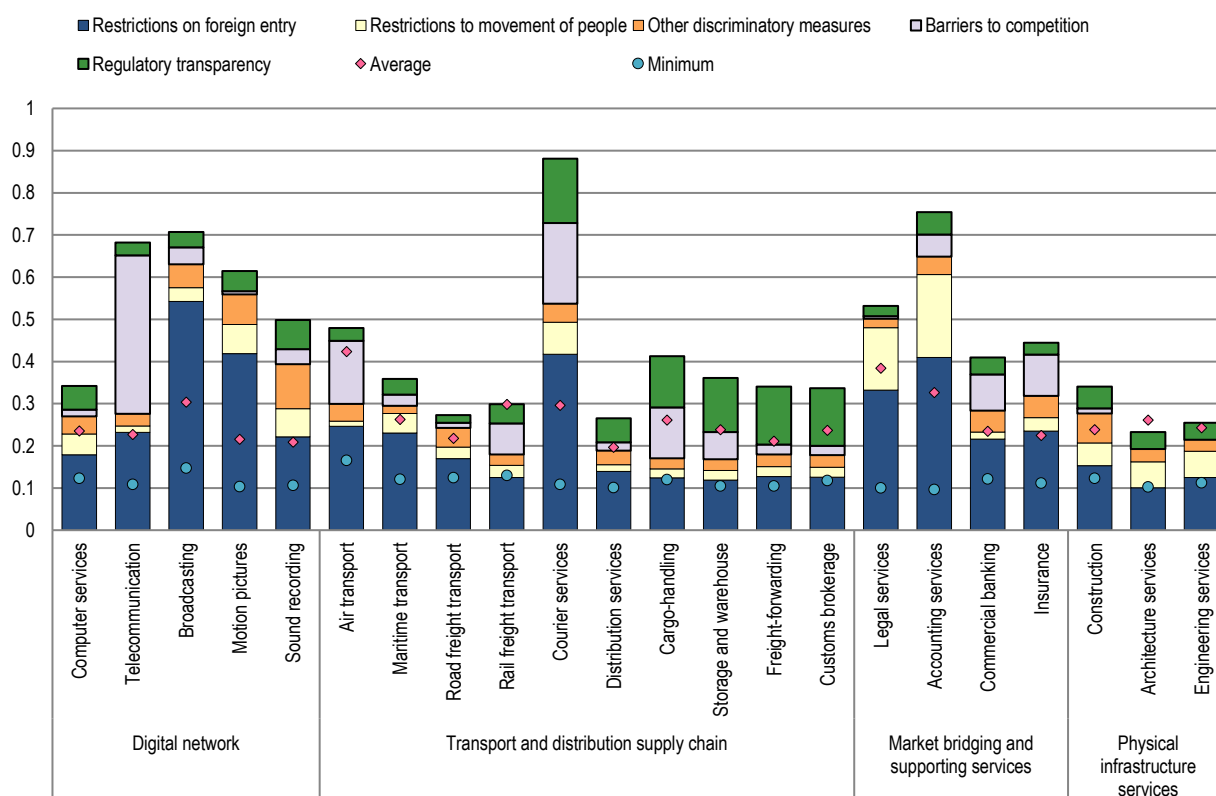


OECD Services Trade Restrictiveness Index (STRI): The People's Republic of China

China exported commercial services worth USD 226 billion and its commercial services imports amounted to USD 464 billion in 2017. Other commercial services are the largest services exporting sector and travel services are the main category of services imports. China's score on the STRI index in the 22 sectors is shown below, along with the average and the lowest score among the 45 countries included in the STRI database for each sector.

STRI by sector and policy area



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 contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

China has a lower score on the STRI than the average in one out of 22 sectors. Foreign direct investment is governed by the Special Administrative Measures for the Access of Foreign Investment (Negative List). The Negative List does not follow EBOPS or ISIC classification, and an exact match between the sectors in the STRI and this instrument is not possible. Investment in sectors listed in the Negative List is either prohibited or restricted by certain conditions. Sectors not mentioned in the Negative List are deemed to be open to foreign investment. Of the sectors included in the STRI, parts of legal services (consulting on Chinese domestic law), motion pictures, sound recording, and broadcasting sectors as well as postal and domestic express services are prohibited, while investment in the other sectors are permitted subject to different conditions. Additionally, prior authorisation is required for investments involving sectors mentioned on the Negative List, and approval is conditioned on net economic benefits to the Chinese economy. Investment in eleven sectors in the STRI are subject to such authorisation. China also applies labour market tests for workers seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. Domestic suppliers enjoy explicit preferences in public procurement. Personal information and important data collected or generated in China by

critical information infrastructure operators must be stored domestically. If transfer abroad is necessary, the transfer is subject to approval following a security assessment.

The sectors with the relatively lowest STRI scores

Architecture services, rail freight transport services and engineering services are the three sectors with the lowest score relative to the average STRI across all countries. Architecture services is not mentioned on the Negative List. In the rail freight transport sector, the Chinese State maintains control over various major firms. Furthermore, access to bottleneck services and inter-switching are not mandated. In engineering services, foreigners are required to pass an examination to obtain a certificate as a registered engineer in China. Mandatory fees are in place for projects above certain thresholds.

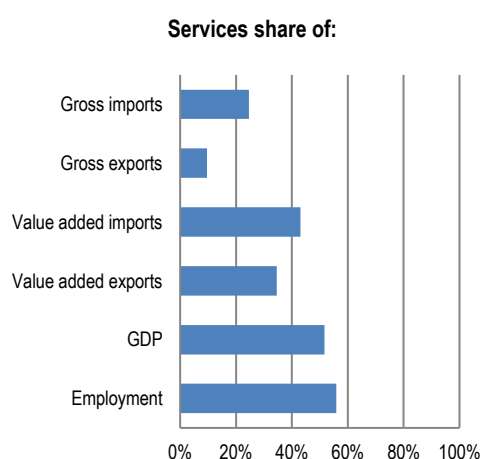
The sectors with the relatively highest STRI scores

Telecommunications services, postal and courier services, and motion pictures services are the three sectors with the highest score relative to the average STRI across all countries. In telecommunications services, majority ownership of basic telecommunications providers must be held by Chinese nationals and foreign investments are subject to approval. All major telecommunications firms are Government-controlled, and incumbents have significant market power across all segments of the telecommunications market. Postal services as well as motion pictures services are among the prohibited sectors on the Negative List. However, the markets are not completely closed to international trade. Foreign courier companies may engage in cross-border trade, providing express delivery from outside China to a destination in China. In motion pictures, while the establishment of foreign motion picture production and distribution companies is prohibited, co-productions are allowed. Screening in theatres remains subject to strict quotas.

Recent policy changes

On 28 July 2018, the Special Administrative Measures for the Access of Foreign Investment (Negative List), issued by the Ministry of Commerce and the National Development and Reform Commission came into effect, replacing sections of the 2017 Catalogue of Industries for Guiding Foreign Investment. Compared to the 2017 entries, the 2018 list relaxes or removes restrictions on foreign investments in several areas, including legal services, insurance, maritime transport and logistics cargo-handling services. In September 2016, the general requirement for prior approval of foreign investments has been replaced with an online notification requirement. A new Cybersecurity Law entered into effect in 2017, introducing new conditions affecting data transfers abroad.

Efficient services sectors matter



Services account for just above 50% of GDP in China, significantly lower than average for a middle income country. Services also account for a relatively low share of total trade (25% of imports and 10% of exports). China's 13th Five-Year-Plan (2016-2020), however, aims at raising the share of services in GDP. The STRI can help China identify obstacles to raising the services share in GDP and benchmark the reform process towards best practice. Furthermore, the information and communication technology revolution opens new opportunities for inclusive growth as China increasingly orients itself towards services. Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, China could benefit from more open markets for services trade and competition enhancing reforms in key services sectors that overarch the entire economy.

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