OECD Services Trade Restrictiveness Index (STRI)

CHINA – 2020

Key findings

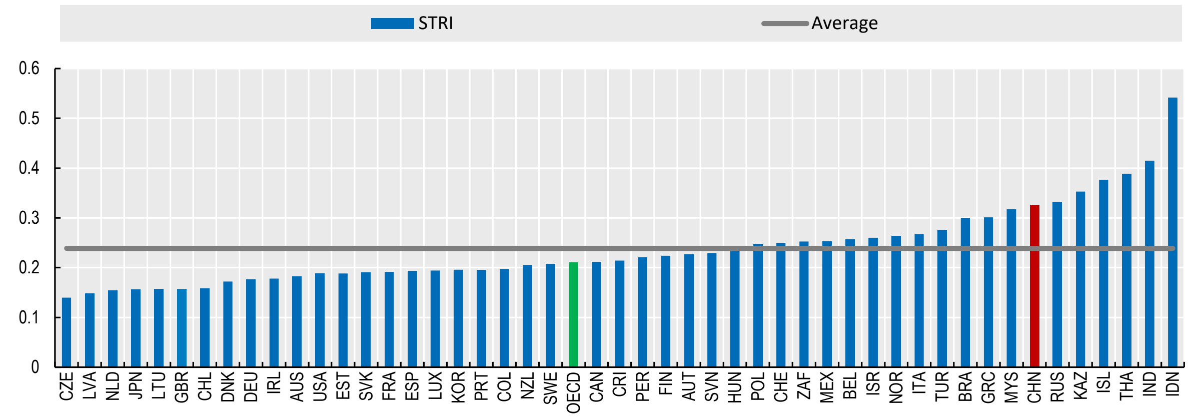
- The 2020 STRI of the People's Republic of China (hereafter "China") is relatively high compared to other countries in the STRI sample, indicating a restrictive regulatory environment for trade, but it has been decreasing progressively over the past years due to regulatory reforms across different services sectors.
- Key reforms in 2020 include easing foreign entry barriers for life insurance services and abolishing requirements on registered capital for foreign firms. In addition, China's new Foreign Investment Law came into effect on 1 January 2020 consolidating the regulatory environment applicable to foreign investments.
- Despite progress on trade liberalisation efforts, market access to certain key services sectors remains prohibited for foreigners or subjected to stringent conditions.

Recommendation

- 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.

The 2020 STRI of China is relatively high compared to other countries in the STRI sample (Figure 1), but has decreased significantly compared to 2019.

Figure 1. Average STRI across countries, 2020



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.
Source: OECD STRI and TiVA databases (2020).

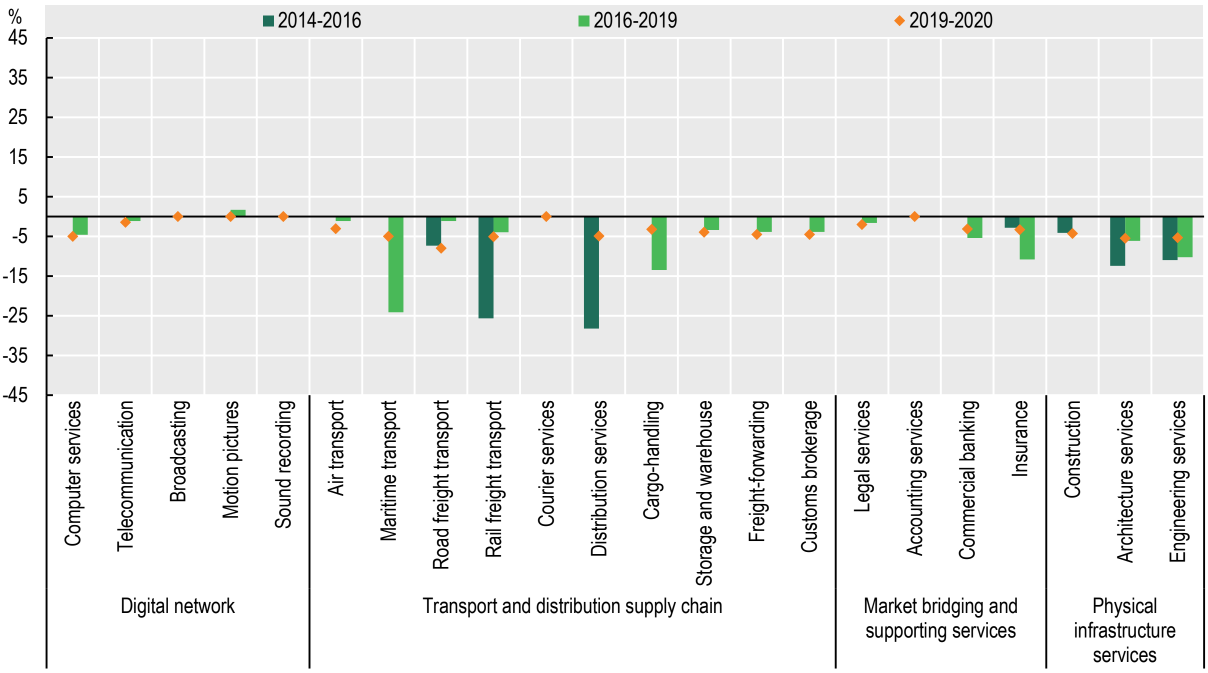
The 2020 index reflects restrictions that apply on key strategic services sectors such as postal and courier services, parts of legal services, parts of telecommunications services, or some audio-visual services. Trade and investments in these sectors are prohibited or subject to stringent entry conditions under the Special Administrative Measures for the Access of Foreign Investment (Negative List).

Moreover, stringent economy-wide regulations include labour market tests for intra-corporate transferees, contractual services suppliers or independent services suppliers, explicit preferences to local suppliers in public procurement, and increased hurdles on digital trade, including through the requirement to store locally any personal information and important data collected or generated in China.

China has also been progressively introducing reforms over the past years, contributing to easing the conditions for trade and investment in several sectors (Figure 2). Highest levels of liberalisation were recorded in some of the transport, distribution and logistics sectors as well as certain professional services (e.g. architecture and engineering services).

Figure 2. Evolution of STRI scores by sector in China

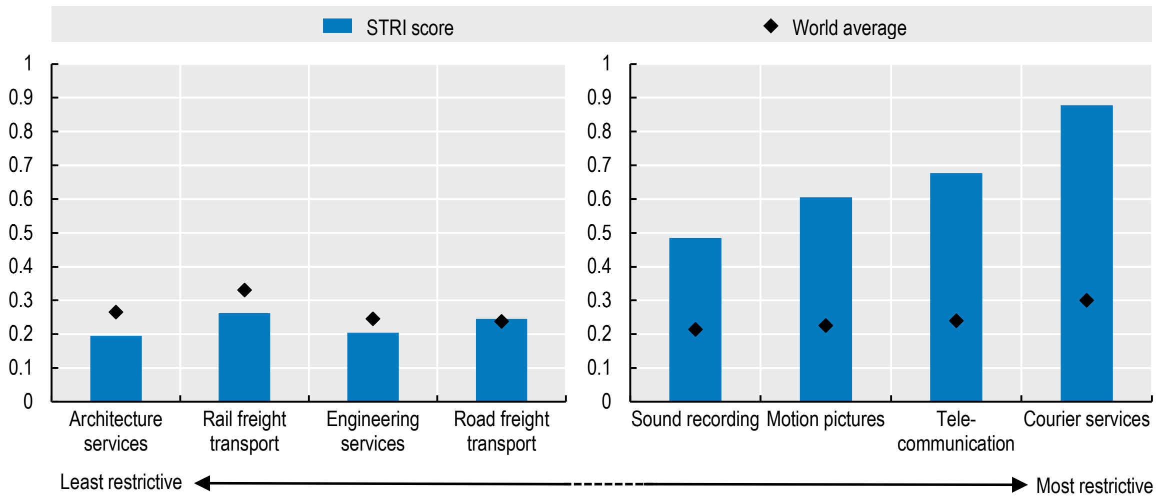
Services Trade Restrictiveness Index, percentage change over the period 2014-2016, 2016-2019 and 2019-2020



Source: OECD STRI database (2020).

Architecture services, rail freight transport, engineering services and road freight transport are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Sound recording, motion pictures, telecommunications and courier services are the sectors with the highest score relative to the average STRI across all countries.

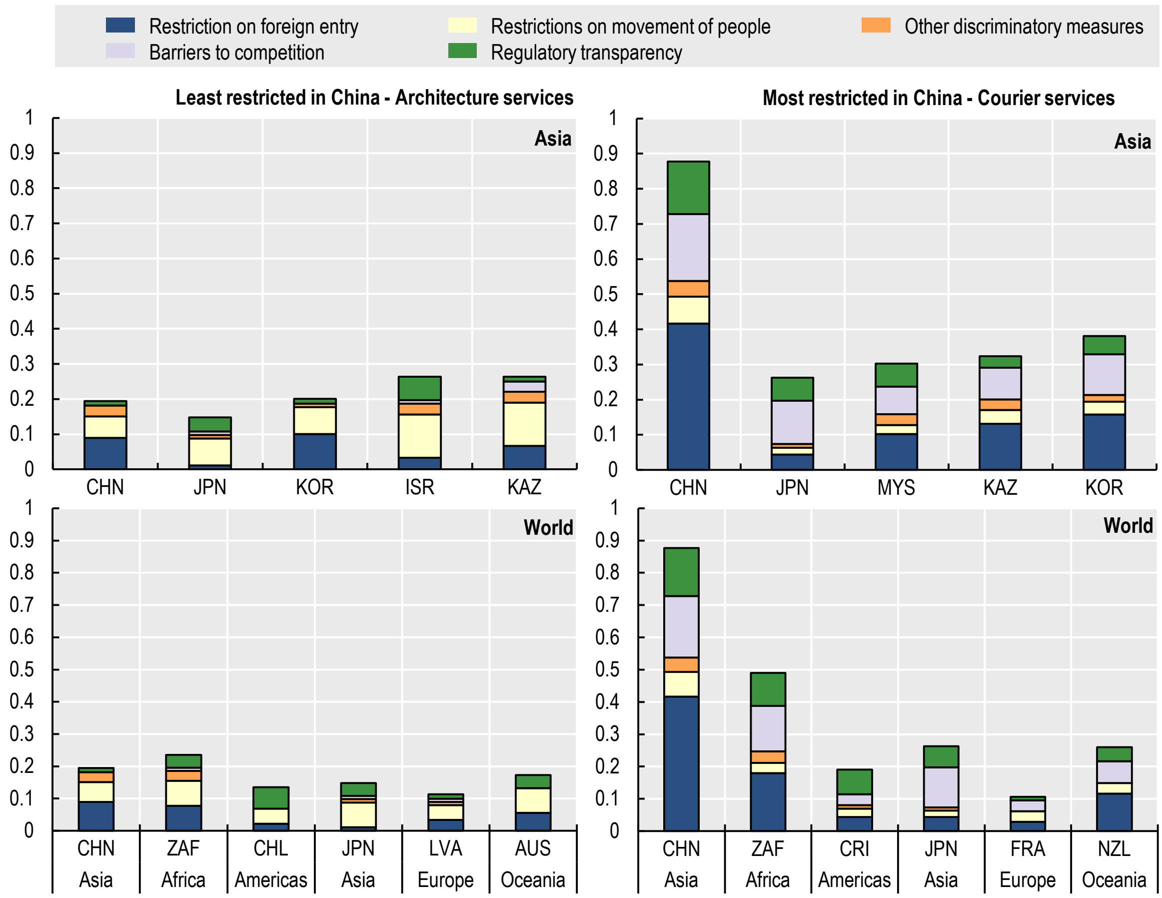
Figure 3. Sectoral breakdown – The least and most restricted sectors in China



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. $(STRI_{country, sector} - STRI_{world\ average, sector}) / STRI_{world\ average, sector}$
Source: OECD STRI database (2020).

Architecture services are the least restricted services sectors in China compared to Asia and the other best performers elsewhere while courier services are the most restricted (Figure 4).

Figure 4. China compared to Asia and World's best performers

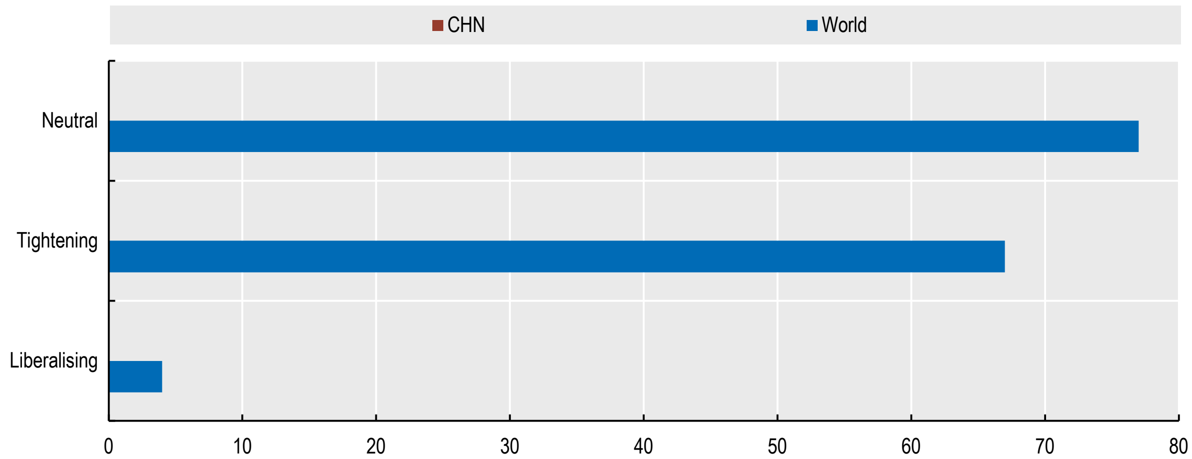


Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While China has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements (Figure 5).

Figure 5. COVID-19 related measures in China and in the world



Source: OECD STRI database (2020).

Key reforms

The 2020 edition of the Special Administrative Measures for the Access of Foreign Investment (Negative List) introduced liberalisations of foreign ownership and legal forms in life insurance services as well as easing conditions for registered capital by foreign firms economy-wide. This adds to liberalisations introduced in the previous year in key services sectors such as transportation or value-added telecommunications, and legal services, maritime transport and logistics cargo-handling services in 2018. China's new Foreign Investment Law came into effect on 1 January 2020, consolidating and replacing several previous laws governing foreign investments. In 2019, the limitation of 49% equity for foreign participation in domestic maritime transport has been lifted together with previous requirements related to joint ventures in this sector.

More information

» Access all country and sector notes, and interactive STRI tools on the OECD website at http://oe.cd/stri

» Read more about services trade policies and their impact in Services Trade Policies and the Global Economy

» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org