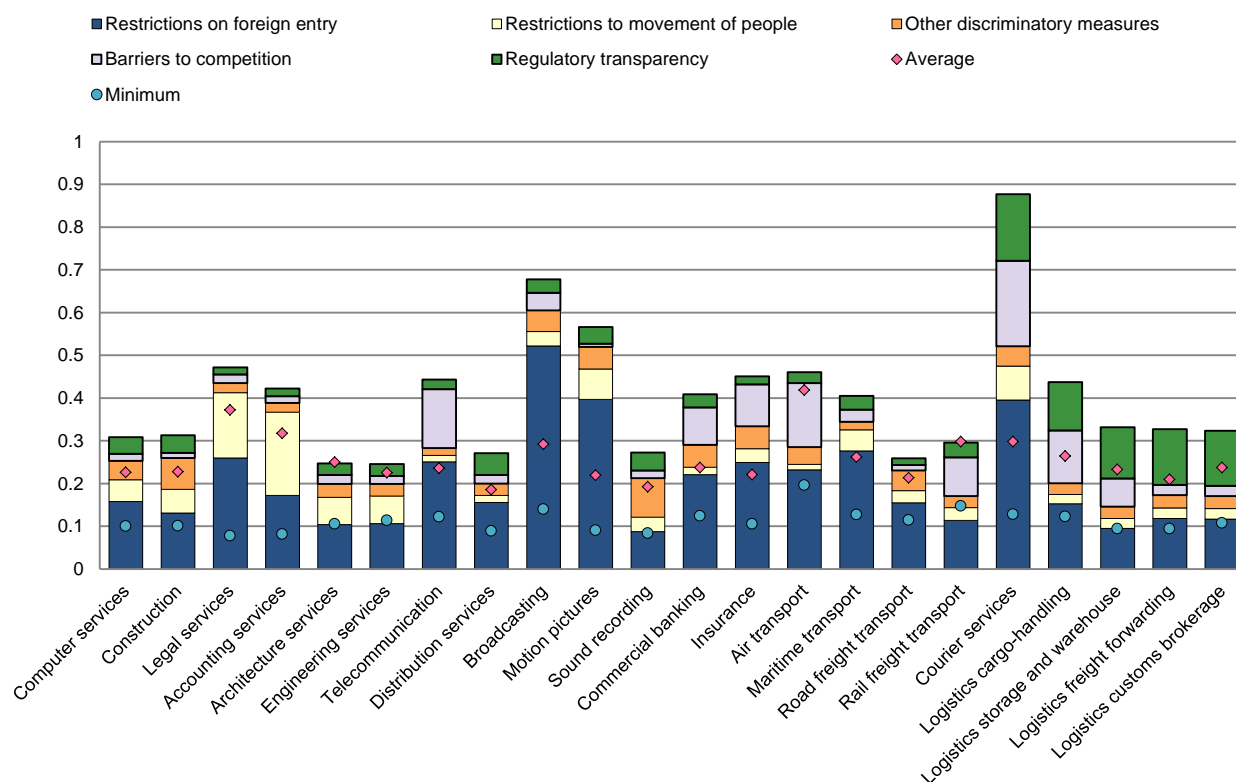


OECD Services Trade Restrictiveness Index (STRI): The People's Republic of China

China exported commercial services worth USD 285.5 billion and its commercial services imports amounted to USD 466.3 billion in 2015. The largest services exports and imports categories were travel services. China's score on the STRI index in the 22 sectors is shown below, along with the average and the lowest score among the 44 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 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, 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 scores below average on the STRI only in architecture and rail freight transport where the score are close to the average. Foreign direct investment is governed by the Catalogue for the Guidance of Foreign Investment Industries where sectors are categorised into four categories: encouraged, restricted, prohibited and permitted. The Catalogue does not follow EBOPS or ISIC classification, and an exact match between STRI sectors and the Catalogue list is not possible. Of the services included in the STRI, parts of the construction sector, some engineering activities, road freight, parts of maritime transport, parts of the distribution sector and accounting are encouraged; most of the motion picture and broadcasting sectors and postal and domestic express services are prohibited, while the other sectors are permitted subject to different conditions. In 2015, a new Catalogue was released which aimed to liberalise investment in some sectors. From the STRI perspective, relevant changes include the liberalisation of rail freight transportation services and services related to direct sales, including online sales, which were removed from the restricted category of the Catalogue. All proposed foreign investment projects must be submitted for screening and approval is conditioned on net economic benefits to the Chinese economy. The cross-border transfer of certain personal data collected in China is hindered by the requirement that these must be stored on local servers. China 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. Finally, there are conditions on capital transfers and limitations on cross-border mergers and acquisitions.

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. Architecture is a regulated profession that falls under the permitted category of the Catalogue. Certain markets, notably design of housing buildings that exceed specified thresholds concerning span or height are reserved for certified architects. Foreigners may establish architecture firms and employ certified architects. In the rail freight transport sector, the Chinese State maintains control over various major firms. Furthermore, access to bottlenecks 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 and the operation under the form of a sole proprietorship is prohibited.

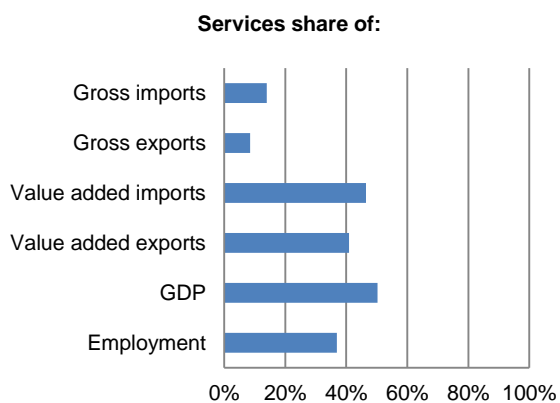
The sectors with the relatively highest STRI scores

Broadcasting services, motion pictures services, and courier services are the three sectors with the highest score relative to the average. All three sectors are on the list of prohibited sectors as far as foreign investment is concerned. The markets are not completely closed to international trade, however. In broadcasting, contractual joint ventures between foreign and local firms are permitted for production of TV programs. In motion pictures, while the establishment of foreign motion picture production and distribution companies is prohibited, co-productions are allowed. In courier services, foreign courier companies may engage in cross-border trade, providing express delivery from outside China to a destination in China.

Recent policy changes

In addition to the policy changes resulting from the 2015 update of the Catalogue, in telecommunications services, China introduced regulations on number portability and interconnection in fixed line. It also revised the Telecom Business Classification Catalogue, which as of 2016, foresees the resale of mobile communication services. China has also undertaken measures to liberalise its e-commerce policy. As of June 2015, the 50% foreign ownership limitation has been lifted for activities in online data processing and e-commerce transaction processing services.

Efficient services sectors matter



Services (including construction) 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 (14% of imports and 9% of exports). China's 13th Five-Year-Plan (2016-2020) 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. OECD analysis also shows that services are crucial for moving manufacturing up the value chain. The OECD-WTO TiVA-GVC database and the STRI together provide a powerful tool for assessing regulatory bottlenecks and regulatory spill-overs that may hinder the movement up the value chain in manufacturing.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org