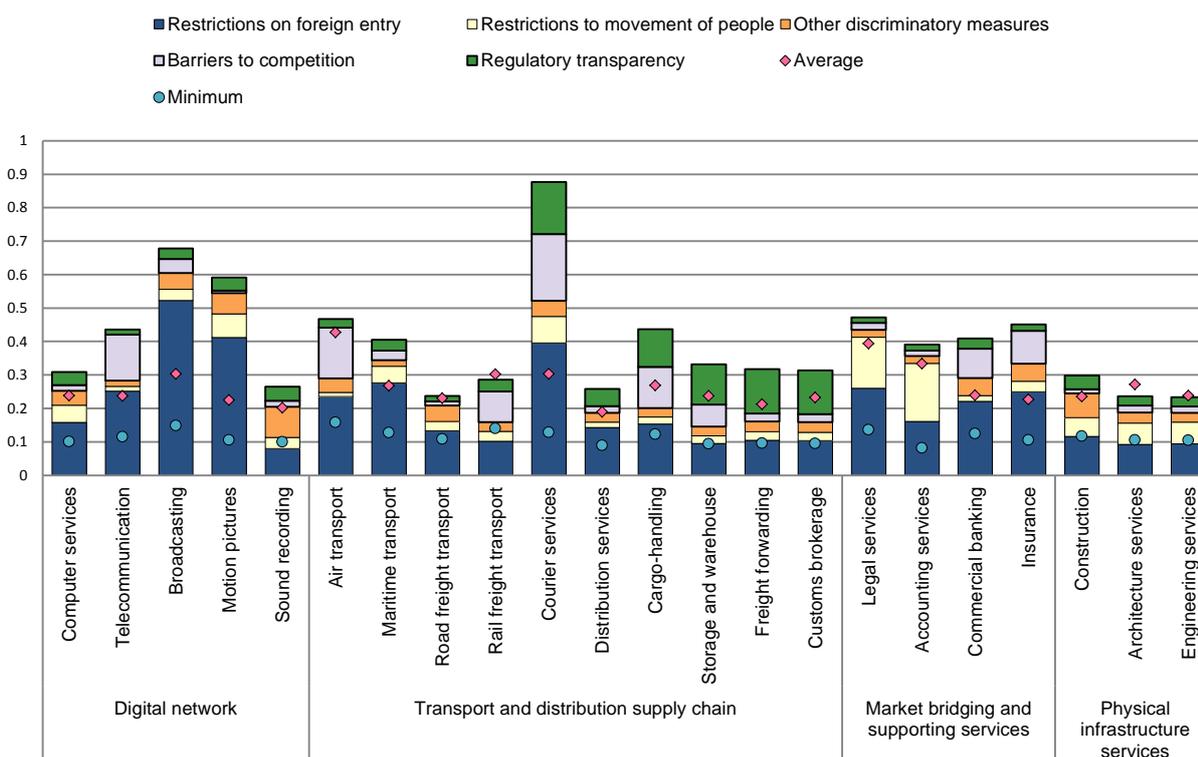


OECD Services Trade Restrictiveness Index (STRI): The People's Republic of China

China exported commercial services worth USD 207 billion and its commercial services imports amounted to USD 450 billion in 2016. 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 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 has a lower score on the STRI than the average in three out of 22 sectors. Foreign direct investment is governed by the Catalogue for the Guidance of Foreign Investment Industries, which has been revised in 2017, and 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 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 case of foreign investments into services sectors that are listed in the Catalogue, prior authorisation is required, and approval is conditioned on net economic benefits to the Chinese economy. 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 while the cross-border transfer of certain personal data collected in China is hindered by the requirement that these must be stored on local servers. 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 STRI across all countries. Architecture is a regulated profession that falls under the permitted category of the Catalogue. Certain markets, notably design of residential 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.

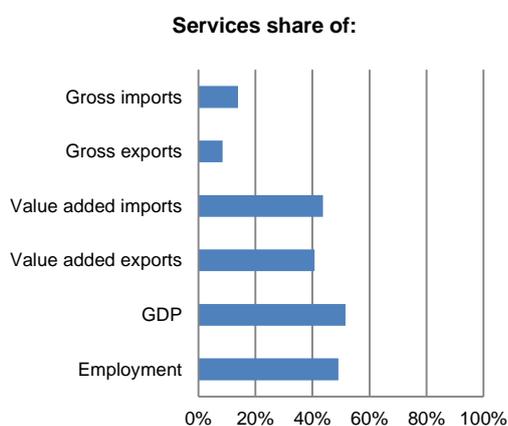
The sectors with the relatively highest STRI scores

Courier services, motion pictures services and broadcasting services are the three sectors with the highest score relative to the average STRI across all countries. 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 courier services, 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 as well. In broadcasting, contractual joint ventures between foreign and local firms are permitted for production of TV programs.

Recent policy changes

In telecommunications services, China introduced regulations in 2015 on number portability and interconnection in fixed line. It also revised the Telecom Business Classification Catalogue, which as of 2016, mandates the resale of mobile communication services. In September 2016, the general requirement for prior approval of foreign investments has been replaced with an online notification requirement. The Catalogue for the Guidance of Foreign Investment Industries is updated every two to five years, the most recent one entering into effect in June 2017. The new Catalogue introduced a negative list approach, lifting investment screening in sectors not covered in the Catalogue. 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 (14% of imports and 9% 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