OECD Services Trade Restrictiveness Index (STRI)

CHINA – 2021

Key findings

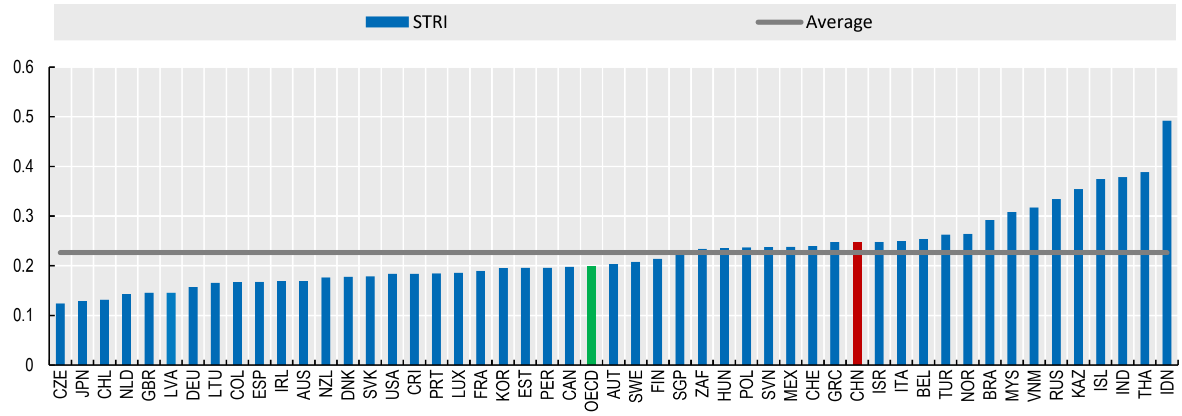
- The 2021 STRI of China is relatively high compared to other countries in the STRI sample, indicating a restrictive regulatory environment for trade, but it has been decreasing progressively over the past years due to regulatory reforms across different services sectors.
- Architecture services have the lowest score relative to the average STRI across all countries, indicating the most open sector for trade. The sector with the highest score relative to the average STRI across all countries is telecommunications services.
- 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 2021 STRI of China is relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2021



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation 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 2021. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam.
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: OECD STRI and TiVA databases (2021).

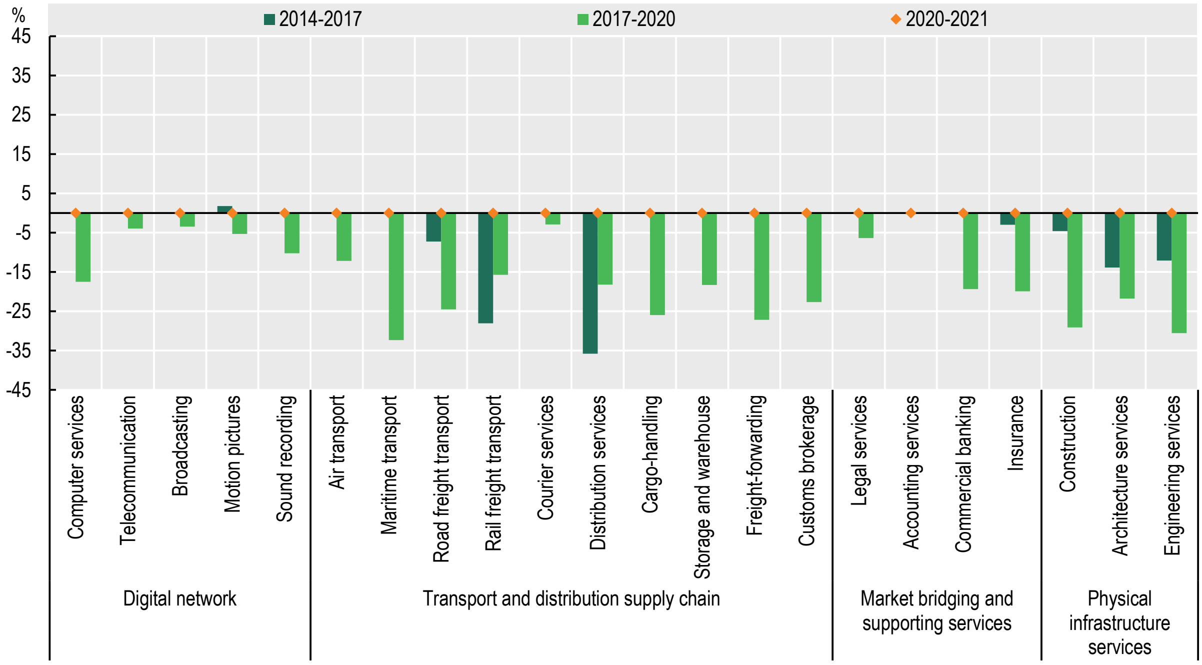
The STRI outcomes reflect restrictions that apply on key strategic services sectors such as postal and courier services, parts of legal services, parts of telecommunications services, or some audio-visual services. Trade and investments in these sectors are prohibited or subject to stringent entry conditions 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 indices by sector in China

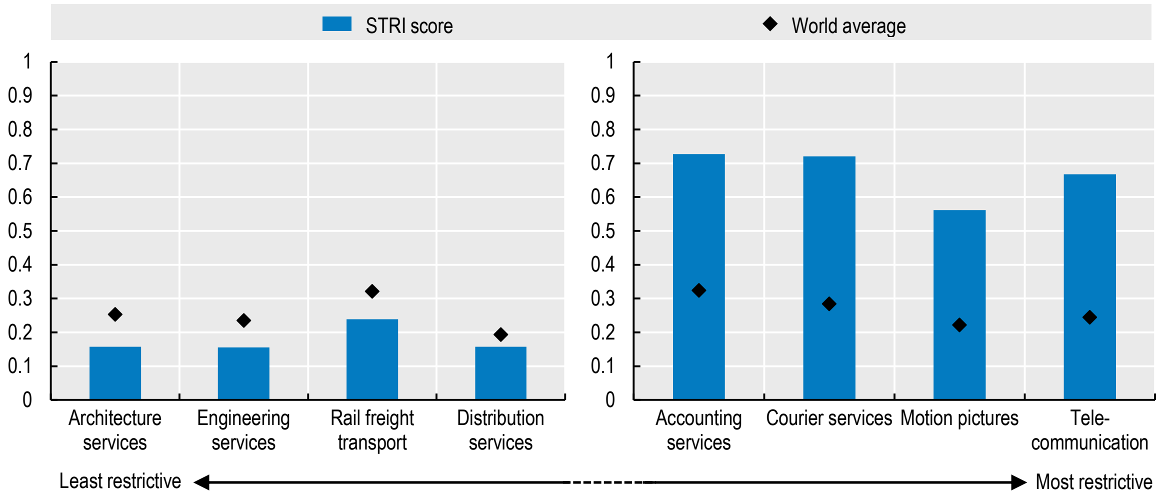
Services Trade Restrictiveness Index, percentage change over the period 2014-2017, 2017-2020 and 2020-2021



Source: OECD STRI database (2021).

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

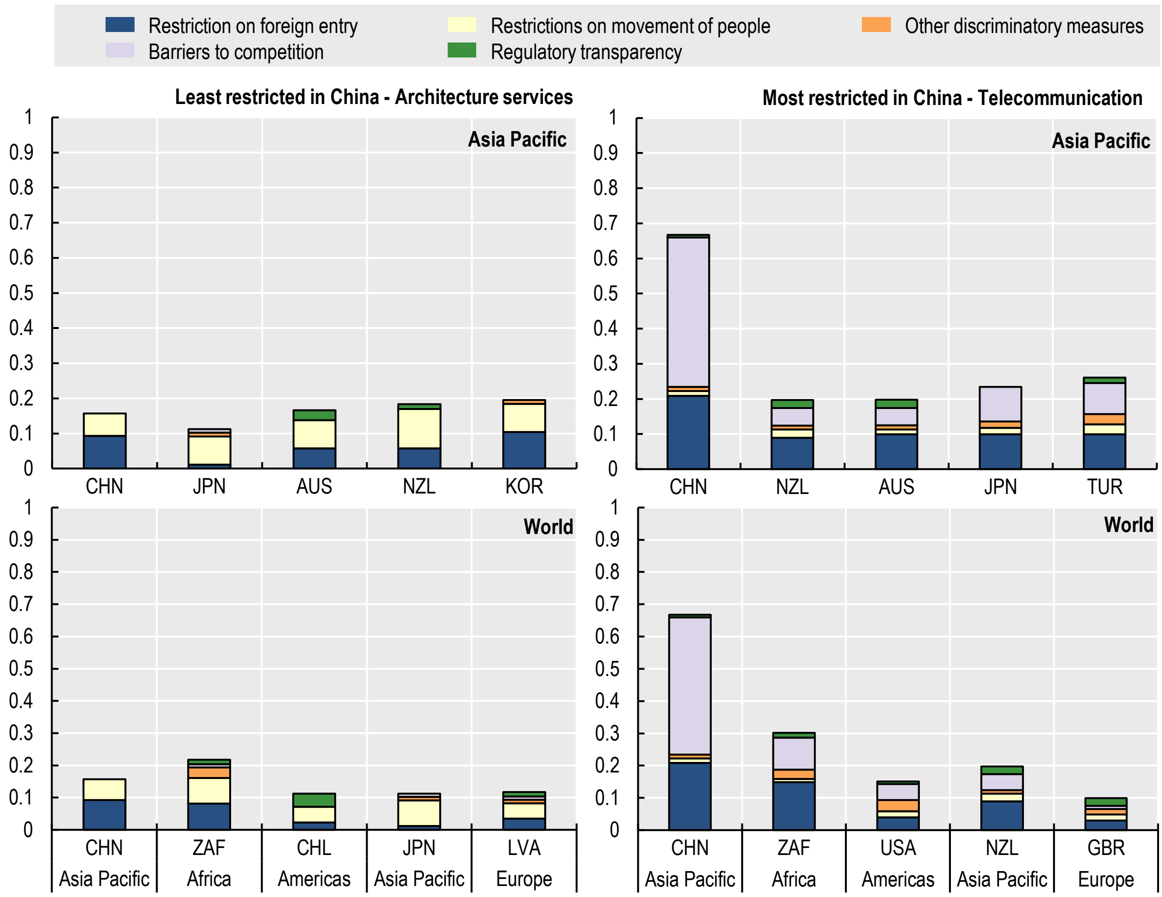


Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. $(STRI_{country, sector} - STRI_{world\ average, sector}) / STRI_{world\ average, sector}$

Source: OECD STRI database (2021).

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

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



Source: OECD STRI database (2021).

Key reforms

New measures came into force on 18 January 2021 that introduce tighter rules for foreign investment reviews on national security grounds. On 10 June 2021, China adopted a new Data Security Law which covers new rules related to data activities by businesses in China. The 2020 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 notes, sector notes, and interactive STRI tools at http://oe.cd/stri

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

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