OECD Services Trade Restrictiveness Index (STRI)

CHINA - 2023

Key findings

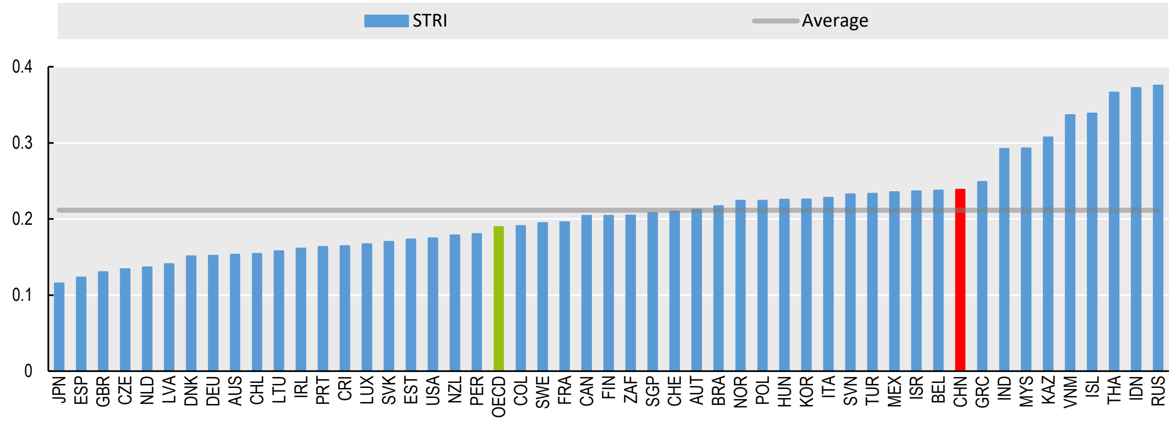
- The 2023 STRI of China is higher than the OECD average and higher than the STRI sample average, but it has been decreasing progressively over the past years due to regulatory reforms across different services sectors.
- Architecture services have the lowest score relative to the average STRI across all countries, indicating the most open sector for trade. Postal and courier services have the highest score relative to the average STRI across all countries.
- Despite progress on trade liberalisation efforts, market access to certain key services sectors remains prohibited for foreigners or subjected to stringent conditions.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies.

The 2023 STRI of China is above the OECD average, and relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023[i]



OECD (2023). STRI and TiVA databases.

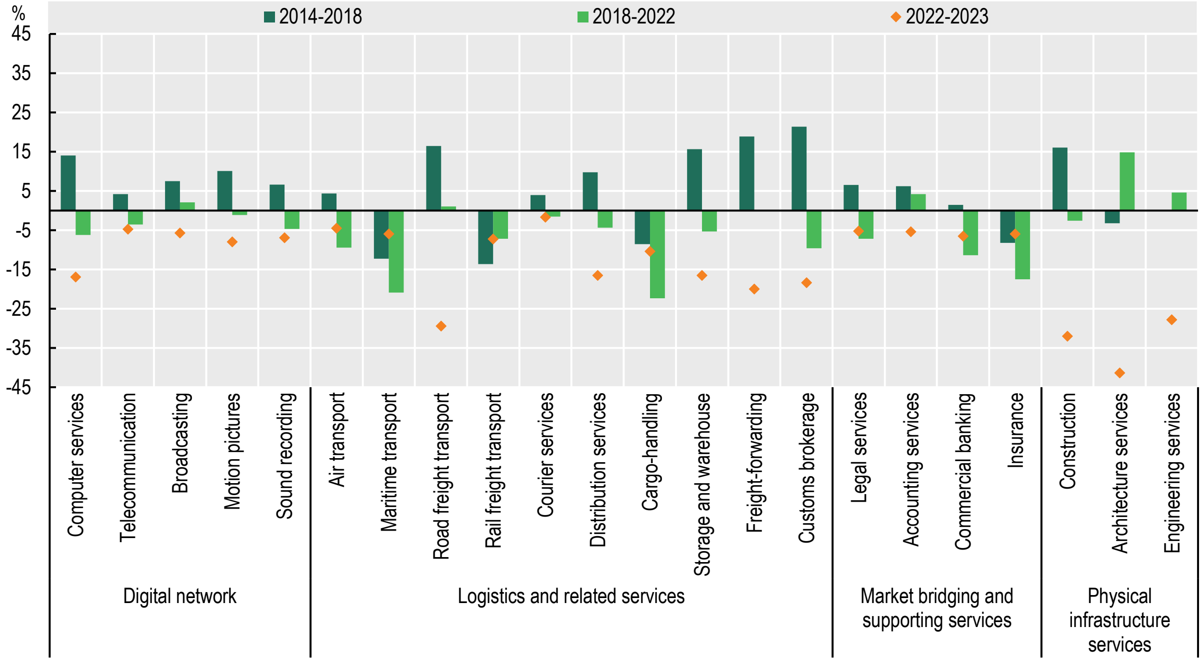
The STRI outcomes reflect restrictions that apply to key strategic services sectors, such as postal and courier services, air transport services, parts of legal services, parts of telecommunications services, or some audio-visual services. Trade and investment in these sectors are prohibited or subject 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, 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 and logistics sectors. As of 15 March 2023, China has resumed visa applications after a three-year-long restriction on travel due to the COVID-19 pandemic. This had a positive impact on the STRIs across all sectors in 2023. In April 2023, China also abolished certain restrictions on branches of foreign construction companies.

Figure 2. Evolution of STRI indices by sector in China

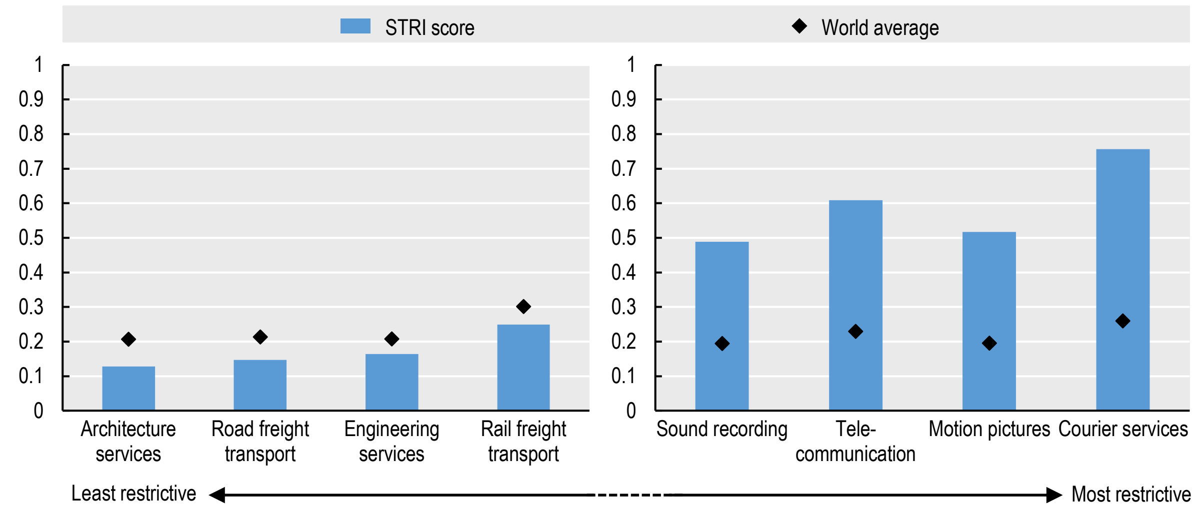
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



OECD (2023). STRI database.

Figure 3 ranks China's sectors relative to the respective sector's world average. Architecture services, road freight transport, engineering services and rail freight transport are the sectors with the relatively lowest scores. Conversely, sound recording, telecommunications, motion pictures and courier services are the sectors with the relatively highest score.

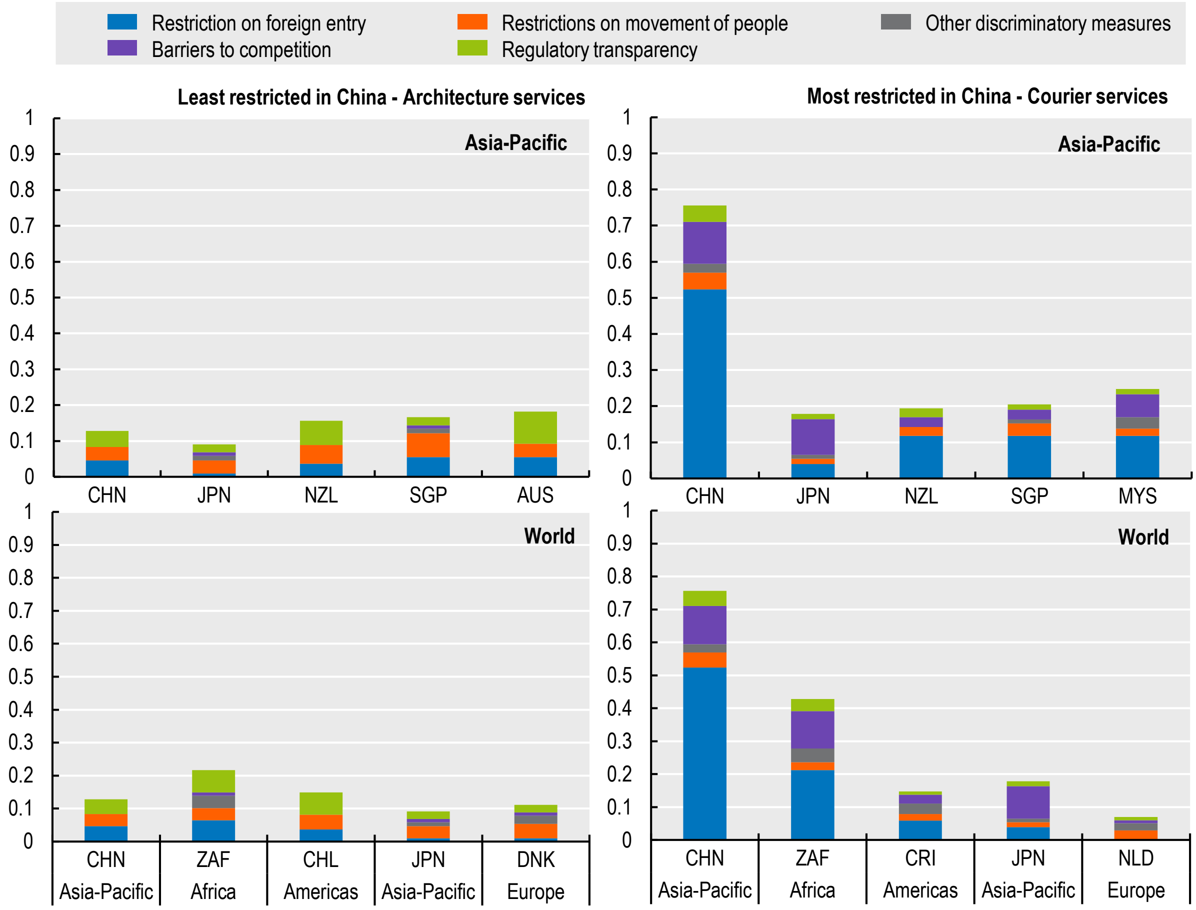
Figure 3. Sectoral breakdown - The least and most restricted sectors in China compared to world average



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 (2023). STRI database.

Architecture services are the least restricted in China relative to the sample average. Courier services is the most restricted services sector in China relative to the sample average. Restrictions on foreign entry and barriers to competition contribute most to the index in courier services. China maintains a monopoly on delivery of letters and prohibits foreign participation in domestic express delivery services of letters. Foreign investment in express delivery of parcels is permitted. Courier services are still on the Negative List and investments are subject to approval by the Ministry of Commerce or other relevant authorities (Figure 4).

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



Source: OECD (2023). STRI database.

Recent policy changes

In response to the COVID-19 pandemic, China restricted the entry of foreigners into the country starting in March 2020. As of 15 March 2023, China has resumed visa applications after a three-year-long restriction on travel. In April 2023, China also abolished certain restrictions on branches of foreign construction companies.

On 7 July 2022, China released new Measures for Security Assessment for Outbound Data Transfer that came into force on 1 September 2022. The Measures provide more clarity on the security assessment of important data and personal information collected and generated during operation within the territory of the People’s Republic of China and transferred abroad by a data handler.

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 edition) entered into force in January 2022. Annual revisions of the Negative List since its introduction in 2017 contributed to progressively lowering the scope of restrictions affecting foreign investments. This also contributed in large part to reducing China’s STRI in recent years, including through liberalising measures on ownership, establishment, and control of foreign businesses in e.g., financial services, transportation, logistics, construction, value-added telecommunications, and professional services.

On 10 June 2021, China adopted a new Data Security Law which covers new rules related to data activities by businesses in China. China’s new Foreign Investment Law came into effect on 1 January 2020, consolidating and replacing several previous laws governing foreign investments. Moreover, it also removed the requirement for foreign investments in services sectors listed on the Negative List to demonstrate "remarkable economic benefits" to China’s national economy. However, in January 2021, China introduced tighter rules for reviewing foreign investment on grounds of national security.

More information

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

» Read more about Services Trade Policies and the Global Economy

» More information about measuring the regulatory environment for services trade in the APEC region: https://apecservicesindex.org/

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

[1]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 2023. The STRI regulatory database covers the 38 OECD Members, 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.

In the case of China, in areas not regulated at the national level, the applicable rules recorded in the STRI database reflect the regulation in force in the province of Beijing.