on market access and national treatment for the four service provision methods. TiSA requires adoption of a mixed list model, that is, a positive list for market access and a negative list for national treatment, which improves the flexibility of GATS commitments. In recent years, under the framework of FTAs led by developed countries, such as the *Comprehensive and Progressive Trans-Pacific Partnership Agreement* (CPTTP), the EU-Japan *Economic Partnership Agreement* (EPA), the *United States-Mexico-Canada Agreement* (USMCA), among others, a negative list model has been adopted; restrictions on service providers shall not be imposed outside of the sectors included in the negative list. At the same time, some agreements have also included a "ratchet provision" to lock in the service trade liberalization commitments made by the contracting parties so that they would not go back on their commitments; in this way, it promotes the continuous expansion of openness in the services industry. The eight members of the RCEP that have made promises on the positive list also include negative list elements, such as the ratchet plus most-favoured-nation treatment or transparency lists, to achieve a relatively high level of service trade liberalization based on the negative list model within six years after the agreement entered into force.

II. Opening-up Practices in International Investment

After the end of the Cold War, peace and development have become the main theme of the times; more and more multinationals have stepped out of national boundaries and developing countries have expanded entry of foreign capital, leading to the rapid growth of international investment. Countries have continued to relax restrictions on foreign investment, included more investment liberalization and facilitation provisions in regional bilateral agreements, and continued to explore multilateral investment rules to achieve substantial progress in the opening-up of international investment.

1. Significant relaxation of foreign investment restrictions

The developing countries have been bold in lauching reforms. In general, the developed countries have a better foundation for investment liberalization, while the developing countries have made greater progress. According to the latest FDI

Regulatory Restrictiveness Index released by the OECD in 2020, from 1997 to 2019, Vietnam, Korea, China, India, and Malaysia were the top five economies in terms of promotion of investment liberalization reforms, with their restrictiveness index declining by 0.54, 0.4, 0.38, 0.27, and 0.27, respectively. They were followed by such countries Turkey, Indonesia, the Philippines, Finland and Hungary, most of which are developing countries (see Figure 6-2).

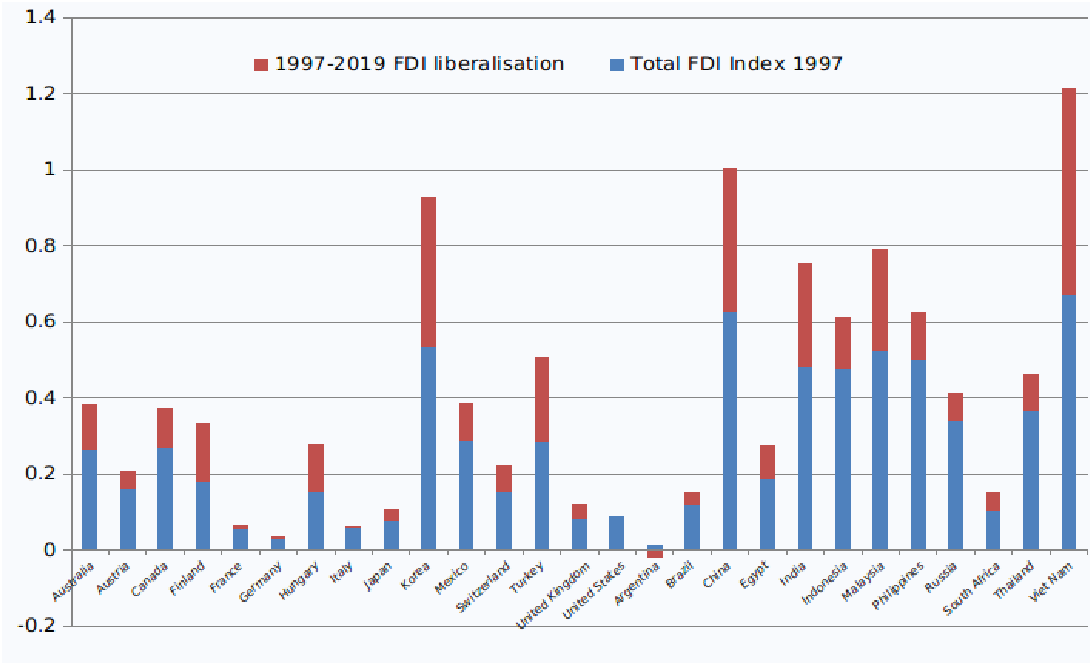

Figure 6-2 Economies with the Greatest Achievements in Investment Liberalization Reform

Source: OECD.

Some key industries made breakthroughs in opening-up. After tough negotiations, some sensitive industries that some countries have been protecting for a long time, such as finance, health care, telecommunications, and media, have been gradually opened up to foreign investment. For example, Brazil fully opened the medical and health industry in 2015, allowing foreign ownership to reach 100%. Ethiopia allows foreign capital to enter some transport services in 2021. Even in the most difficult financial field, some major economies have also abolished the restriction on the proportion of foreign shareholding, leading to equal treatment for domestic and foreign capital.

Table 6-1 Regulations on Foreign Shareholding Ratio in Financial Industries of Some Major Economies

	Country (2-alpha code)									
	AR	**AU**	**BE**	**BR**	**CA**	**CL**	**CN**	**FR**	**DE**	**IN**
Banking										
No restrictions on proportion of domestic or foreign shareholding	●		●	●		●	●	●	●	
Restrictions on shareholding ratio; domestic and foreign investment equally applicable					●					
Special regulatory procedures required if domestic or foreign shareholding exceeds a certain proportion		●								
Restrictions only on proportion of foreign shareholding										●
Restrictions on proportion of foreign capital in banking system										
Insurance										
No restrictions on proportion of domestic or foreign shareholding	●	●	●	●		●	●	●	●	
Restrictions on shareholding ratio; domestic and foreign investment equally applicable					●					
Special regulatory procedures required if domestic or foreign shareholding exceeds a certain proportion										
Restrictions only on proportion of foreign shareholding										●
Restrictions on proportion of foreign capital in insurance system										
Securities										
No restrictions on proportion of domestic or foreign shareholding	●	●	●	●	●	●	●	●	●	
Restrictions on shareholding ratio; domestic and foreign investment equally applicable										●
	IT	JP	KR	RU	SA	SG	ZA	CH	GB	US
Banking										
No restrictions on proportion of domestic or foreign shareholding		●			●		●	●	●	
Restrictions on shareholding ratio; domestic and foreign investment equally applicable	●									
Special regulatory procedures required if domestic or foreign shareholding exceeds a certain proportion			●			●				●
Restrictions only on proportion of foreign shareholding										
Restrictions on proportion of foreign capital in banking system				●						

(Continued)

	Country (2-alpha code)									
	AR	AU	BE	BR	CA	CL	CN	FR	DE	IN
Insurance										
No restrictions on proportion of domestic or foreign shareholding	•	•	•		•		•	•	•	•
Restrictions on shareholding ratio; domestic and foreign investment equally applicable						•				
Special regulatory procedures required if domestic or foreign shareholding exceeds a certain proportion										
Restrictions only on proportion of foreign shareholding										
Restrictions on proportion of foreign capital in insurance system				•						
Securities										
No restrictions on proportion of domestic or foreign shareholding	•	•	•		•	•	•	•	•	•
Restrictions on shareholding ratio; domestic and foreign investment equally applicable				•						

Note: The corresponce of countries' 2-alpha codes with its name are as follows: AR - Argentina, AU - Australia, BE - Belgium, BR - Brazil, CA - Canada, CL - Chile , CN - China, FR - France, DE - Germany, IN - India, IT - Italy, JP - Japan, KR - Republic of Korea, RU - Russia , SA - Saudi Arabia, SG - Singapore , ZA - South Africa, CH - Switzerland, GB - United Kingdom, US - United States.

Source: Compilation based on public information of central banks.

2. Significant strengthening of investment promotion

Tax incentives are used to attract investment. To bring out the role of investment in driving economic growth, all countries have adopted preferential tax policies to attract investment, including tax relief, preferential tax rates, accelerated depreciation, and tax credits. In 2017, the United States implemented the largest tax cut bill in 30 years, and the federal corporate income tax rate was reduced from 35% to 21%. India initiated a nationwide reform of the goods and services tax system to eliminate tax rate gaps among different regions and achieve free flow of goods and services.

Competing in establishing special economic zones. Both developing and developed countries regard Special Economic Zones (SEZs) as an important platform to improve their competitiveness in attracting capital inflow, implement fiscal and regulatory incentives in the region, provide infrastructure support, and promote industry investment. Special economic zones have sprung up "like bamboo shoots after a rain". By the end of 2018, 147 economies had established 5,400 special economic zones, an increase of 54% over 2008 (see Figure 6-3).

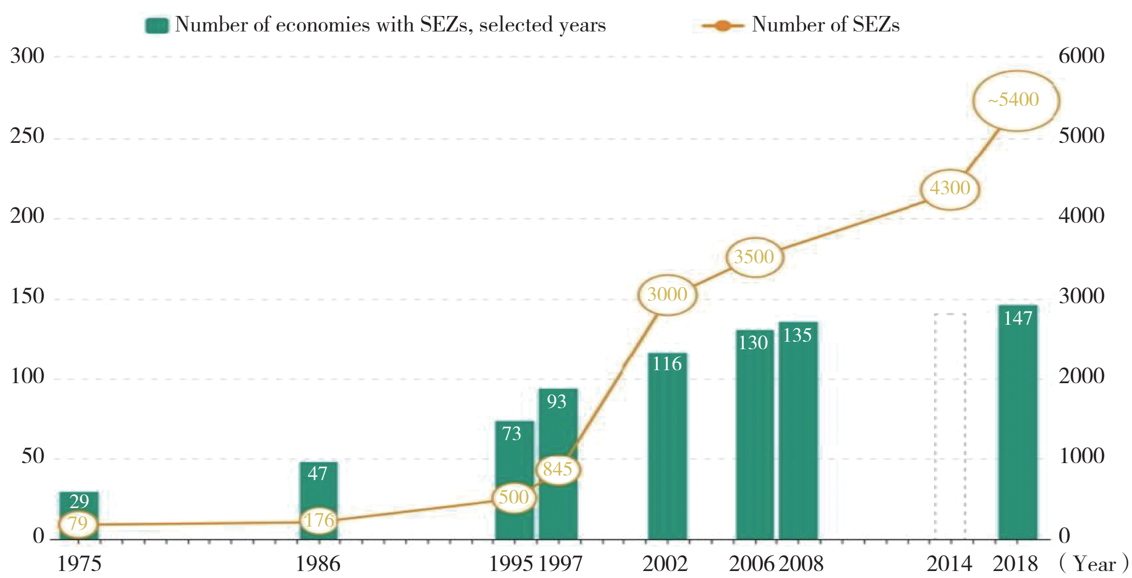

Figure 6-3 Development of Special Economic Zones

Source: United Nations Conference on Trade and Development.

3. *Pre-establishment national treatment + negative list* model widely accepted

For a long time, due to security and regulatory considerations, most countries have adopted a positive list model in managing entry of foreign investment, and foreign investment can only enter areas within the scope of the list. Led and pushed by developed countries, the more open *pre-establishment national treatment + negative list* model has become the central part of the new-generation international investment rules. The United States has signed BITs based on the *pre-establishment national treatment + negative list* model with more than 40 countries and regions, and the FTAs that it has signed with other countries and regions often include negative list arrangement. The EU has gradually shifted from a positive list to a negative list system, and the China-EU Comprehensive Investment Agreement is based on the negative list system. More and more developing countries are also adopting this model. Latest data shows that at least 77 countries, including more than 60 developing countries, have adopted the *pre-establishment national treatment + negative list* model in pacts they have signed with other countries. In 2020, the *Regional Comprehensive Economic Partnership Agreement* (RCEP), agreed by the ten ASEAN countries plus China, Japan, South Korea, Australia, and New Zealand, adopted the negative list system to promote investment liberalization, which significantly improved the transparency of investment policies.