



Research Article

Study on the Reform of the Open Policy of Utilizing Foreign Investment in China's Leasing and Business Service Industry

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Abstract: The utilization of foreign capital in China's leasing and business service industries has played an important role in economic development, which is highlighted in that it has become the second largest area of China's utilization of foreign capital. In 2022, China's actual use of foreign capital amounted to 123.268 billion RMB, up 6.3% year-on-year on a comparable basis, or US\$189.13 billion, up 8% year-on-year. China's leasing and business service industries still have problems in opening up to the outside world, such as the unity of opening policies to be coordinated, the accuracy of opening up efforts to be improved, the matching of opening measures to be improved, the forward-looking of opening up supervision to be strengthened, and the guidance of opening up and development to be improved. In the future, China should continue to use foreign capital with high quality by improving the level of opening up, focusing on promoting the development of service trade in leasing and business services, and lowering the threshold of market access; The focus of development is to reform some policies and systems and create a good business environment; The focus of risk prevention and control is to innovate regulatory methods and build a forward-looking and flexible risk prevention and control system.

Keywords: Leasing and business service industry; Opening up; Policy reform

1. Characteristics of Foreign Investment Utilization in China's Leasing and Business Service Industry

1.1 *The scale of foreign capital utilization has been steadily expanding year by year in China's leasing and business service industry*

From 2018 to 2022, the amount of China's actual use of foreign capital has continued to rise during the five consecutive years. In 2022, China's actual use of foreign capital amounted to 123.268 billion RMB, up 6.3% year-on-year on a comparable basis, or US\$189.13 billion, up 8% year-on-year.

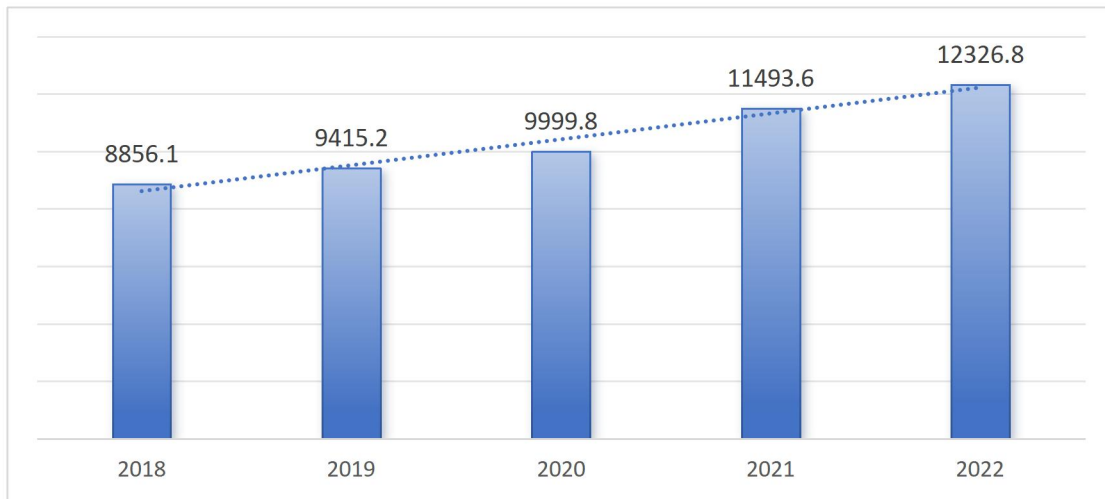


Figure 1. Amount of foreign capital utilized in China in 2018-2022 (Billion RMB)

Source: Foreign Investment Statistics Bulletin of the Ministry of Commerce and data published on the official website.

The number of foreign-funded leasing and business services firms declined significantly in 2019 (Figure 2). The main reason may be influenced by the weakening momentum of overall global economic growth and the intensification of downside risks such as widespread trade friction uncertainty. However, except for 2019 and 2022, the number of foreign-funded enterprises in the leasing and business services industry in other years shows a significant upward trend, and with the continuous release of China's market demand, it is expected that the number of new foreign-funded enterprises in the leasing and business services industry will increase in the future (Figure 2).

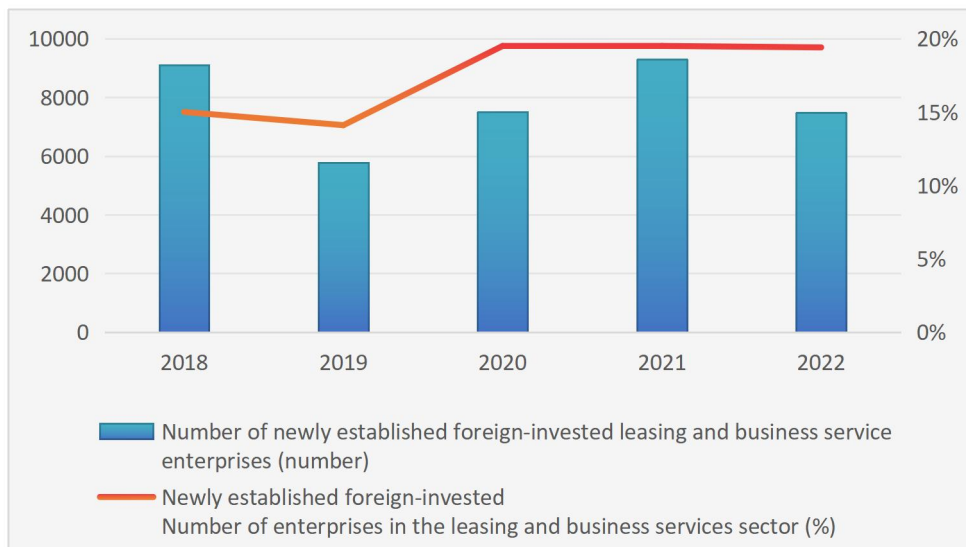


Figure 2. New Foreign Enterprises in Leasing and Business Services in 2018-2022

Source: Foreign Investment Statistics Bulletin, Ministry of Commerce

1.2 Increased contribution to China's open development

Foreign investment in leasing and business services plays a significant role in the development of this industry in China and accounts for a considerable proportion of China's utilization of foreign investment. This makes it an important area for China's utilization of foreign investment. China's share of utilized foreign capital in the leasing and business services sector declines from 20.57% in 2018 to 17.5% in 2022 (Figure 3).

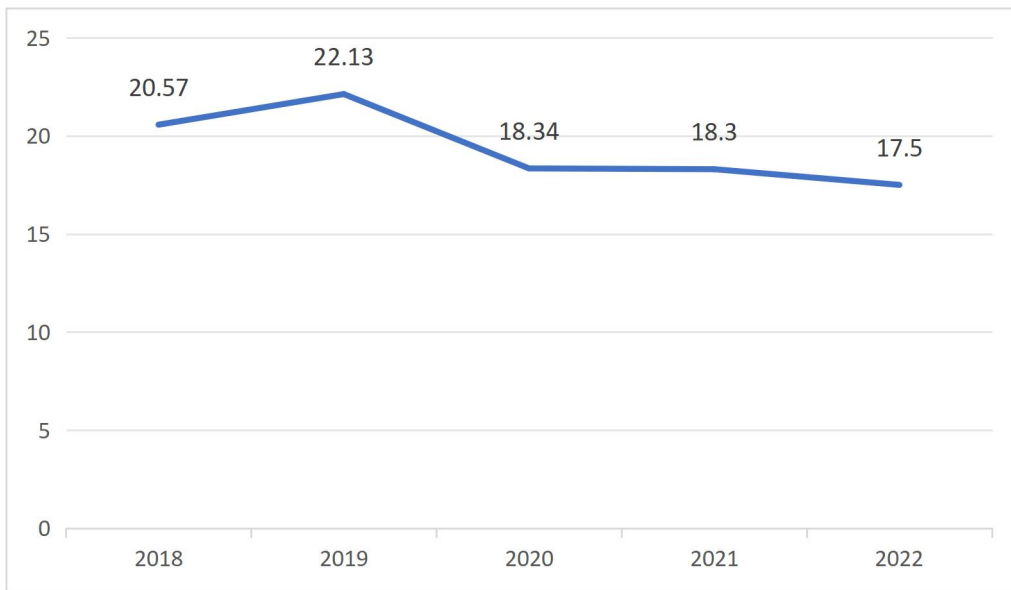


Figure 3. Share of Utilized Foreign Investment in Leasing and Business Services in China's Utilized Foreign Investment in 2018-2022

Source: Foreign Investment Statistics Bulletin of the Ministry of Commerce and data published on the official website.

In 2015, the leasing and business services industry accounted for 7.96% of China's overall utilization of foreign investment. By 2020, this proportion had increased to 16.41% (Figure 4). Currently, the leasing and business services industry is the second-largest industry in China in terms of foreign capital utilization, following the real estate industry.

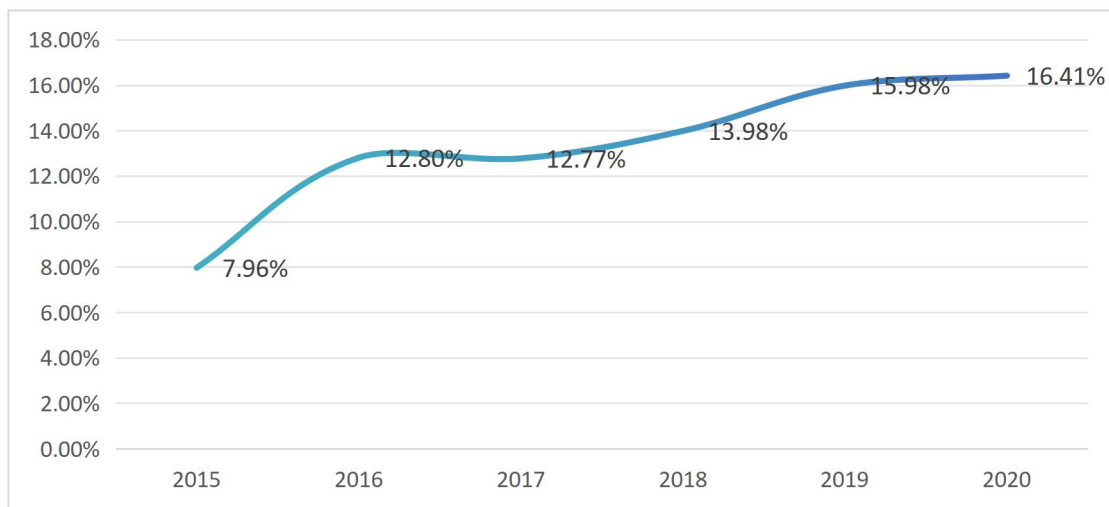


Figure 4. Share of utilized foreign investment in leasing and business services in China's utilized foreign investment in 2015-2020

Source: Foreign Investment Statistics Bulletin of the Ministry of Commerce and data published on the official website.

1.3 Major sources of foreign investment concentrated in Asia

The EU and ASEAN are the key sources of China's outward investment and an important source of foreign investment in China's leasing and business services sector. In terms of investment trends, the growth rate of investment in the EU and ASEAN has declined significantly (Figure 5).

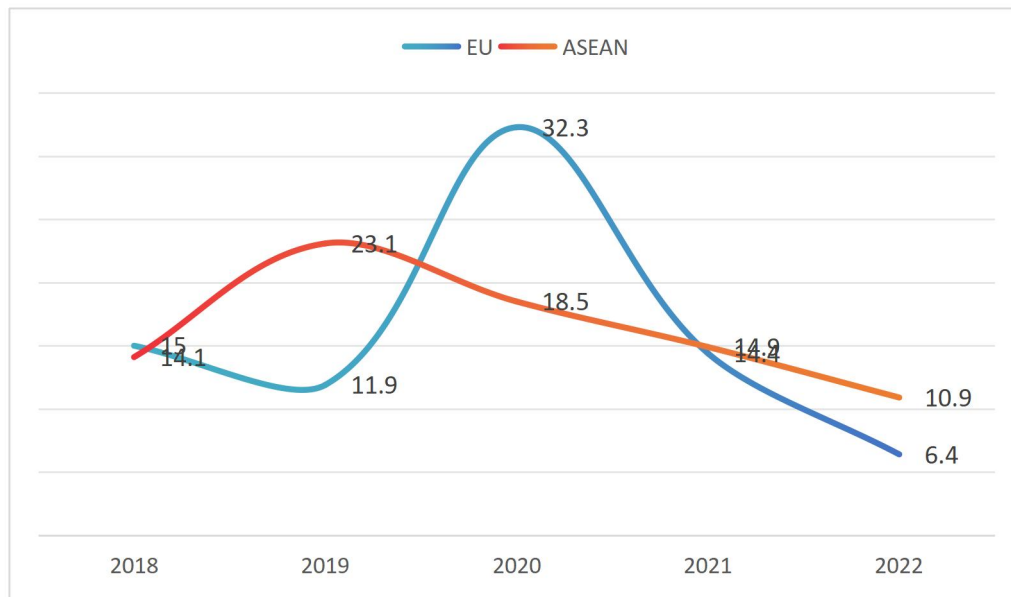


Figure 5. Share of outward investment in leasing and business services in all investment in China by key countries

Source: Foreign Investment Statistics, Ministry of Commerce.

1.4 Wholly-owned or will be the main way to enter the market

From the current form of foreign investment in China's leasing and business services industry, in addition to the national negative list of restrictions on the form of investment (such as market research is limited to joint ventures), the rest of the field of foreigners to carry out sole proprietorship willingness is stronger. The main reason may be that the foreign leasing and business services industry has a higher level of development, stronger competitiveness in the international market, and lower willingness to enter the domestic market in the form of joint ventures and cooperation. The same trend is also seen in some key industries. For example, internationally renowned human resource service enterprises have entered China's market through sole proprietorship, and companies such as Rensselaer, Dekker and Manpower have set up sole proprietor ships in cities such as North, South, Guangzhou and Shenzhen, and are developing well. In addition, a large portion of the leasing and business services industry consists of legal and accounting organizations, which are not strictly speaking "enterprises", and which enter the domestic market mainly by setting up representative offices and offices. For example, as of the beginning of 2019, a total of 250 law firms from 23 countries and regions had set up 302 representative offices in China.

1.5 Risks of liberalization in the field of consulting and investigation

Overall, the control of the foreign-funded leasing and business services industry over the industry has been on the rise in recent years¹. the proportion of foreign capital stock in the leasing and business services industry to the fixed assets of the industry has been on a steady upward trend since 2015, indicating that foreign investment in the leasing and business services industry has been increasing the control of the industry. in 2015, this proportion was 6.61%, and in 2020, it rose to 9.95%, an increase that is more obvious (Figure 6).

¹ Judged by the share of the stock of actually utilized foreign capital in the stock of fixed assets of the relevant industry.

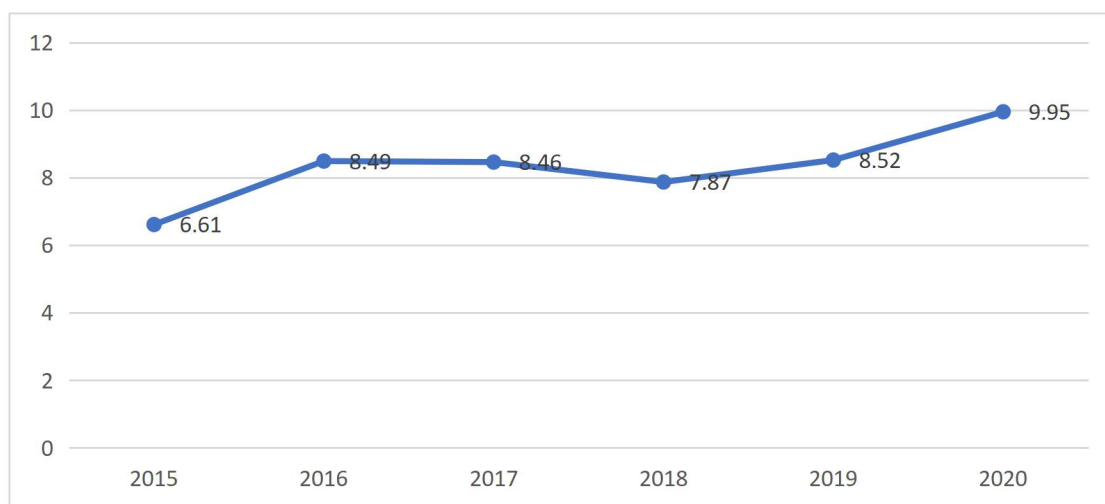


Figure 6. Control of Foreign Investment in Leasing and Business Services in 2011-2020

Source: Based on data from the National Bureau of Statistics

By industry, the legal services industry, at the current level of liberalization, has a controllable impact on national security. As the leasing and business services industry contains areas such as legal services, consulting and investigation services, human resources services, etc., which involve the utilization, analysis and assessment of information space, information carriers and information resources of the State, institutions and individuals, it is prone to information security hazards in the foreign-funded operation of the relevant business, and needs to draw the attention of the foreign-funded management authorities. Specific analyses are as follows: in terms of cross-border services, overseas consumption, commercial presence and movement of natural persons in the liberalization of legal services, China has not imposed any restriction on the first two forms of legal services; for the movement of natural persons, there is no commitment other than the level commitment; in terms of commercial presence, China has lifted the quantitative restriction and geographic restriction on the representative offices of foreign law firms in China and has strictly controlled the foreign investment in China's legal affairs. Due to the issues of information security and judicial sovereignty, legal services have so far been an area of relatively strict control by various countries. On the one hand, when foreign-funded legal service organizations provide legal services in their home countries, they often need to contact clients, witnesses, and relevant state agencies to collect evidence or learn about the situation, giving them more opportunities to access state secrets and to have those secrets leaked out. In particular, when a large number of foreign-funded legal services exist, a large amount of national information will be grasped; on the other hand, legal services involve the interpretation, application, enforcement and compliance of a country's laws, as well as the handling of legal disputes, and have a direct relationship with national sovereignty, especially judicial sovereignty. Judicial sovereignty is an important part of national sovereignty, and the lawyer system is an important part of the judicial system. Foreign legal service providers will consciously or unconsciously spread the dominant legal awareness and rule of law concepts of their host countries in the process of providing legal services, which has a direct impact and influence on their own country's judicial concepts and judicial sovereignty. For the time being, China's liberalization in the field of legal services is within the country's control.

The liberalization of the field of consulting and investigation services is more risky in financial services such as accounting and auditing. China's foreign investment in the field of consulting and investigation services, foreign investment in social surveys is prohibited, market research is limited to joint ventures, in which the radio and television listening and viewing surveys must be controlled by the Chinese side, but other areas of foreign investment in the policy is completely liberalized. Liberalization of the field of accounting and auditing and other financial services, foreign-funded enterprises have penetrated into various industries in China, the industry has a greater impact. Due to the strong professional demand, was given a large open space, foreign-funded consulting firms in China's very rapid development. China's market, especially in the foreign-funded accounting firms, especially Price water house Coopers, Ernst & Young, KPMG, Deloitte and other "big four" is most active, and can even have an impact on the decision-making of government agencies. For example, Deloitte has been involved in the development of China's accounting standards as a project advisor to government agencies

since 1993, and has been assisting the government in promoting this development program for a long time since then. In addition, Deloitte has also worked closely with government departments such as tax and state-owned enterprises in China. The Chinese Institute of Certified Public Accountants (CICPA) also engaged the Big Four to draft the Risk-Based Audit Procedures to "build a better policy system". Nowadays, the Big 4 almost monopolize the audit business of large enterprises in China, especially financial enterprises and multinational enterprises. With the continuous expansion of business and the continuation of business relationships, the monopoly of the "Big Four" firms in China's related fields is also increasing, and their mastery of the information resources of various industries in the country is also becoming more and more abundant. In particular, the "Big Four" audited large enterprises, especially financial enterprises, is related to the lifeline of China's economy, the current status quo, if not changed, the exposure of relevant information and data will bring significant risks to China's economic security.

The liberalization of human resources services has less impact on national/industry security. China's human resource service industry has been completely opened up, foreign human resource service organizations mainly face the human resource needs of foreign-funded enterprises, and China's human resource market has formed a stable pattern of foreign human resource services, state-owned human resource services and private human resource services according to the human resource sources of foreign enterprises, state-owned enterprises and private enterprises respectively. Due to the different cultures of enterprises with different attributes (foreign-funded and domestic-funded), it is more difficult for HR service enterprises to carry out services across cultural differences, and it is more difficult for the liberalization of HR service industry to change the pattern of internal control and external control, so that the domestic subject's human resource information and services will still be held by domestic organizations, which will not involve major information resource security issues. However, the HR services of domestic enterprises in China have not yet formed an international competitive level, and there is still a big gap between them and developed countries such as Europe and the U.S. There are only three Chinese enterprises in the 2019 Top 50 Global HR Service Organizations Ranking released by H Root, namely China International Technical Intelligence Cooperation Corporation (CITIC) at No. 5, Mileage Plus Corporation (MPPC) at No. 46, and Straits Human Resources (SHR) at No. 49. The company was ranked No. 5 by CITIC, No. 46 by Mileage Plus and No. 49 by Channel HR. In the long run, if China does not promote the improvement and upgrading of its human resource management system and level as soon as possible, foreign companies may still infiltrate their services into the HR market of private companies after adapting to their own cultures. In 2019, there were 1,641 governmental and state-owned HR service companies, accounting for about 4.1%, 30,898 private HR service companies, accounting for about 78.1%, and 261 foreign-invested and Hong Kong, Macao and Taiwan-funded 261 service enterprises, accounting for 0.7%, and 1,470 service organizations of other natures such as private non-enterprises, accounting for 3.7%. However, in terms of the level of human resources, foreign-funded enterprises occupy the top end of the market, while domestically-funded enterprises are at the middle and lower end of the market (excluding government and state-owned organizations).

2. China's leasing and business services industry utilization of foreign capital policy system issues

2.1 Uniformity of opening-up policy to be coordinated

China's leasing and business services industry opening policy unity is not strong, and the transparency of opening to foreign-invested enterprises is not high, which is mainly reflected in the lack of coordination between the independent opening measures and the agreed opening commitments. Taking leasing services as an example, the 2020 version of the national negative list of foreign investment involves the leasing and business services industry special management measures part, there is no special management measures for leasing business. However, China's WTO commitments, as well as bilateral and plurilateral free trade agreements signed, the leasing services "commercial presence" under the opening mode of commitment are "allowed to set up wholly foreign-owned enterprises, foreign service providers should reach 5 million U.S. dollars in global assets. ". The restriction that "the global assets of the foreign service provider should reach US\$5 million" has not been clarified in China's relevant liberalization documents. This will result in low transparency of liberalization for foreign-invested enterprises.

2.2 The precision of liberalization needs to be improved

From the 2020 version of the national negative list of foreign investment, China retains only three restrictive measures. But there is still room for further liberalization of these restrictions. Take market research services as an example, China's current restrictions are "market research is limited to joint ventures, of which radio and television listening and viewing surveys need to be controlled by the Chinese side". From the current management of China's market research services, China's market research/research industry, there is no systematic industry planning and industry access system, which to a large extent has led to the practice of enterprises and organizations, especially the number of market research firms are too many, the quality is not high. From the current development of the industry, there are too few domestic market research companies with a certain scale and strength, low branding of local enterprises, and small industry output value. From the industry's development prospects, with the continuous and rapid development of China's economy, various industries continue to grow, financial practitioners, entrepreneurs, government agencies, research institutes, etc., in the investment decision-making or a quick understanding of the market need for professional decision-making advice and data to support the increase in demand, but at present there is a lack of supply of market research services in China. In fact, these problems can be further improved by further increasing the level of openness (e.g., allowing wholly foreign-owned enterprises in specific areas), to open up to promote reform and development, and to improve the development of China's market research service industry.

2.3 The supporting nature of liberalization measures needs to be improved

China's leasing and business services industry opening measures supporting imperfect, mainly reflected in two aspects. On the one hand, the supporting mode of liberalization is imperfect. Taking legal services as an example, from the perspective of national sovereignty and national security, the current restrictions on the commercial existence of legal services, in general, have their necessity, reasonableness and legitimacy. As far as the present situation is concerned, relaxing or removing these restrictions could be dangerous for the political security of the country. However, this does not mean that there cannot be further liberalization in the field of legal services. We are not opening up for the sake of opening up. We are exploring opening up in the field of legal services in order to be able to provide higher quality legal services and to enhance the competitiveness of our legal services industry. From this point of view, in addition to commercial presence restrictions, we can consider relaxing the restrictions under the other three modes of liberalization outside the commercial presence of the trade in legal services (such as the relaxation of the qualification of practicing lawyers for foreign personnel), to better play the role of liberalization and promote the development of China's legal services industry. On the other hand, the supporting open areas are not perfect. For example, China's Pilot Free Trade Zone has been liberalized wholly foreign-owned human resources service institutions, but the current wholly foreign-owned human resources service institutions will not be strong, the main reason is that with the popularity of the Internet, human resources service institutions are mainly through the network recruitment, but wholly foreign-owned human resources service institutions to carry out network recruitment, but also by the value-added telecommunication business of foreign investment in the ratio of shares of no more than 50% constraints, resulting in "access is not good for business". This has caused the problem of "bad access".

2.4 The forward-looking regulation of liberalization needs to be strengthened.

As China's level of openness continues to rise, the risk of opening up in the service sector is characterized by "correlation", i.e., there is no risk in opening up the field itself, but the subsequent development and operation process generates risks in other fields, and China lacks perfect risk prevention and control measures for such risks. For example, the establishment of new energy automobile enterprises by foreigners is encouraged by our country to open up the field, Tesla set up a wholly-owned enterprise in our country itself has no risk, but with the continuous enhancement of its automobile product data collection ability, it has mastered some infrastructure data in our country, resulting in the risk of cross-border flow of sensitive data. Such risks have now been somewhat apparent in the leasing and business services industry. For example, the Pilot Free Trade Zone is the testing ground for China's reform and opening up, in which the practice of some of the rules will be the experience of China's international negotiations in the future. At present, many consulting organizations with "foreign investment" background undertake a large number of governments around the design of policies and systems related to the Pilot Free Trade Zone, summarize and assess the work of the Pilot Free Trade Zone to open up the bottom line, the development of strategies and so on very well understood, if this information is

leaked, the other side of the international negotiations in the future will be very well known to our country's negotiating chips and the bottom line, the adverse impact on our country. (v) Guidance on opening up and development needs to be provided.

2.5 Improvement is needed for open development guidance

In recent years, China's leasing and business services industry to absorb foreign capital scale, growth rate have shown a steady upward trend, has become an important area of China's utilization of foreign capital, the future is expected to further improve its position. However, at present, whether from the national level or at the local level, China lacks strong guidance on the development of business services, no special planning, guidance, etc., generally in the promotion of the development of the service industry in the document selectively put forward some of the content of the leasing and business services industry. This will cause our country to promote the development of leasing and business services industry goals and path is not clear, is it to better serve the transformation and upgrading of the manufacturing industry? Or is it to seize the international discourse power in some fields in which China has advantages? What paths should be realized? These top-level designs need to be accelerated and improved to provide guidance and planning for various regions and sectors, and to form a synergy to promote the development of the leasing and business services industry.

3. International Experience in the Management of Foreign Investment in the Leasing and Business Services Sector

3.1 Fewer restrictions on foreign investment access, individual areas of investment are still restricted

In terms of the scale and distribution of FDI, the leasing and business services industry is one of the most active service sectors in international investment, with a higher level of investment liberalization and facilitation, and a higher overall degree of openness in the industry. According to the World Investment Report (2020) released by UNCTAD, the global cross-border M&A in the field of business activities (Business Activities) amounted to 66 billion US dollars in 2019, which is the second largest cross-border M&A field in the service sector, accounting for 30.7% of all service sectors; in the distribution of China's outward investment in the industry, China's investment flows and stocks in 2019 flowed to the leasing and business services industry's investment flow and stock were US\$41.88 billion and US\$734.08 billion respectively, with a proportion as high as 30.6 per cent and 33.4 per cent, making it the first largest industry in China's outward investment.

From the perspective of the relevant rules of international economic and trade agreements, the overall level of countries' commitment to opening up the leasing and business services sector in the form of commercial presence is high, with fewer barriers to foreign investment, but no commitments or national treatment and market access restrictions in individual areas such as law, accounting and investigation². For example, in the Regional Comprehensive Economic Partnership Agreement (RCEP), Singapore has made commitments in the form of a negative list model for investment in the services sector, in which there are only reservations or non-conforming measures in individual cases in the area of business services, and there are no restrictions on investment in most areas of business services, e.g., for public accounting services (including statutory audits), CPA firms, accounting firms, and accounting limited liability companies are required to be approved by the Public Accounts Oversight Board (the board of directors of the Accounting and Corporate Regulatory Authority of Singapore (ACRA) as provided for in the Accountants Act), and insofar as it relates to the provision of public accounting services in Singapore, the accounting firm, accounting company or accounting limited liability

² According to the Service Sector Classification Table (MTN. GNS/W/120) used by the WTO Secretariat on July 10, 1991, China's leasing and commercial service industry mainly corresponds to professional services (including legal services; accounting, auditing and bookkeeping services; management consulting services; tax services, etc.), leasing services (including ship leasing, aircraft leasing, etc.), other commercial services (including advertising services, market research and opinion poll services, management consulting services, personnel provision and arrangement services, investigation and security services, packaging services, conference services, etc.) and "tourism and tourism related services" in the WTO's "commercial services".

company shall be controlled and managed by one or more directors (in the case of an accounting company) or partners (in the case of an accounting firm), and such director(s) For placement and supply services, Singapore requires that only locally available service providers may set up employment agencies and place foreign workers in Singapore; for security and protection services, Singapore reserves the right to adopt or maintain any measures affecting the supply of unarmed guard services, private investigation services and security services. which are restrictive measures under the Private Security Industry Act to protect important security interests; and so on. As another example, New Zealand has made specific commitments in the RCEP on foreign investment access in the services sector in the positive list mode, and for the areas of legal services, accounting, auditing and bookkeeping services, taxation services, dry lease services, advertising services, management consultancy services, services related to management consultancy, personnel provision and arrangement services, conference services, travel agent and tour operator services, and tour guide services, etc., it is clear that for most of these items No market access and national treatment restrictions are imposed on the forms of commercial presence.

In terms of the level of restrictions on trade in services, according to the Services Trade Restrictiveness Index (hereinafter referred to as STRI)³ issued by the OECD, the average values of the STRI for legal services and accounting services in 2020 were 0.39 and 0.33 respectively, which were only lower than that of air transport among the 19 service sectors they covered (0.42), belonging to several sectors with the highest level of services trade restrictions; other segments in the leasing and business services industry are not covered. Among the restrictive measures on trade in services adopted by various countries, foreign ownership and other market access restrictions, and restrictions on the movement of personnel are the main factors affecting the use of foreign investment in legal and accounting services, including restrictions on foreign shareholding, restrictions on the number of companies, restrictions on the local residency of board members or managers, restrictions on the application of land and property by foreigners, the nationality of the licence to practice or the local residency requirement, and the quantitative restriction on the use of labour .

3.2 Formulate policies to encourage foreign investment and actively carry out investment promotion

In order to encourage and guide foreign investment in specific industries, so that foreign investment can better fit into their industrial layout and development plans and form better industrial cluster benefits, countries tend to increase investment promotion efforts in a targeted manner by providing subsidies, tax incentives and other preferential policies on the same terms as those for domestic enterprises, as well as by implementing investment facilitation, one-stop services and other supporting measures. At present, fewer preferential policies have been introduced specifically for the leasing and business services industry, and more industry-neutral preferential policies are used to attract and encourage foreign investment.

Take the example of Singapore, where the entry of foreign capital is highly liberalized, Singapore is a typical FDI-led development of the economy, with basically no restrictions on foreign investment and encouragement of foreign investment. In 2019, Singapore attracted \$92 billion in foreign direct investment, second only to the United States and China. Singapore has a liberal policy on foreign investment access, with no general requirements or obligations on foreign investment except for defence-related industries and individual special industries, and there are basically no restrictions on foreign investment in terms of the mode of entry, shareholding ratio and foreign exchange in the vast majority of industrial sectors.

In terms of foreign investment incentives, Singapore gives full national treatment to foreign investment, and there is no explicit distinction between investment incentives for foreign or domestic enterprises, nor has it introduced laws and regulations specifically targeting foreign investment. However, the Economic Development Board of Singapore (EDB), as the foreign investment promotion agency, has introduced a series of investment incentive schemes (which can also be applied for by domestic enterprises) to encourage foreign investment. Subsidy schemes (including Enterprise Research Incentive Scheme, Enterprise Training Subsidy, Productivity

³ The Service Trade Restriction Index established by the OECD to measure service trade barriers in various countries. As of July 2021, the OECD Service Trade Restriction Index database covers 19 major service sectors and 48 countries (including 37 OECD members, Russia, and major partners (Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, South Africa, and Thailand).

Solutions Grant); Tax incentive schemes (including Pioneer Enterprise Incentive, Development and Expansion Incentive Scheme, Financial and Capital Management Centre Tax Incentive, Land Intensification Allowance Scheme, Aircraft Leasing Scheme, Financial Sector Incentive Scheme, Regional/International Headquarters Scheme, Service Exporters Incentive, International Shipping Enterprise Incentive, (Global Trader Scheme, Start-up Company Tax Credit), etc. For example, the Pioneer Certificate Incentive (PC) provides a 5-10 year corporate income tax exemption for income earned by companies with the Pioneer Certificate (PC), which includes both manufacturing and service industries, as defined by the Singapore Economic Development Board (EDB). The criteria for defining a Pioneer Enterprise take into account the employment opportunities created by the enterprise, the total business expenditure that leads to economic profitability, and the commitment to enhance Singapore's capabilities (e.g. technology, skills, expertise). As another example, Singapore has implemented the Aircraft Leasing Scheme (ALS) to promote the development of the aircraft leasing industry and encourage enterprises to develop their aircraft leasing capabilities. Specifically, the Aircraft Leasing Scheme (ALS), which is approved by the Economic Development Board of Singapore, provides for a concessionary tax rate of 8 per cent on income derived from the leasing of an aircraft or an aircraft engine and qualifying ancillary activities; and a concessionary tax rate of 8 per cent on interest on loans and qualifying ancillary activities acquired for the purchase of an aircraft or an aircraft engine. The preferential tax rate is 8% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities; interest on loans obtained for the purchase of aircraft or aircraft engines and eligible related payments are exempted from withholding tax; and the preferential period is 5 years, which may be extended upon application of the leasing plan submitted by the enterprise.

In terms of investment promotion services, Singapore's Ministry of Trade and Industry (MTI) has set up two statutory agencies, the Economic Development Board (EDB) and the Enterprise Development Board (EDB), to undertake investment promotion-related work. The EDB takes the lead in investment promotion, and its responsibilities include attracting investment, promoting the development of Singapore's industrial clusters, improving the business environment, and planning for future industrial development; it provides one-stop services for overseas investors, and seldom adopts the forms of investment promotion such as investment promotion tours; instead, it focuses on the direction of Singapore's industrial development, targeting specific industries and enterprises to carry out investment promotion, and providing one-on-one personalized services. The Enterprise Development Board (EDB) focuses on assisting enterprises in Singapore, including foreign-funded enterprises, to develop overseas markets by providing one-stop services for business development, improving productivity and technology, and exploring overseas markets.

In addition, Singapore's clean and efficient government, impartial judiciary, well-developed infrastructure, quality workforce, and its position as an important trading, financial and shipping centre in the Asia-Pacific region are also important reasons for its attractiveness as a place for foreign investment.

3.3 Emphasis on Openness and Security, Adequate Protection and Risk Prevention Measures

Although the overall openness level of the leasing and business services industry is relatively high, countries are not free of restrictions on their foreign investment. Whether out of national economic interests and security considerations, or out of the need to maintain industrial competitiveness and guarantee full employment in the country, or by local political, cultural and social influences, countries impose different degrees of restrictions on foreign investment in leasing and business services to prevent the risk of opening up, which mainly takes two forms: to impose restrictions in the context of the entire risk prevention and control system of opening up to the outside world, or to set up restrictive measures on foreign investment in specific industries individually. (b) Setting restrictive measures on foreign investment in specific industries.

On the one hand, most countries provide for the review of foreign investment. The review of foreign investment mainly focuses on industries that may involve key technologies, sensitive areas and national security. Generally, the leasing and business services industry is not a key area of investment review, but with the tightening of the foreign investment review in some countries, the possibility of this industry facing a review is not ruled out. Since 2020, under the impact of the epidemic, de-globalization and the rise of protectionism, there has been frequent news about the tightening of foreign investment review policies in a number of

countries, especially in developed economies such as Europe and the United States, while ASEAN, Africa, the Asia-Pacific, the Middle East and other regions, especially countries related to the "Belt and Road", have generally adjusted and relaxed their foreign investment policies in order to promote economic recovery and increase the openness to foreign investment. In order to promote economic recovery, they have generally adjusted and relaxed their foreign investment policies and increased their openness to foreign investment. Taking the foreign investment review regulations of the United States as an example, the Committee on Foreign Investment in the United States (CFIUS) reviews foreign investment transactions that may affect the national security of the United States, and adopts a "case-by-case" review method, without setting specific and clear review criteria, which makes it difficult for investors to accurately judge whether or not a transaction will be included in the scope of the CFIUS review. On 13 January 2020, the U.S. Department of the Treasury issued the Regulations Governing Certain Investments by Foreign Persons in the United States (31 C.F.R. Part 800, hereinafter referred to as the "New Certain Investments Regulations"), and CFIUS further expanded its review of foreign investment transactions under the framework of the Modernization of Foreign Investment Risk Review Act of 2018 ("FIRA"). ("FIRMA"), CFIUS has further expanded its broad review authority over foreign investment to include all control transactions by foreign investors against U.S. companies, as well as non-control investment transactions involving certain sensitive factors. Among non-control investment transactions, the United States has focused more on investments related to sensitive personal information of U.S. citizens, in addition to critical technologies and critical infrastructure. As for the leasing and business services sector, which is close to the lives of citizens, investments related to services such as legal, consulting, human resources, security, and travel may face stringent access or retrospective reviews due to unclear review criteria.

On the other hand, most countries, when opening up on their own, have put in place restrictive measures in individual knowledge-intensive or more sensitive professional services areas. Such regulatory measures are aimed at reasonably regulating foreign investment and avoiding situations such as disrupting the normal business order of the relevant domestic industries, bringing impact to the relevant domestic industries or inducing potential risks in sensitive areas. Legal services is an area with more restrictive measures for the opening up of this industry. Even the common law developed countries represented by the United Kingdom and the United States, actively advocate the opening of the legal services market (the main reason is that the common law is in a strong position in the field of commercial affairs, other countries to open up the legal services market for the interests of the United Kingdom and the United States of America and other countries, so the United Kingdom and the United States and other countries will not be closed to the foreign lawyers to provide legal services to the local path), but the provision of legal services to foreign lawyers still has a detailed management measures. However, the provision of legal services by foreign lawyers is still carefully regulated, with strict restrictions on the scope of practice, such as the provision of legal services in the form of commercial presence in the United States, partnership law firms are limited to qualified lawyers, and those registered with the United States Patent and Trademark Office must be United States citizens. Another example, Germany, despite the higher level of development of the service industry and the early opening up, and actively implement the EU principle of a single large market for trade in services, but also in the field of legal services set up strict conditions of access, Germany's "Federal Lawyers Regulation" on foreign companies or individuals intend to set up legal consulting firms for strict restrictions: EU member states of the company or individual need to be to the firm intends to be in the place of the bar association to submit an application, and at the same time issued by the government to engage in the corresponding profession of the country's. The government issued a certificate of engagement in the corresponding profession, the bar association forwarded to the state financial authorities for approval. The scope of practice may not exceed the laws of that State and international law; applicants from third countries may practise even more narrowly than the laws of their own State.

In other areas of business services, it is also common for administrative management tools such as administrative declarations, licensing systems and special qualifications to be imposed on foreign investment. For example, France implements special management measures for specific industries, such as private security services, where foreign investors are required to obtain prior approval from the French Ministry of Economy and Finance before directly or indirectly acquiring all or part of the business; general security services are subject to administrative management and restricted to the nationality of the employees; and vehicle leasing services are subject to administrative management but not restricted to the nationality of the employees. For example, Germany requires foreign investors to apply to the local business administration and other relevant

departments for permission to operate when operating businesses related to transport and leasing companies, in order to ensure that the enterprise has sufficient personnel, professional knowledge, experience and economic strength; Japan requires that, for individual industries, regardless of whether they are domestically or internationally financed, they need to apply to the government of the autonomous body or the competent authority of the industry for prior approval or record-keeping prior to operation, and that they need to apply to the Ministry of Economic Affairs and Finance for prior approval before operating general tourism restrictions require registration with the Minister of Land, Infrastructure, Transport and Tourism, and operating a talent dispatch requires the approval of the Minister of Health, Labour and Welfare.

4. Countermeasures for High-Level Utilization of Foreign Investment in the Leasing and Business Services Sector

4.1 Enhance the level of opening up to the outside world and facilitate the entry of foreign capital into the market

The level of liberalization of leasing services in China is already very high, and the key areas to be liberalized in the next step are concentrated in business services.

Firstly, explore the relaxation of restrictions on the proportion of foreign investment in key areas. Adjust the national foreign investment access special management measures (negative list) (2020 version) in the "prohibited investment in China's legal affairs (except for the provision of information on the impact of China's legal environment)" measures, allowing foreign investment in trade, investment, finance and other specific legal services, part of the commercial non-litigation legal services. Adjusting the provisions of "market research is limited to joint ventures", allowing the establishment of wholly foreign-owned market research service organizations, of which the radio and television listening and viewing surveys need to be controlled by the Chinese side. Adjustment of "prohibited investment in social research" provisions, allowing foreign investment in social research, and the Chinese party share ratio of not less than 67%, the legal representative should have Chinese nationality.

The second is to improve the level of commitment to leasing services in free trade agreements. In the future, in the free trade agreements signed by China, for leasing services, allowing the establishment of wholly foreign-owned enterprises, and explore the reduction or cancellation of the "foreign service providers should reach 5 million U.S. dollars in global assets" requirement.

Thirdly, pilot decentralization of market access approval authority. To further enhance the efficiency of licensing for foreign-invested enterprises in the field of leasing and business services, and to explore the pilot decentralization of relevant licensing and examination and approval authorities to the relevant government authorities at the provincial level in China's high-level opening-up platforms, such as the Pilot Free Trade Zones and the Comprehensive Pilot Demonstration for the Expansion and Opening-up of the Service Sector, so as to facilitate the entry of foreign-invested enterprises into the domestic market (Table 1).

Table 1. Exploration of licensing matters pertaining to leasing and business services

Number	Licensing matters	National regulatory authorities
1	Accounting, patent agency, and other business services	Ministry of Finance, State Administration of Taxation, Ministry of Justice, and Intellectual Property Office
2	Professional intermediaries, immigration intermediaries, labor dispatch, security services, and other businesses	Ministry of Human Resources and Social Security, Ministry of Commerce, Hong Kong and Macao Affairs Office, Ministry of Public Security, etc
3	Establishing travel agencies or operating specific tourism businesses	Ministry of Culture and Tourism
4	Foreign statistical investigation business	Bureau of Statistics
5	Publish specific advertisements	Health Commission, State Administration for Market Regulation, and Administration of Traditional Chinese Medicine
6	Holding foreign economic and technological exhibitions within the country	Ministry of Commerce

4.2 *Optimizing the supply of policies and systems to create a good development environment*

Give full play to the role of various policies in promoting the development of the leasing and business services industry, and create a favourable development environment by combining preferential policies with institutional innovation, so as to enhance the attractiveness of foreign investment in the leasing and business services industry.

Firstly, the top-level design and guidance for the development of the leasing and business services industry should be strengthened. At the national level, we should formulate industrial policies for the development of the leasing and business services industry, including the formulation of industry development plans and the preparation of relevant statistics; strengthen the construction of public information platforms, and provide enterprises with public services such as relevant industry and market information in a timely manner; appropriately increase the government's capital investment, and explore the investment mechanism for the business services industry that is guided by the government's capital and the market's allocation of resources; and formulate policies for the business services industry in the areas of electricity, water use, land use, financial services, and other aspects of the business services industry. The second is to guide the leasing and business service industry to develop preferential policies in electricity, water, land use, financial services and so on.

Secondly, to guide the leasing and business service industry to improve its service level. The leasing and business service industry should be incorporated into the investment promotion system of governments all over China, and many service projects provided by the government such as information consultation, market research, trade exhibition, professional training and technical counselling can be directly recommended by the government to research institutes, market research services, conference and exhibition companies, law firms, and other business service organizations with good business qualifications to carry out commercial services, and the government should recognize and approve the relevant enterprises after the completion of the service projects. After the completion of the service projects, the government will recognize and subsidize the relevant enterprises.

Third, reducing the tax burden on enterprises in the leasing and business services industry. Gradually cancelling the cultural undertaking construction fee for the advertising industry. The main reason is that on 3 April 2019, the State Council executive meeting decided to "halve the levy of the cultural undertaking construction fee on enterprises and institutions belonging to the central government from 1 July 2019 until the end of 2024, and authorize provinces (autonomous regions and municipalities) to reduce this fee for local enterprises and institutions as well as individuals within a range of 50%". This policy reflects the government's attention to the issue of cultural construction fees, but did not completely solve the industry's concerns. On the one hand, there is uncertainty about the implementation by local governments. On the other hand, even if the fee is halved, it is still a heavy burden for enterprises.

Fourth, facilitating the movement of high-end talents in the leasing and business services sector. For short-term talent visits such as conventions and exhibitions, explore the implementation of a special entry visa model. For example, many regions in China have implemented a 144-hour visa-free transit policy, and for high-end talents participating in conventions and exhibitions and business exchanges, the requirement of "transit" has been relaxed and a 144-hour visa-free policy has been implemented. In order to improve the environment for overseas legal, accounting and other high-end talents to stay and reside in China, we encourage regions with the conditions to speed up the construction of international talent flats, international hospitals, international schools and other functional projects, and provide certain financial support.

4.3 Enhance the level of opening up to the outside world and facilitate the entry of foreign capital into the market

The more we open up, the more importance we should attach to safety. In view of the risks that the leasing and business services industry may face in the future opening up, we will improve risk prevention and control measures in two aspects.

First, promote the development of service trade and reserve risk prevention and control measures in advance. Global trade in services is mainly based on four modes, namely, cross-border delivery, offshore consumption, commercial presence and movement of natural persons. At present, more than half of the global trade in services is conducted on the basis of "commercial presence", but in recent years, due to the shift of the centre of gravity of governance of trade in services from capital to data, the proportion of cross-border deliveries has begun to show an upward trend, and the proportion of "commercial presence" has begun to show a downward trend. Moreover, from the trend of RCEP, CPTPP and other rules, the future trade in services will not be based on "commercial presence" as the main mode, but will rely more on the other three modes of realization. However, at this stage, there are still many restrictions on the other three modes in China's leasing and business services industry (Table 2). Against this backdrop, it is important to expedite the introduction of a national negative list for cross-border trade in services, further relax market access restrictions in the leasing and business services industry in terms of cross-border deliveries, offshore consumption and the movement of natural persons, and set up a risk supervision and control system in line with this, in order to adapt to the trend of opening up in the future.

Table 2. Restrictions on Cross border Service Trade in China's Leasing and Business Services Industry

Number	Partial restrictions on cross-border service trade
1	To engage in statutory auditing business within China, one must obtain the professional qualification of a Chinese Certified Public Accountant and join a Chinese accounting firm.
2	To engage in auction business within China, one must be a Chinese auction company.
3	To engage in bookkeeping agency business within China, a Chinese institution that has obtained a bookkeeping agency license is required.
4	Overseas organizations and individuals conducting statistical investigation activities within China must entrust institutions with foreign-related statistical investigation qualifications within China and obtain approval from the competent statistical department; Foreign social investigation projects must be approved by the competent statistical department.
5	Overseas organizations and individuals are not allowed to conduct market and social investigations directly within the country, and are not allowed to conduct market and social investigations through institutions that have not obtained a foreign-related investigation license.
6	Foreign companies, enterprises, and other economic organizations engaged in talent intermediary services within China must establish specialized talent intermediary institutions through joint ventures with Chinese companies, enterprises, and other economic organizations.
7	To engage in private entry and exit intermediary activities within China, one must be a Chinese private entry and exit intermediary enterprise.
8	Overseas enterprises, natural persons, and foreign institutions stationed in China are not allowed to engage in overseas employment intermediary activities within China, and are not allowed to directly recruit labor or overseas employment personnel within China.
9	Overseas institutions holding economic and technological exhibitions within China must collaborate or entrust qualified units within China to do so.
10	Overseas credit reporting agencies engaged in credit reporting business within China must obtain approval from the credit industry supervision and management department.

Secondly, a mechanism for dealing with risks during and after the event should be established, and supervision of key areas should be strengthened. Risks in the leasing and business services industry are "interrelated", and foreign investors may be exposed to risks in the conduct of their business after setting up their companies. In this regard, we can learn from the U.S. Department of the Treasury's risk management mechanism for foreign investment, and make clear some principles before foreign investment by China, such as "the business carried out can not harm China's economic security", etc., and foreign enterprises will judge independently whether the business is involved, and if similar risky business is found after the fact, the foreign enterprises will be subjected to disciplinary measures. In view of the current situation, foreign-funded consulting organizations should be prohibited from participating in the consulting and research work on major strategies in China as soon as possible, so as to prevent the leakage of sensitive information.

Conflict of interest

There is no conflict of interest for this study.

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