

Analysis of Development Status and Countermeasures of China's Trade in Service

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Abstract: In the new era of economic globalization, trade in service has become an important pillar of world economic growth. Under this circumstance, in order to achieve steady economic progress and high-quality development, China must integrate into the world community. In spite of the rapid growth in traditional China's trade in service, such as the transportation and tourism industries, it still faces severe competitive disadvantage when comparing with other countries. By means of summarizing the development status of China's trade in service and analyzing the main problems existing in trade in service, this article proposes the countermeasures to promote the development of China's trade in services.

Keywords: trade in Service; development status; countermeasures

1. Analysis of Development Status of China's Trade in Service

1.1 Aggregate Analysis

As a whole, China's trade in service increases continuously in scale, and its development rate is significantly higher than the world's overall growth. With this trend, the total value of imports and exports of trade in service has risen from USD 9,089 million in 1987 to USD 695.68 billion in 2017, realizing an increase of 75.5 times. During the same period, the world total trade in

service has risen from USD 360 billion to USD 10.5 trillion, realizing an increase of 28.2 times. According to the data from World Trade Organization, in the first 10 months of 2018, the growth rate of China's import and export of trade in service was 11.3%, 6.7%, 7.5% and 8.8% higher than that of the United States, Germany, the United Kingdom, and France, respectively (counted based on US dollars).

Statistics show that the import and export of China's annual service have been maintaining at the 2nd place in the world for 5 consecutive years, and the scale of export and import ranks 5th and 2nd in the world, respectively. This indicates that China's trade in service has entered a prime period of development, which presents overall further expansion[1]. As can be learned from Fig.1, the scale of China's trade in service has achieved explosive growth after 2009, obtaining an average annual growth of 15.4%. According to statistics from the Ministry of Commerce of China, the total import and export volume of China's trade in service (based on international balance of payment, excluding government services) in 2018 was USD 791.88 billion, realizing an increase of 13.8% compared to that in 2017. Among them, the export of trade in service was USD 266.84 billion, realizing an increase of 17% compared to that in 2017. The import of trade in service was USD 525.04 billion, realizing an increase of 12.3% compared to that in 2017.

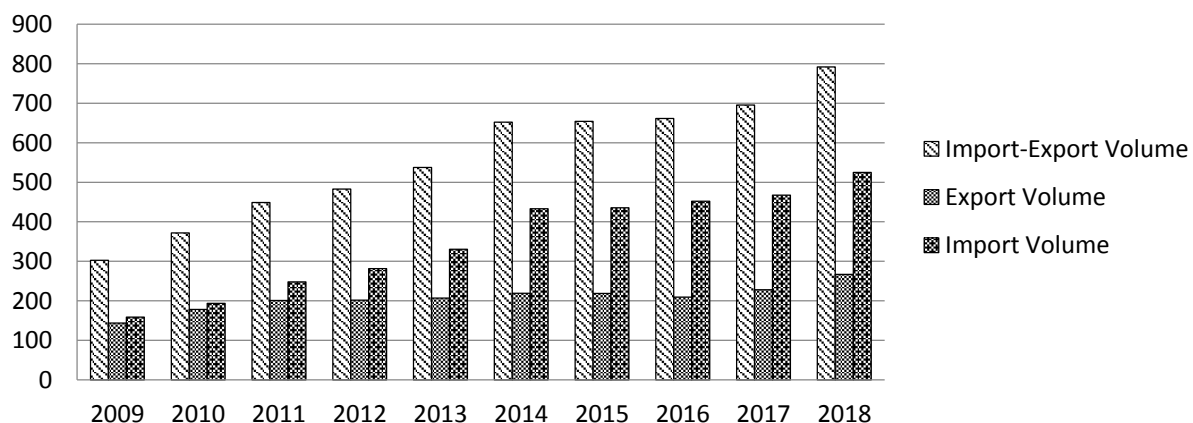


Figure 1. 2009—2018 Development Situation of Import & Export Volume of China's Trade in Service (Unit: Billion US Dollars)

1.2. Structure Analysis

In accordance with the classification approved by the World Trade Organization Service Trade Council, trade in service mainly can be divided into 12 categories, which

further can be sorted out into four major types: labor-intensive service, capital-intensive service, knowledge-intensive service, and technology-property patent service. Based on integrating and summarizing the import and export volume of these categories, it is concluded that China's trade in service is in the structure of "one more, three less". That is, more labor-intensive trade in service, while less knowledge-intensive, technology property patents and capital-intensive trade in service[2]. From the perspective of export structure, the data from the Ministry of Commerce indicates that China's foreign trade in service structure has been mainly in labor-intensive structure. Tourism, other business services, transportation and communication services rank top four among the export of China's trade in service, in which labor-intensive services account for a higher proportion. However, knowledge-intensive, technology-intensive, and capital-intensive services occupy the majority of import of trade in service.

From January to September 2019, the import and export volume of three categories of traditional services, namely tourism, transportation and construction, added up to RMB 2,449.38 billion, accounting for 60.9% of the total trade in service and facing a decrease of about 2.7% compared with the same period last year. The total import and export of knowledge-intensive service was RMB 1,370.22 billion, rising to 34.1% and realizing an increase of 2.5% over the same period last year. Among them, the

export of knowledge-intensive service was RMB 717.72 billion, which increased by 13.7% and was 4.2% higher than the overall growth rate; the import of knowledge-intensive service was RMB 652.5 billion, achieving an increase of 8.2% against the trend.

2. Analysis of Problems in China's Trade in Service

2.1 The service trade deficit continues to expand

Despite the continuously expanding import and export scale, China's trade in service has been facing a deficit, and the growth rate of service exports has been lower than that of service imports, which leads to a further expansion of the deficit. This indicates relatively weak basis of China's trade in service and inadequate supply of domestic service products. Besides, some high-end service products are mainly imported, so that a deficit in the import and export of trade in service appeared.

On the one hand, the deficit of trade in service implies that the domestic supply of service products can't meet the enhanced national consumption capacity of service products as the increased income level of domestic residents. On the other hand, it can reflect low level of China's service product export, because the trade export volume, to some extent, can show the competitiveness of a country[3]. Therefore, the deficit in service trade indirectly means that the international competitiveness of China's trade in service is insufficient.

Table 1. 2009-2018 DEFICIT DIFFERENCE IN CHINA'S TRADE IN SERVICE UNIT: Billion US Dollars

| Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| Difference | -15.3 | -15.1 | -46.8 | -79.7 | -123.4 | -213.8 | -216.9 | -242.6 | -186.7 | -292.2 |

It can be seen from the table I that the service trade deficit is still very large. According to IMF statistics, the deficit of China's trade in service deficit was USD 292.2 billion in 2018, ranking first in the world and accounting for 41% of the global service trade deficit. Judging from the industry, the human resource-intensive industries are the most advantaged in China's trade in service. On the contrary, the knowledge-technology-intensive, capital-intensive, and environmental-resource-intensive related trade in service are all in deficit.

2.2 The structure of trade in service remains to be further optimized

From 1999 to 2018, the proportion of output value of China's service industry in GDP has been between 33.2%-52.1%. This ratio not only lags far behind the economically developed countries, but has also is much lower than the average level of developing countries. Such a long-term backward service industry fails to meet the strong domestic demands, and even hinders the upgrading as well as optimization of industrial structure.

In the viewpoint of the structure, China's service industry is still labor-intensive characterized by low cost, cheap labor and abundant totality. Meanwhile, the productive service industry is not fully developed, and the

technology content of services is low. This is also directly reflected in the commodity structure of trade in service. China is advantaged in labor-intensive services such as general labor export, construction project contracting, transportation and tourism, but these service areas are vulnerable to foreign market access and personnel movement barriers. That is to say, despite the rapid growth in export of technology and capital-intensive trade in service, the significant lower proportion is the weakness and challenge of China's trade in service development.

2.3 Unbalanced Regional Development of Trade in Service

From the perspective of the regional distribution of China's trade in service, the scale in eastern China is far ahead. Although the scale and growth in the central and western China are significantly higher, the gap is still significant. In particular, the three cities of Beijing, Shanghai, and Guangzhou account for about 80% of China's total trade in service, in which the accumulated wealthy equipment and facilities resources, road traffic, information networks, education resources and innovation systems are superior to that in other cities. As a result, the economic development in western China is relatively backward, and the scale of trade in service is smaller.

3. Analysis of Countermeasures to Development of China's Trade in Service

3.1 Accelerating the transformation and upgrading of China's trade in service

At present, the structure of world's trade in service is gradually transiting towards a knowledge and technology-intensive direction. In this situation, the competition among countries will focus on the emerging service industries, so that the informatization and knowledge guided modern productive service industries will continue to strengthen their leading roles in manufacturing. Statistics show that in 2016, the export of telecommunication accounted for 10.25% of the total volume, computer and information service accounted for 8.74%, and financial service and intellectual property royalties accounted for 6.53%. This fully manifest that the value chain of trade in service is increasingly extending to high-end knowledge-intensive and technology-intensive types. During this process, the knowledge and technology-intensive service trade has gradually developed into the dominant and become the driving force for the growth of global trade in service[4]. Therefore, China shall continuously optimize the development structure of the service industry, strive to increase the proportion of modern productive services in GDP, and gradually transit from labor and resource-intensive industries to capital, technology and knowledge-intensive industries. This not only can improve the structure of service industry, but also helps enhance the competitiveness of other industries.

3.2 Further improving the supply capacity of service industry

The lagging development of domestic service industry has hindered the progress of China's trade in service. In order to achieve stable development of trade in service, it is necessary to support the domestic service industry, especially the emerging service industry, and expand the service market. Meanwhile, it is also needed to gradually improve the legal supports to the development of service industry and give preferential services to emerging service industries to raise the overall supply level of service industry. Under the requirements of the transformation and upgrading of the consumption structure of residents, it is available to help service industry to take this advantage to deepen the supply-side reforms, comprehensively improve the service supply capacity and meet people's growing service consumption demands. Last but not least, it is also essential to increase investment in the emerging value-added service industries which are comparatively disadvantaged in trade in service, such as financial services, insurance and pension services, relax restrictions on loans to emerging service industry, and then guide capital into this industry.

3.3 Promoting the opening up of China's trade in service

In addition to the opening of market access, the opening-up of service industry also involves in the qualification recognition, qualification procedures, freedom of employee turnover and specific industry management requirements. Rather than merely relax the restrictions on stock ratios and expand market access, the opening-up of the service industry needs to be geared with internationally accepted standards and practices[5]. For example, by expanding the import of high-quality services and exploring the development model of promoting export with import, the integration between China's service industry and global service value chain can be facilitated, and the overall quality of China's service industry can be improved. The extensive import of urgently needed services, such as research and development design, green environmental protection and environmental services, are conducive to the transformation and upgrading of China's manufacturing industry and the optimization of the supply of China's productive service industry. The import of services in the fields of tourism, medical health, education and training, culture and entertainment will help meet domestic demands for high-end services and facilitate domestic supply-side competition, which is of great significance in improving the quality of domestic life and social services, as well as improving people's well-being.

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