



## **“The Hamburg Summit: China meets Europe”**

Keynote Speech  
“Service Trade: China’s New Growth Engine”

by

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Distinguished guests, ladies and gentlemen,

On behalf of the China Association of Trade in Services, please let me express my warmest congratulations to the convening of the Hamburg Summit.

In today's world, international transfer of service trade has become a new trend for economic globalization, while service trade has become a new engine driving the growth of world economy. "Develop service trade, push forward the balanced development of foreign trade" has been settled as an important task of China's future development during the 18th National Congress of the Communist Party of China, which has important practical significance and far-reaching implications.

## **1. Status and Trends of China's Service Trade**

The Chinese government attaches great importance to promote the development of service trade. Recently, China's service trade has achieved great progress. From 2002 to 2011, the total value of China's service trade rose from USD 85.5 billion to 419.1 billion, up by 3.9 times in total and 19% on a yearly basis. Wherein, export of service trade rose by 19% annually, from 39.4 billion to 182.1 billion; import of service trade rose by 20% annually, from 46.1 billion to 237 billion. Over the same period, the ranking of China's export of services climbed from world No.11 to No.4, China's import of services climbed from No.9 to No.3. China has become a major trading nation.

Meanwhile, China's service trade structure has been gradually optimized. Trade in high value-added modern services such as computer, insurance, finance and consultancy etc developed rapidly and China's competitive advantages kept increasing. From 2006 to 2011, total import and export value rose from USD 21.96 billion to 64.6 billion, up by 24.1% every year and the proportion as of total service trade rose from 11.5% to 15.4%. Traditional service trade like transportation, tourism and construction etc developed steadily and the advantage in scale got consolidated, total import and export value rose from USD 118.46 billion to 255.52 billion, with annual increase rate of 16.6%.

Currently, world economy is gradually recovering and China's economy is also growing steadily and rapidly, with its upward momentum further consolidated. Facing profound and complicated changes in international and domestic arena, China service trade keeps developing steadily and in the next five years China service trade will face unprecedented challenges as well as valuable opportunities for frog-leaping development, with opportunities outweighing the challenges.

Internationally speaking, the global financial crisis has triggered off accelerated reform of the international economic system and deepened adjustment of global governance structure, pushed countries around the world to speed up adjustment of their economic structure and transformation of development pattern, deepened regional cooperation on economy and finance. A new round of international industry transfer featured with cross-border migration of service sectors and reallocation of production factors is expedited, which offers historic opportunities for China to realize frog-leaping development of its service trade.

Domestically speaking, for the moment and in the near future, China is still in a period with crucial strategic opportunity for economic and social development, with material and technological foundations getting stronger, society in harmony and

stability, and institutional environment improving, therefore creating favorable conditions for China to maintain long term steady and rapid economic development. During the 12<sup>th</sup> five-year plan period, China will implement a more proactive opening-up strategy, so that such sectors as finance, logistics, education, healthcare and sport will be increasingly open, while the service industry will be further internationalized. Sectors with competitive advantages such as transport, tourism and construction will rank among the top in terms of international market share, and will enjoy more market access opportunities. At the same time, transformation of economic development pattern and acceleration of economic structure adjustment have created huge domestic market demands for service trade, particularly producer services. All these have provided broad space for service trade to realize frog-leaping development.

## **2. When China meets EU**

With the globalization of the information and technological revolution and continuous economic restructuring, the service industry has increasingly become a pillar to drive economic growth, and service trade, a new economic engine. In recent years, the EU economic structure has changed obviously as a result of scientific and technological advance and deepening economic globalization, manifested in the fact that the proportion of agricultural and industrial output in overall output value has constantly dropped and that of the service industry, constantly increased. The growth rate of service trade is much higher than that of GDP and value added in the service industry.

China's service industry and trade has experienced tremendous development in the past thirty years of reform and opening up; however, it still has a long way to go before catching up with EU, well known for its service economy.

First of all, China's service industry and trade develops in a rapid but unbalanced manner, with eastern China much stronger than the western region. In contrast, EU member countries equally excel in this sector and almost each of them has its own specific strong suit, thus giving EU's service industry high competitiveness as a whole. For instance, Germany ranks number one in the world in exhibition industry and holds about 150 international exhibitions every year. This has not only provided information-exchanging platforms for various commercial activities, but also become a carrier to promote the development of other service sectors and brought more opportunities for its own development.

Secondly, China's service trade mainly targets the United States, EU, Japan, Hong Kong and the five members of ASEAN. EU, however, not only focuses on advanced economies but gives preferential consideration on its own members. For example, in 2007, EU's largest service trade partner is one of its member countries (with a trade volume of \$918.349 billion), accounting for 57.9% of EU's total volume of service trade.

Thirdly, technology-intensive service sectors such as finance, insurance and communication are weak links in China's service industry, but they are the competitive ones for EU.

Fourthly, the legal system of China's service industry and trade, compared to EU's, remains to be improved, and blind spots still exist in relevant laws and regulations.

The whole legal system cannot effectively regulate and protect the development of the service industry.

Fifthly, judging from competitiveness indicators, EU's service industry is more open and has a larger market share than that of China, thus stronger in international competitiveness. In almost each year between 2000 and 2008, EU's service export had a market share 20 times that of China in the international market, with an overall export capacity much stronger than China.

### **3. How to make full use of China's "new engine"?**

Service trade covers many areas. Accordingly, China should develop its service trade in line with its own national conditions, adapt a long-term perspective, clarify targets with priorities and take balanced and holistic measures to follow the development trend of world service trade. China still lags behind developed countries in the overall service industry, but it has certain advantages in some labor-intensive service sectors. On the one hand, traditional service trade areas with comparative advantages should be highlighted and consolidated. China needs to continuously develop such areas as tourism and building industry to further enhance its international competitiveness in service industry. On the other hand, emerging service trade sectors in line with the international development trend must gain more priority. China should support rapid growth of emerging service sectors, actively expand China's service trade range, and promote fast development of such technology-intensive service industries as finance, insurance, consulting industry and communication. In this way, China's service industry can shift from labor-intensive to capital- and technology-intensive and successfully restructure and upgrade itself.

Firstly, service trade range should be orderly expanded according to the development stage and handling capacity of China's service industry. China needs to steadily expand modern service import and make the most of the positive role of import in promoting its service trade development. China should introduce advanced technologies and managerial expertise in designing, R&D and marketing, encourage foreign capital to participate in software development, cross-border outsourcing and logistics service. China must also enhance bilateral and multilateral communication and cooperation in service trade and establish relationship with service trade regulating bodies of major countries and regions.

Secondly, service trade enterprises should "going abroad" at a faster pace. More service export and enterprises can "go global" through multilateral trade negotiations and negotiations on free trade zone. China must encourage enterprises with high competitiveness and good operating and managing capacity to invest overseas, promote the development of service trade by following a commercial presence path, guide enterprise to flexibly employ cross-border M&A, green field investment and other methods to invest in foreign countries, actively establish marketing network and obtain patents overseas.

Thirdly, service trade managing and promoting mechanism should be improved. The national service trade coordinating and managing mechanism must be enhanced to bring closer different government departments, the central and local governments, as well as the government and enterprises. Such a mechanism must make holistic plans, conduct surveys, collect data, promote service trade, coordinate policies and carry out negotiations with foreign countries. China should make full use of the inter-department coordinating mechanism to balance and guide the development of

service trade, establish a connecting mechanism among major enterprises, set up a facilitating system of service trade covering government departments, chambers of commerce, associations, relevant facilitating institutions and enterprises. By doing so, China can pool policy resources, set up a cross-department, cross-sector and cross-border facilitating mechanism to coordinate government intervention with market behaviors, and establish a supporting network for service trade.

Thank you for your time!