

Analysis of the Development of Trade in Services of China

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Abstract

With the development of economic globalization, trade in services has become an important part of foreign trade of China. This paper analyses the development of China's trade in services by scale, by sector as well as by the world ranking. Finally, this paper points out some suggestions for the further development of China's trade in services, such as optimizing the industry and product structure of China's trade in services, developing Chinese famous brands, continuing pushing forward the industrial structure upgrade steadily.

Mathematics Subject Classification: 91-02

Keywords: Trade in services, International Trade, Import, Export, China

1 Introduction

Since 1980s, the most striking economic phenomena is the countries which headed by the United States showing the trend of trade in services and the changes stemmed from a major global industrial structure adjustment caused by the technological revolution. With the accelerating process of globalization, international trade in services has become a new area for expanding foreign trade

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for many countries. China continuously expands and deepens opening to the outside world, and also provides a variety of preferential policies and measures, superior external environment for the development of trade in services. With the consolidation and deepening of regional cooperation and the strengthening of global economic integration, China's international trade in services has also made significant progress. Since the implement of reform and opening up policy, the amount of China's trade in services had increased from US \$200 millions dollars in the early time to US \$470.6 billion in 2012, an increase of about 200 times.

According to the development trend of economic globalization and the new situation of China's accession to the WTO, since the 15th Communist Party of China National Congress, the Chinese government has clearly pointed out the goal of expanding opening up of service industries continuously, regarding the development of trade in services as an important direction of China's industrial structure adjustment. The central government of China brought forward the proposal of accelerating the development of trade in services to achieve the goal of balanced development of trade in services.

2 The Situation of the Development of China's Trade in Services

2.1 China's Trade in Services by Scale

Table 1 reflects the world's major economies' trade in goods and trade in services in 2011. The proportion of China's trade in services in total trade of China was only 10.3%, lower than the world's average level which was 18 %, while the United States, U.K. and other developed countries had reached more than 20%, even India, the proportion was 27.1%. It indicates that although the China's trade in services experienced a steady growth, there is also a urgent need for China to accelerate the pace of development of trade in services and improve its proportion of total trade.

It can be seen since reform and opening, the volume of China's trade in services in import and export increased year by year with an upward trend in the proportion of world's total amount of trade in services, especially with a growth rate of 69.4% in 1992. There has been a rising trend during recent years, for example, the growth rate exceeded over 30% both in 2004 and 2007. However due to the negative influence of Asian financial crisis in 1997 and the global financial crisis in 2008, the growth rate reached -3.4% and -5.8% respectively in 1998 and 2009. To sum up, China's trade in services presented an upward trend generally since reform and opening, especially after China joining in the WTO.

Table 1: Major Economies' Trade in Services by Scale, 2011. (USD billion)

Country/ Region	Total value of international trade	Trade in services		Trade in goods	
		Value	Share of international trade (%)	Value	Share of international trade (%)
World Total	44615.5	8017.5	18.0	36598.0	82.0
EU(27)	15511.5	3241.8	20.9	12269.7	79.1
US	4714.6	968.5	20.5	3746.1	79.5
Germany	3264.4	536.5	16.4	2727.8	83.6
France	1613.4	301.6	18.7	1311.8	81.3
UK	1554.8	445.2	28.6	1109.6	71.4
Netherlands	1504.3	246.7	16.4	1257.6	83.6
Italy	1301.0	221.2	17.0	1079.9	83.0
Japan	1984.6	307.7	15.5	1676.9	84.5
Singapore	1010.8	235.6	23.3	775.3	76.7
Russia	989.4	144.2	14.6	845.2	85.4
India	1026.0	278.4	27.1	747.5	72.9
Brazil	602.7	109.8	18.2	492.9	81.8
South Africa	253.5	35.0	13.8	218.5	86.2
China	4061.1	419.1	10.3	3642.1	89.7

Source: International Trade Statistics Database, WTO

Table 2: China's Trade in Services by Scale, 1982-2011. (USD billion)

Year	Exports and imports			Exports			Imports		
	Value	Annual growth rate (%)	Share of the world (%)	Value	Annual growth rate (%)	Share of the world (%)	Value	Annual growth rate (%)	Share of the world (%)
1982	4.4	-	0.6	2.5	-	0.7	1.9	-	0.5
1983	4.3	-2.3	0.6	2.5	0.0	0.7	1.8	-5.3	0.5
1984	5.4	25.6	0.7	2.8	12.0	0.8	2.6	44.4	0.7
1985	5.2	-3.7	0.7	2.9	3.6	0.8	2.3	-11.5	0.6
1986	5.6	7.7	0.6	3.6	24.1	0.8	2.0	-13.0	0.4
1987	6.5	16.1	0.6	4.2	16.7	0.8	2.3	15.0	0.4
1988	8.0	23.1	0.7	4.7	11.9	0.8	3.3	43.5	0.5
1989	8.1	1.3	0.6	4.5	-4.3	0.7	3.6	9.1	0.5
1990	9.8	21.0	0.6	5.7	26.7	0.7	4.1	13.9	0.5
1991	10.8	10.2	0.6	6.9	21.1	0.8	3.9	-4.9	0.5
1992	18.3	69.4	1.0	9.1	31.9	1.0	9.2	135.9	1.0
1993	22.6	23.5	1.2	11.0	20.9	1.2	11.6	26.1	1.2
1994	32.2	42.5	1.6	16.4	49.1	1.6	15.8	36.2	1.5
1995	43.0	33.5	1.8	18.4	12.2	1.6	24.6	55.7	2.1
1996	43.0	0.0	1.7	20.6	12.0	1.6	22.4	-8.9	1.8
1997	52.2	21.4	2.0	24.5	19.0	1.9	27.7	23.8	2.2
1998	50.4	-3.4	1.9	23.9	-2.5	1.8	26.5	-4.5	2.0
1999	57.2	13.5	2.1	26.2	9.6	1.9	31.0	17.0	2.3
2000	66.0	15.4	2.2	30.1	15.2	2.0	35.9	15.8	2.5
2001	71.9	9.0	2.4	32.9	9.1	2.2	39.0	8.8	2.6
2002	85.5	18.9	2.7	39.4	19.7	2.5	46.1	18.1	3.0
2003	101.3	18.5	2.8	46.4	17.8	2.5	54.9	19.0	3.1
2004	133.7	32.0	3.1	62.1	33.8	2.8	71.6	30.5	3.4
2005	157.1	17.5	3.2	73.9	19.1	3.0	83.2	16.2	3.5
2006	191.7	22.0	3.5	91.4	23.7	3.2	100.3	20.6	3.8
2007	250.9	30.9	3.9	121.7	33.1	3.6	129.3	28.8	4.1
2008	304.5	21.4	4.1	146.4	20.4	3.9	158.0	22.2	4.5
2009	286.7	-5.8	4.5	128.6	-12.2	3.9	158.1	0.1	5.1
2010	362.4	26.4	5.1	170.2	32.4	4.6	192.2	21.5	5.5
2011	419.1	15.6	5.2	182.1	7.0	4.4	237.0	23.3	6.1

"-" stands for data not available.

Sources: WTO International Trade Statistics Database; Ministry of Commerce of China.

2.2 China's Trade in Services by World Ranking

2.2.1 Export of China's Trade in Services by World Ranking

In the ranking of world's major economies in services exports, China had risen from NO.7 in 2007 to NO.4 in 2011, with the total amount of exports from USD 122 billion in 2007 to USD 182.1 billion in 2011 with the increase rate reached 49%. Although the exports declined in 2009 due to the global financial crisis, the world ranking has been on an upward trend. Particularly, China's trade in services resumed a growth in 2010, and import and export volume of 2010 hit a new record and trade deficit was significantly reduced, exports of trade in services climbed to No. 4 in world ranking.

Table 3: Export of China's Trade in Services by World Ranking, 2007-2011.
(USD billion)

Country/ Region	2007		2008		2009		2010		2011	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
US	454	1	518	1	505	1	541	1	578	1
UK	263	2	285	2	240	2	238	2	274	2
Germany	197	3	242	3	233	3	238	3	253	3
China	122	7	146	6	140	5	158	4	182	4
France	130	5	164	4	144	4	143	5	161	5
Japan	136	4	147	5	128	6	142	6	143	7
Spain	127	6	142	7	123	7	124	7	141	8
India	86	11	103	10	91	12	116	8	148	6
Singapore	66	14	83	14	91	11	109	9	125	10
Hong Kong, China	82	12	92	12	87	13	108	10	121	11

Source: International Trade Statistics Database, WTO

2.2.2 Import of China's Trade in Services by World Ranking

From Table 4 in the ranking of major economies in the world, China had risen from NO.4 in 2007 to NO.3 in 2011 in imports of trade in services with a fluctuant trend. The total volume of imports generated from USD 157.5 billion in 2007 to USD 237 billion in 2011. The fluctuation is mainly because of the affect from the 2008 financial crisis, it is clear to see that China's trade in services in imports dropped significantly in 2009 that was a decline of 21%. However after the low ebb in 2009, China's trade in services resumed its growth in 2010, and the increase reached 50%. For trade in services among the world's major economies,

China has been in the top five importers in recent years and the world ranking are rising accordingly.

Table 4: Import of China's Trade in Services by World Ranking, 2007-2011

Country/ Region	2007		2008		2009		2010		2011	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
US	336	1	358	1	371	1	393	1	391	1
Germany	255	2	256	2	257	2	263	2	284	2
China	158	4	192	3	159	4	183	3	237	3
UK	160	3	156	4	167	3	169	4	171	4
Japan	146	5	155	5	149	5	158	5	165	5
France	124	6	127	6	127	6	130	6	141	6
Italy	114	7	108	9	117	7	110	7	115	9
India	74	12	117	7	81	12	109	8	130	7
Ireland	104	8	106	10	105	8	109	9	113	10
Singapore	74	14	96	11	82	11	100	10	110	11

Source: International Trade Statistics Database, WTO

2.3 China's Trade in Services by Sector

2.3.1 Export of China's Trade in Services by Sector

China's trade in services exports increased from USD 128.6 billion in 2009 to USD 182.1 billion in 2011 with an increase of USD 53.5 billion. For all sectors of trade in services, transportation services, travel, consulting and other business services occupied a large share.

After suffering from the international financial crisis in 2009, the global transport market recovered fast. China's total exports of transportation services in 2010 reached USD 34.21 billion with the growth rate of 38.7%.

In 2009, the tourist industry was also hit by the financial crisis with a decline of 2.9%. However in 2010, Chinese inbound tourist market recovered gradually, the Shanghai World Expo pushed the inbound tourism to a climax reaching USD 45.81 billion with an growth rate of 15.5%.

In recent years, consulting, computer and information services which represent high value-added services had a rapid growth, were the strong impetus to the growth of China's trade in services exports. In 2011, China's total exports of consulting was USD 28.4 billion with an increase rate of 24.7%, accounting for 15.6% in China's total exports of trade in services. Chinese computer and information services exports reached US \$12.2 billion with an increase rate of

31.6%, accounting for 6.7% in China's total exports of services. With the accelerating pace of industrial restructuring, the high value-added industries started to speed up their upgrading, the structure of China's trade in services will tend to be optimized.

In addition, although the royalties and license fees, financial services accounted for a small proportion, they experienced a significant increase in exports. Especially in 2010, China's royalties and license fees, financial services exports increased by 93.4 % and 204.6% respectively over the previous year. In 2011, the services sectors with the highest rapid growth rate were communications services and insurance services with a growth rate of 41.5% and 74.7% respectively.

Table 5: Export of China's Trade in Services by Sector, 2009-2011. (USD billion)

Sector	2009			2010			2011		
	Value	Annual growth rate (%)	Share (%)	Value	Annual growth rate (%)	Share (%)	Value	Annual growth rate (%)	Share (%)
Total	128.6	-12.2	100	170.2	32.4	100	182.1	7	100
Transportation	23.6	-38.7	18.3	34.2	45.2	20.1	35.6	4	19.5
Travel	39.7	-2.9	30.9	45.8	15.5	26.9	48.5	5.8	26.6
Communication services	1.2	-23.7	0.9	1.2	1.8	0.7	1.7	41.5	0.9
Construction services	9.5	-8.4	7.4	14.5	53.2	8.5	14.7	1.6	8.1
Insurance services	1.6	15.4	1.2	1.7	8.2	1	3	74.7	1.7
Financial services	0.4	38.7	0.3	1.3	204.6	0.8	0.8	-36.2	0.5
Computer & information services	6.5	4.2	5.1	9.3	42.1	5.4	12.2	31.6	6.7
Royalties & license fees	0.4	-24.8	0.3	0.8	93.4	0.5	0.7	-10.5	0.4
Consulting	18.6	2.7	14.5	22.8	22.3	13.4	28.4	24.7	15.6
Advertising, media	2.3	5	1.8	2.9	24.8	1.7	4	39.3	2.2

Film, audiovisual	0.1	-76.7	0.1	0.1	26.4	0.1	0.1	-0.1	0.1
Other business services	24.7	-5.1	19.2	35.6	44.1	20.9	32.3	-9.3	17.7

Sources: Ministry of Commerce of China

2.3.2 Import of China's Trade in Services by Sector

The imports volume of China's trade in services increased from USD 158.1 billion in 2009 to USD 237 billion in 2011 with a net increase of USD 78.9 billion. China's import trade in services continued to grow in recent years, even if it was negatively influenced by the financial crisis in 2009, it did not appear to drop down drastically with a growth rate of 0.1%. In all industries of trade in services, transportation services, travel, consulting and insurance services accounted for a large share.

After the financial crisis, Chinese transportation imports was USD 63.26 billion in 2010 with a growth rate of 35.8%. The value of outbound tourism reached USD 72.6 billion till 2011 with a growth rate of 32.3% and its proportion in China's total imports also increased from 28.6% in 2010 to 30.6% in 2011. In 2011, although the proportion of insurance services, computer and information services as well as advertising, media were relatively small, there were a significant growth rate of 25.3%, 29.6% and 39.5% respectively. What's more, the construction services, financial services experienced a violent drop in 2011 with a growth rate of 26.5% and 46.2% respectively.

Table 6: Import of China's Trade in Services by Sector, 2009-2011. (USD billion)

Sector	2009			2010			2011		
	Value	Annual growth rate (%)	Share (%)	Value	Annual growth rate (%)	Share (%)	Value	Annual growth rate (%)	Share (%)
Total	158.1	0.1	100	192.2	21.5	100	237	23.3	100
Transportation	46.6	-7.5	29.5	63.3	35.8	32.9	80.4	27.2	33.9
Travel	43.7	20.9	27.6	54.9	25.6	28.6	72.6	32.3	30.6
Communication services	1.2	-19.9	0.8	1.1	-6	0.6	1.2	4.7	0.5
Construction services	5.9	34.5	3.7	5.1	-13.6	2.6	3.7	-26.5	1.6

Insurance services	11.3	-11.3	7.2	15.8	39.3	8.2	19.7	25.3	8.3
Financial services	0.7	28.2	0.5	1.4	91.2	0.7	0.7	-46.2	0.3
Computer & information services	3.2	2.1	2	3	-8.3	1.5	3.8	29.6	1.6
Royalties & license fees	11.1	7.2	7	13	17.8	6.8	14.7	12.8	6.2
Consulting	13.4	-0.9	8.5	15.1	12.5	7.9	18.6	23.1	7.8
Advertising, media	2	0.7	1.2	2	4.4	1.1	2.8	35.9	1.2
Film, audiovisual	0.3	9.2	0.2	0.4	33.2	0.2	0.4	7.8	0.2
Other business services	18.8	-18.8	11.9	17.2	-8.5	8.9	18.3	6.3	7.7

Sources: Ministry of Commerce of China.

3 Recommendations for Promoting the Development of China's Trade in Services

During the implement of the "Twelfth Five-Year Plan" of China, Chinese government introduced policies to support the development of 30 service sectors, consolidate China's traditional areas which have comparative advantages, exploit some emerging fields of international trade which are in compliance with the trend of international trade in services and support the leading high-tech, high value-added services sectors.

3.1 Providing Preferential Government Support

Development of trade in services of China is a huge economic development system and Chinese government needs to make scientific and rational strategies and policies, take effective measures, establish several areas which would have great potentials and broad prospects in the future such as aviation and intermodal shipping, banking, medical care, health care, international business negotiations, etc.

Chinese government need learn advanced experience from foreign countries, perfect the laws and regulations based on the needs of further boosting the development of trade in services, improve the polices in cross-border payments, create a loose policy environment, a stable and transparent atmosphere and a fair

and well-organized market order for expanding trade in services and support the development of trade in services through a variety of preferential policies, optimize the structure of China's service industry.

3.2 Developing Famous Chinese Brands Strategy of Trade in Services

China needs to seize the opportunity of expanding the financial opening to the outside world and try to attract global financial companies with their advanced financial products and management experience, and establish joint ventures with foreign financial institutions to improve the quality of Chinese financial services and the ability of opening up overseas markets for Chinese companies.

In the meantime, China requires to encourage domestic enterprises to use existing strengths to speed up the pace of "going global", improve Chinese service offerings' international reputation, then promote the export of trade in services.

The successful development of trade in services requires the cultivation a number of internationally competitive and well-known brands. Service products can be the basis of comparative advantage for one country or region. To reverse the comparative disadvantage of other sectors, China needs to take a variety of measures to optimize the service industry and product system of trade in services, develop international trade in services industries with local characteristics.

3.3 Enhancing the Cultivation of Specialized Personnel for Trade in Services

On the basis of existing professional training program, Chinese colleges and universities should encourage students to participate in certification exams of international levels in the fields of foreign software, finance, accounting. Strengthening foreign language teaching and professional talent training would be generally recognized all over the world to make students learning more closely linked to the work. At the same time, establishing a nationwide trade in services training center to provide a convenient channel for the on-the-job personnel is essential to the development of trade in services of China.

China needs to set up an information platform for talents in trade in services to attract foreign talents and provide market demand information for them. In addition, Chinese government needs to put forward some policies to attract foreign talents and make a technical imitation effect through the introduction of returned overseas students and foreign experts to boost China's service industry and trade in services with the international standards as soon as possible.

To make the best use of human resources, there is a must to develop appropriate incentive system to attract them, fully stimulate the trade in services

personnel's enthusiasm through physical and spiritual encouragement, maximize existing employees' career potential through regular training and improve their skills constantly.

3.4 Pushing Forward the Modern Service Industrial Structure Upgrading Steadily

Chinese government needs to be initiative to undertake offshore outsourcing with multinational companies, make efforts to attract and undertake global service outsourcing, consolidate the current services market and accelerate the transformation to high-end services market with focus on the development of software outsourcing, research and development outsourcing, logistics outsourcing, financial background services. China should focus on the development of modern service industry and optimize internal structure of service industries, making the industrial system more competitive. The growth of China's service industries will enhance the improvement of international trade in services, while the expansion of international trade in services also will promote the further development of the service industries of China.

On the basis of ensuring the development of two major exporting sectors, transportation and travel, China should also focus on the development of some emerging fields like consulting, computer and information services. At the same time, China need cultivate financial services, advertising, film, audiovisual and other potential projects and try to make them becoming the new growth points of China economy.

4 Conclusion

From the development situation of China's trade in services, the proportion of trade in services in total trade of China falls behind the world's average level. For the competitiveness, the world ranking of trade in service of China is relatively lagging, however, the overall trend is on the rise indicating that the development level of China's trade in services has been improving and the competitiveness has been strengthening continuously.

By world ranking, the import and export of China's trade in services are rising constantly. In 2011, China ranked world No.3 and No.4 respectively in imports and exports of trade in service with ranking the first place in developing countries.

By scale, China's trade in services has been expanding since the reform and opening up. It experienced a rapid growth in 1992, 2004 and 2007, especially in 1992, the increase rate reached a new record-69.4%. Furthermore, after China joining in the WTO, China's trade in services developed much more stable.

By sector, the traditional sectors, such as transportation services and travel are all account for a large proportion in the total imports and export of trade in services of China. In 2011, the two sectors' exports share of China trade in services reached 19.5% and 26.6% respectively. On the import side, the increase rate for each sector were 33.9% and 30.6% respectively. In addition, high value-added services sectors like consulting, computer and information services are keeping growing during the recent years.

For better and faster development of China's trade in services, Chinese government needs to take a lot of effective measures, such as grasping the historical opportunity to accelerate the pace of development, planning legitimately and perfecting relevant laws, optimize China's trade in services industry, developing Chinese own independent brands, enhancing the cultivation of specialized personnel for trade in services, continuing pushing forward the industrial structure upgrade steadily.

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