

POLICY REVIEW

Reaping the dividends of service sector

With new policy support, the government plans to further increase service sector share in GDP

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China's move to further open up the service industry in key regions will prompt foreign companies to provide more quality services in the Chinese market, and push domestic players to promote innovation and advance the country's supply-side structural reform.

This is what experts and foreign business leaders said in response to the State Council, China's Cabinet, approving the launch of three-year pilot programs to further open up the service sector in Tianjin, Shanghai and Chongqing municipalities, as well as Hainan province in late April. Under the new policy, these regions can proceed with 203 comprehensive opening-up trials in the service sector.

In 2015, Beijing became the first region to get the central authorities' approval to develop as China's first pilot zone to further open up the service sector.

The service sector offers intangible products such as information, professional and social assistance, waste management, healthcare, warehousing and transportation services. "At this stage, it is not enough to rely on Beijing alone to expand the opening-up of the service sector," said Bai Ming, deputy director of international market research at Beijing-based Chinese Academy of International Trade and Economic Cooperation. There is also a need to explore other regions so that such pilot programs can be popularized.

Compared with Beijing, Bai said, the other four regions (Tianjin, Shanghai, Chongqing and Hainan) have more room for developing professional, information and intermediary services, and strengthen their resource and industrial advantages in other areas.

The Government Work Report delivered by Premier Li Keqiang at the fourth session of the 13th National People's Congress on March 5 said China aims to open up its service sector in a well-regulated manner, launch more comprehensive trials for further opening up the sector, and devise a negative list for cross-border trade in services.

In this regard, as Zong Changqing, director-general of the Commerce Ministry's department of foreign investment administration, said, local governments will be urged to serve major national strategies and explore opportunities for establishing replicable practices for the development of a modern industrial system and higher-level opening-up.

Talking about the four pilot regions, Zhao Ping, vice-president of the research institute at China Council for the Promotion of International Trade, said that apart from focusing on the higher-level opening up of key sectors, including scientific, business, logistics, financial and education services, they are also supposed to complement each other by specializing in different areas.

With the new policy support, the government plans to build Tianjin into an advanced manufacturing research and development base and an international shipping hub in northern China, and develop Hainan into a global tourism center by deepening economic reform.

And while urging Chongqing to develop low-carbon and green industries and transform itself into a world-class land-based

logistics center, especially as a China-Europe freight train hub, the government will enhance Shanghai's position as an international economic, financial, trade, shipping and scientific innovation center.

Under the new policy, local governments in the four trial zones will help foreign entities to establish fully-owned financial firms and invest in travel agencies engaged in the outbound tourism business, and allow foreign banks to provide import-export tax payment services.

In order to promote regional growth, the government has proposed 33 pilot tasks including joint construction of industrial parks, and scientific and technological cooperation in Beijing, Tianjin and Hebei province, permitting cross-border debt issuance, and cross-border merger and acquisition services by Shanghai's Hongqiao district, and exploring the possibility of establishing a pricing negotiation mechanism for China-Europe train services in Chongqing.

The government has selected the municipalities and the Hainan Free Trade Zone as the two rounds of pilot regions, as it expects them to generate more growth points for surrounding areas, said Liu Tao, a researcher at the institute of market economy at the State Council's Development Research Center. As such, cities and provinces that have a dynamic service sector, and are home to a large number of businesses engaged in service trade and institutional innovation, have a greater chance of making it to the third pilot program list.

Corroborating Liu, Zhang Yong, deputy director of Shanghai finance and development laboratory, which is affiliated to the Chinese Academy of Social Sciences, said the trial programs will prompt international companies to provide more high-quality services, which in turn will facilitate the growth

of the real economy and encourage more Chinese companies to upgrade their services and learn from their foreign competitors.

This is important, because despite the service industry accounting for about 55 percent of China's GDP, its share of the economy is still about 20 percentage points below that in developed countries. "The sector still faces problems such as inadequate integration with manufacturing and the slow pace of growth of the modern service industry," said Gu Jun, director-general of Shanghai Municipal Commission of Commerce.

While expecting China's high-quality economic development to channel more foreign direct investment into the services sector, Zhang Yansheng, chief researcher at the China Center for International Economic Exchanges, said the service sector will remain attractive to overseas investors as the Chinese economy expands.

Thanks to the country's move to further expand its market and consolidate its position as the biggest trading partner of more than 120 countries and regions, China's service sector attracted 237.79 billion yuan (\$36.62 billion) of foreign investment in the first quarter of this year, up 51.5 percent year-on-year, according to the Ministry of Commerce. "More FDI will flow into industries such as artificial intelligence, information technology, pharmaceuticals and healthcare, high-end manufacturing, and the new economy, such as industrial internet," Zhang Yansheng said.

In fact, Vorwerk Group, a German industrial and technology company, is set to establish a digital solution center in Shanghai in the second half of this year to transform from a manufacturing company to a service-oriented manufacturer, in order to

better adapt to China's changing market environment. "We hope to seize the fresh opportunities arising from China's dual circulation development paradigm via introducing more personalized products and services that add value and health relevance to people's lives," said Cha Sheng, general manager of Vorwerk China.

Yet despite the efficiency of China's ports and shipping companies, there remains a gap between the inland areas and major port cities, said Jens Eskelund, managing director of Maersk China Ltd, the shipping and logistics service provider for A.P. Moller-Maersk Group. So instead of investing heavily in shipping operations, the Danish company has been trying to expand its rail freight, land asset and airfreight services across China. It has opened 35 railway terminals in the country over the past two years, and arranged for over 210 freight trains to transport goods from many Chinese cities to European countries including Germany and France.

Green industries that include technologies, equipment and services for reducing carbon footprint are likely to become more popular among multinational companies as China continues to deliver on its commitment to peak carbon emissions before 2030 and achieve carbon neutrality before 2060, said Olivier Blum, chief strategy officer of the French industrial conglomerate Schneider Electric SA.

That China's total service trade volume grew by 0.5 percent year-on-year to 1.16 trillion yuan in the January-March period, and trade in knowledge-intensive services surged by 15.5 percent year-on-year, accounting for 46.6 percent of the country's total trade in services shows the country is on way to reap the dividends of further opening up its service sector.



SHI YU / CHINA DAILY

Hainan eyes higher-quality development

By SANG BAICHUAN

By introducing 28 new measures recently to propel the high-quality growth of the Hainan Free Trade Port, especially by facilitating faster goods and services trade, the government has not only responded to the demand of the market players but also aims to achieve the higher-level and phased development goals by 2025.

That certain countries have, of late, resorted to protectionist measures has severely disrupted the global economic and trade order, increased the cost of resources and posed a challenge to economic globalization, thereby undermining the growth of the least-developed countries and developing economies. In addition, the COVID-19 pandemic has increased global uncertainties, further slowing the pace of global economic recovery.

The 28 new measures, jointly introduced by the Ministry of Commerce and other 19 central government departments, will not only provide strong policy support for the development of the Hainan Free Trade Port and promote the "dual circulation" development paradigm — which is centered on the domestic economy, with the domestic and foreign markets reinforcing one another

— but also show China's determination to further liberalize international trade, help develop an open world economy and expedite globalization.

While 13 of the 28 measures focus on goods trade, the rest deal with services.

The new policy measures will promote international economic and trade rules to serve the development needs of the Hainan Free Trade Port, ensure the implementation of support policies, and help liberalize global trade. The policy measures will also help implement the Overall Plan for the Construction of Hainan Free Trade Port, which was introduced in June 2020, promote higher-level opening-up, and enhance the free and efficient flow of production factors.

The Yangpu bonded port in Hainan province will pilot a special customs supervision area where imports and exports of crude and refined oil will not be subjected to the general regulations governing enterprises' functions. Sugar imports, too, will be exempt from total tariff quota management. And while in some special areas, import licenses for mechanical and electrical goods will not be required, the development of second-hand car exports and new offshore international trade will be encouraged.

The policy measures have been designed

to serve the needs of the Hainan Free Trade Port and will give full play to its competitive advantages in culture, digital trade, tourism and modern service sectors. Yet despite having a long coastline, Hainan does not enjoy the growth characteristics of the Hong Kong Special Administrative Region, or Singapore or other successful port cities, so it needs to develop in accordance with the province's current development conditions and needs.

As a matter of fact, taking advantage of its unique environmental and geographical advantages, Hainan is rapidly building a modern industrial system supported by tourism, modern service industries, emerging industries and tropical agriculture. Over the past three years, the number of high-tech enterprises in Hainan has increased by 273 percent, internet industry revenues have risen by 192 percent, and the supporting role of the high-tech industry has become increasingly obvious, according to data released by the Ministry of Commerce.

Hainan's digital service trade reached 6.73 billion yuan (\$1.04 billion) in 2020, up 130 percent year-on-year, while the container throughput of Yangpu Port exceeded 1 million twenty-foot equivalent units (TEUs).

To create more room for Hainan's growth,

the government has abolished the need for registration to import and export technology, and licenses for establishing auction firms. The government has also established a fast track for service trade and facilitated safety management cooperation between the Ministry of Commerce and Hainan province, and pledged to standardize domestic regulations in some key areas in a bid to boost free trade in the service sector.

Based on these promising developments, we can assume that the implementation of these measures will expedite the establishment of a policy and institutional system to achieve trade and investment liberalization by 2025.

In the long term, the Hainan Free Trade Port will continue to implement such policies to attract more foreign direct investment, increase trade with its overseas trading partners such as ASEAN member states, and build an advanced and modern service system to pursue higher-quality development.

The author is a professor and director of the Institute of International Business at Beijing-based University of International Business and Economics. The views don't necessarily reflect those of China Daily.

Policy Digest

Action plan to curb human trafficking

The 10-year anti-human trafficking action plan that China unveiled recently targets cyberspace-backed human trafficking and illegal adoption of children. The plan, released by the General Office of China's State Council on April 28, aims to combat human trafficking, better protect people's rights, maintain social harmony and stability, and safeguard national security.

According to the plan, officials including those from the Ministry of Public Security will strengthen supervision and law enforcement in cyberspace. They will continuously monitor different kinds of network platforms and improve the screening, identification, filtering and reporting mechanisms to gather information on criminal activities.

The authorities will also crack down on people using the internet to produce, copy, publish, sell and spread pornographic content, as well as those who sexually harass or abuse minors. And government departments will enhance the use of modern scientific and technological means to identify those buying pornography materials, and law enforcement officers will bring them to justice in a bid to curb human trafficking.

The plan requires the investigation methods to be modernized, to achieve which it calls for improving the information dissemination system and the national DNA database for missing children. The plan also says the community-based network for preventing human trafficking will be perfected, and a working system, complete with interdepartmental coordination and extensive public participation, will be built.



Plans to revitalize revolutionary bases

Central government departments such as the Ministry of Finance will work out plans to revitalize more than 40 economically backward counties, cities and districts in Jiangxi and Fujian provinces that are home to revolutionary bases.

According to a circular issued by the General Office of the State Council on April 30, the former revolutionary bases will receive assistance in the shape of talents, projects, industries and innovation for achieving high-quality development and pursuing common prosperity in the new era as part of the strategic arrangements of the Communist Party of China Central Committee and the State Council for revitalizing the revolutionary bases.

Expected to be completed in 10 years from 2021, the assistance program will cover talent training, industries, projects and innovation with the aim of boosting the development of the areas. It will pair 63 centrally administered State organs and related units with 43 counties, county-level cities and municipal districts under the jurisdiction of Ganzhou, Ji'an and Fuzhou cities in Jiangxi, and Longyan and Sanming cities in Fujian.

Science-based assistance plans will be adopted to take into account the comparative advantages and development needs of the recipient areas, with the focus being on cultivating professionals, creating a sound business environment, and building industrial and innovation platforms.

The National Development and Reform Commission and the Organization Department of the CPC Central Committee will guide the assistance program.

Jinan pilot zone for upgrading industries

The central government has given the green light to Shandong province to introduce pilot reform measures in the provincial capital of Jinan to help industries to stop using outdated economic impetus and instead follow innovation-centric development to become new points of growth.

After making the decision, the State Council General Office released a circular on April 30 approving the plan to build a special zone in Jinan, which will promote innovation in urban development, protect the ecological environment, and improve institutions and mechanisms to promote sustainable high-quality development.

The Shandong provincial authorities have been asked to strengthen organization and leadership to ensure the effective implementation of the plan. And the National Development and Reform Commission will monitor and supervise the development of the special zone, and report major issues to the State Council in a timely manner.

ZHANG YUNBI