

Ministries redouble focus on services

Sector has driven economy since 2012, but reform needed to match global importance

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China's newly issued guideline for the development of the trade in the services sector is expected to help bring it in line with the information age and widen market access, boosting high-quality growth.

On Oct 27, in coordination with 23 other ministries, the Ministry of Commerce released a plan setting out goals for the development of the sector during the 14th Five-Year Plan (2021-25). It takes into account new developments and issues facing trade in services during the period.

According to the World Trade Organization, trade in services refers to the sale and delivery of intangible products like transportation, tourism, telecommunications, advertising, computing and accounting, among others.

The leading role of greater reform and opening up is given prominence in the new plan, which makes clear that deepening reform and opening up will be prioritized. Efforts in this regard will include widening market access for services, improving the cross-border trade in services, and building a platform to enable higher quality opening up.

Experts believe that a healthier, more robust growth of trade in services is critical to China's economic transition and sustainable growth, particularly as globalization has slowed since the world became preoccupied with the COVID-19 pandemic.

Noting that China's services sector has driven the country's economic growth since 2012, Guo Meixin, researcher at the Academic Center for Chinese Economic Practice and Thinking at Tsinghua University, whose focus of research is China's trade relations, said that stronger, healthier growth for the country's services sector is necessary for high-quality development and the transition toward a low-carbon economy, and that China has plenty of room to grow in this respect.

"Compared with the trade in goods, China's trade in services has long remained in deficit and is currently smaller in volume. Widening the scope of opening up not only requires efforts to lower barriers in the real economy, but also needs broader market opening. This will not only be conducive to upgrading trade in services, but will also help generate more job opportunities in the service sector," she said.

One highlight of the new guideline is that for the first time, digitalization was included as a development goal for the growth of the sector as the country has reached a new stage of development, and reliance on the internet to spur demand for trade in services is on the rise.

Guo believes that digitalization not only offers China a key means of overtaking other countries in economic growth, but also helps improve government service efficiency and public satisfaction.

The guideline noted the importance of reform and broader market access for all players. In particular, efforts will be made to issue and improve negative lists for the cross-border trade in services.

China's first such list came into



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effect in the Hainan Free Trade Port in August, and proposed special management measures for foreign providers offering services in cross-border settings. Areas addressed included national treatment, market access, local presence and cross-border financial services trade.

"The content of the new plan is aligned with the national goal of high quality growth and in particular, echoes the new context, which is digitalization," said Zhou Mi, a senior researcher at the Chinese Academy of International Trade and Economic Cooperation. "In mapping out a clear picture of development across sectors, the plan will provide guidance on cooperation and synergy across departments, which is conducive to nurturing the

stable, sustainable growth of trade in services."

Zhou believes that the demand-driven fast growth of technology has helped the sector better cater to market needs, and that enterprises will now be able to shift their focus to the services that they provide.

"And as the key to economic transition is about the allocation of productive factors, a more advanced growth of trade in services will be important to conventional manufacturing businesses in leveraging strength and capturing new opportunities and overall to improving China's quality of growth," he said.

Last year, China's trade in services dropped 15.7 percent year-on-year to 4.56 trillion yuan (\$707 billion) mostly due to the effects of the pandemic

on tourism, but the service trade deficit continues to narrow, according to the Ministry of Commerce.

Guo believes that uneven growth across sectors is also a prominent issue facing the sector.

"Statistics show that there is an imbalance in the structure of China's trade in services, as tourism and transportation now account for about half of the trade volume," she said.

"The share of knowledge-intensive services in China's total service value-added exports is increasing, but the share of foreign content remains high, at over 30 percent. Much effort is needed to drive its growth to enable the sector to grow in a healthier, more sustainable manner"

Regional imbalance, financial incentives included in new guideline

By ZHANG YUE
and ZHU LIXIN in Hefei

Excluding tourism, a sector that was dealt a heavy blow by the COVID-19 pandemic, in the first eleven months of 2020, China's trade in services rose 2.2 percent year-on-year, according to data from the Ministry of Commerce.

While such growth was notable in a year when the impact of COVID-19 was most pronounced and international trade in general was severely disrupted, experts believe there are still weaknesses in China's current development of the sector that need to be shored up.

Guo Meixin, a researcher at

Tsinghua University, pointed out that one prominent issue is the uneven development of the sector across regions. The majority of trade services cluster in megacities like Shanghai and Beijing, and the eastern coastal regions.

"Regional imbalances in the development of the trade in services are closely related to regional levels of economic development and opening up," she said. "In 2019, eight of the country's top 20 cities in terms of total GDP were also among its top 10 cities in foreign trade, all of them eastern coastal cities. The uneven growth of trade between regions has brought about regional imbalances in incomes and economic growth,

creating income gaps between eastern, central and western regions."

Guo believes that one solution would be to improve the competitiveness of transportation. Efforts should be made to increase the construction of infrastructure, particularly as related to the digital economy, and to develop service trade formats and models with comparative advantages, while enhancing technology and capital investment. Local governments, particularly in the western and central regions, need to work to attract talented individuals to the sector and to accelerate the sector's transformation and upgrading through digitalization.

Li Shunbo, an executive responsible for engineering projects with the publicly traded Anhui Jiangnan Chemical Industry, said that as a manufacturing plant and service provider operating globally, the company has been working actively in recent years to grow business more closely with trade in services, and has made efforts to develop new service-oriented business. He said the new national guideline places an incentive on this kind of development.

"Our company's growth has accelerated in the process of turning from manufacturing to services. For example, digitalization and the Internet of Things have become

integral to our growth in the past few years, and the new guideline has shed light on this," he said, adding that the company will do more to embrace the trend.

Li was delighted that the plan contains more financial support for trade in services companies.

"The guideline said that policy support will be provided to encourage financial institutions to create new products and services catering to the needs of trade in services businesses, and to widen the scope of asset-light trade in service enterprise loan collateral. These will greatly help us with our financing woes when it comes to loan applications," he said.

Policy Digest

Cram school activities to be closely tracked

Education authorities have been asked to create a mechanism to identify, verify and keep track of all cram schools to make sure none escape oversight by the national watchdog.

The decision was announced in a circular issued by the Ministry of Education on Oct 27.

It comes at a time when the country is seeking to ease the burdens of excessive homework and off-campus tutoring placed on elementary school and junior high students.

The ministry has asked provincial-level educational authorities to confirm "the exact number of off-campus training institutions in their catchment areas".

All cram schools were required to register through the ministry's online platform for after-school training management by Sunday.

Local authorities must then verify the information each has provided and track their operational status from Nov 15 onward.

Cram schools are further required to update information regarding their teachers, teaching materials, funds and other matters through the platform in real time.

From middle of this month, the ministry will carry out random checks to ensure that progress is being made, and will issue special briefings in cases under scrutiny and on the quality of data that has been collected.

Authorities have already rolled out strict regulations to deal with after-school training enterprises.

In late May, authorities ordered comprehensive oversight of off-campus training institutions and cracked down on unlawful operations, false advertising, profiteering and improper links with schools.

Real online identity registration mullied

While internet users remain free to decide whether their user names include their real names or not, they must provide proof of identity when registering for online platforms, according to a draft regulation released on Oct 26.

The Cyberspace Administration of China has since begun soliciting public opinion on the draft.

If passed, netizens will be prohibited from signing up for accounts with user names based on Party, government and military organs, enterprises, public institutions and people's organizations.

Users will also be banned from creating misleading aliases related to news media or other news service providers.

The draft also requires internet service providers to ensure that minors registering for online accounts have the permission of their guardians, and must verify the identities of both the minor and their guardian.

The draft also laid out the responsibilities of online service platforms, including ensuring the security of personal information collected and stored on servers.

16 provinces increase pension payments

This year, 16 provincial-level regions increased base-level pensions for both urban and rural residents, the Ministry of Human Resources and Social Security said on Oct 27.

According to the ministry, they have raised levels by a maximum of 100 yuan (\$15.70) per month, benefiting more than 72 million elderly people.

As of the end of last year, over 542 million citizens were covered by the national pension scheme, most of whom were rural residents.

The ministry added that over the next five years, China will increase payments step-by-step to improve livelihoods.

ZHANG YUNBI