

China's Service Sector Development and Policy

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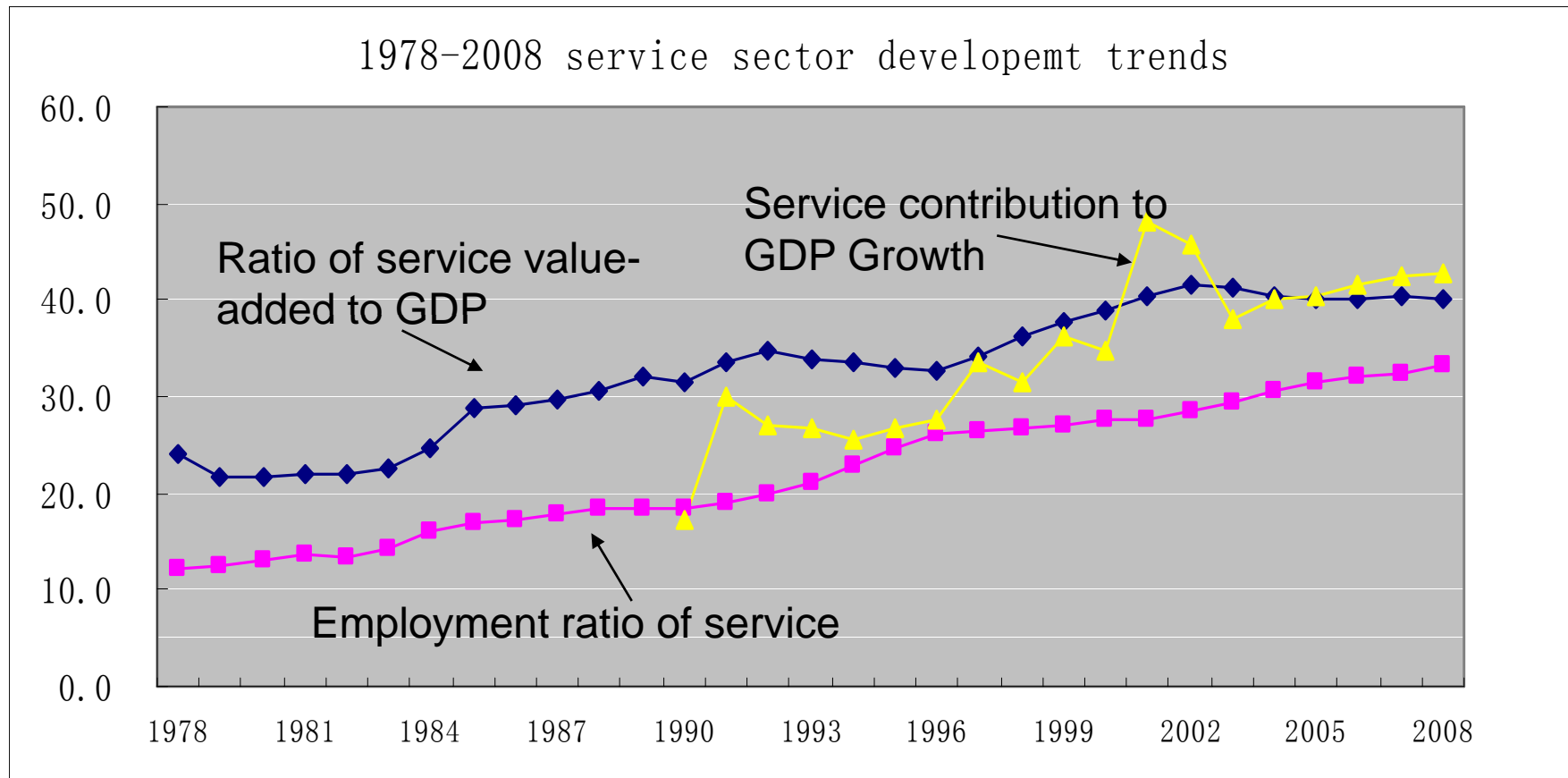
The State Council of P. R. China

China's Service Sector Development and Policy

- I. Main Development Features and Problems
- II. Restricts and Obstacles Existed in China's Economic Institutional Arrangement and System
- III. Effects of Recent Policy Measures to Promote Service Sector Development
- IV. New Policy Thinking and Recommendation

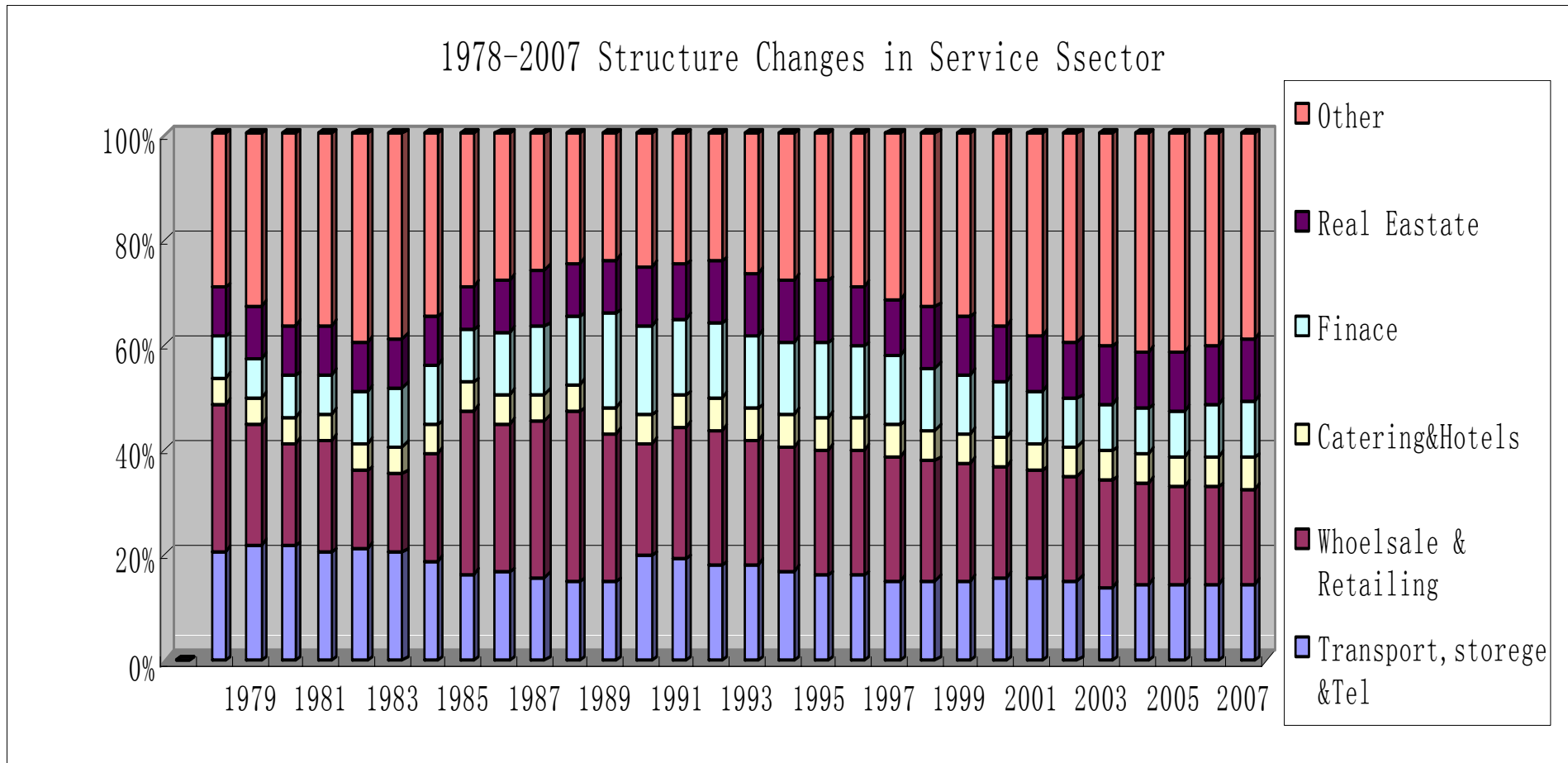
Main Development Features

1. The increasing contribution of service sector in China's economic development



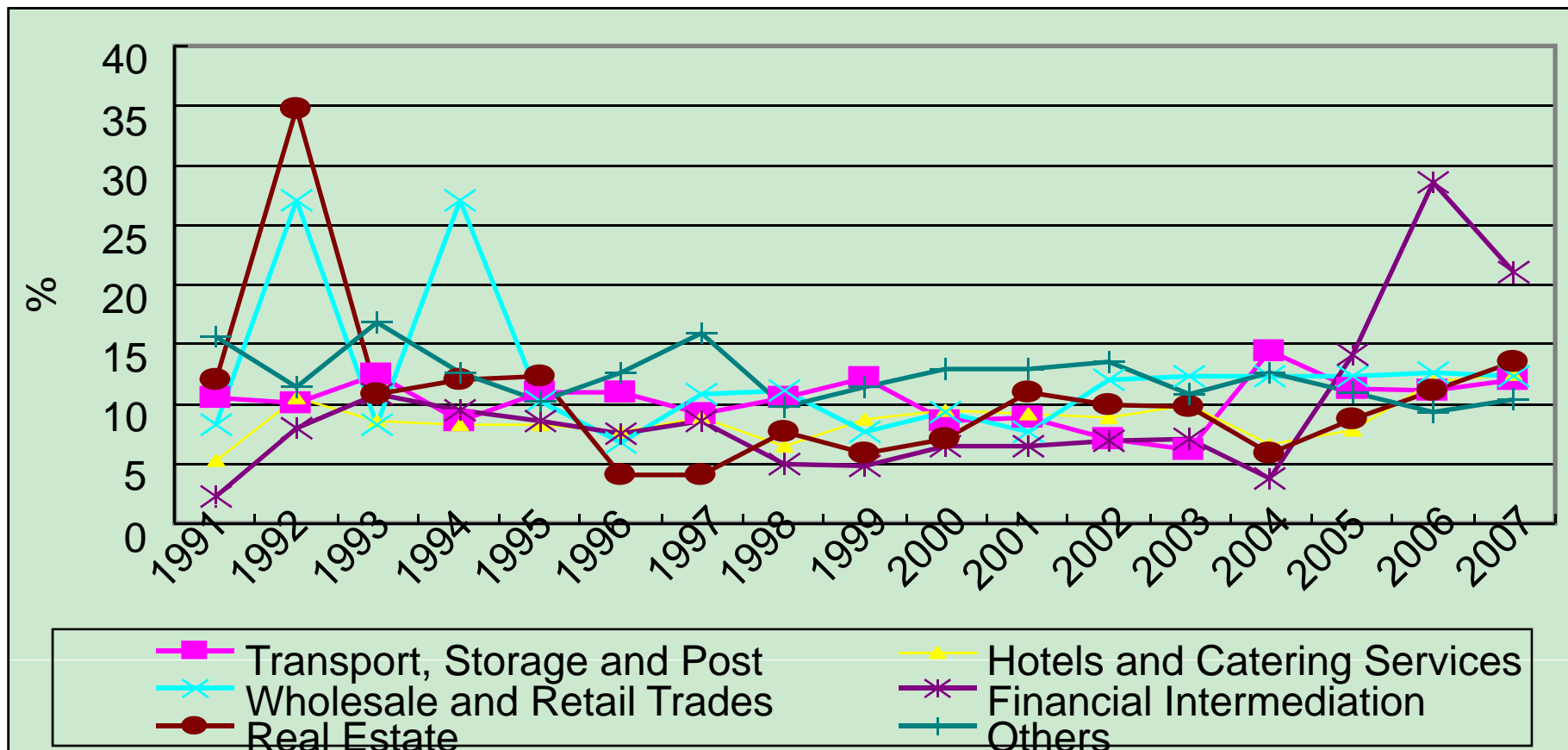
Main Development Features

2. Active changes in the service sector structure



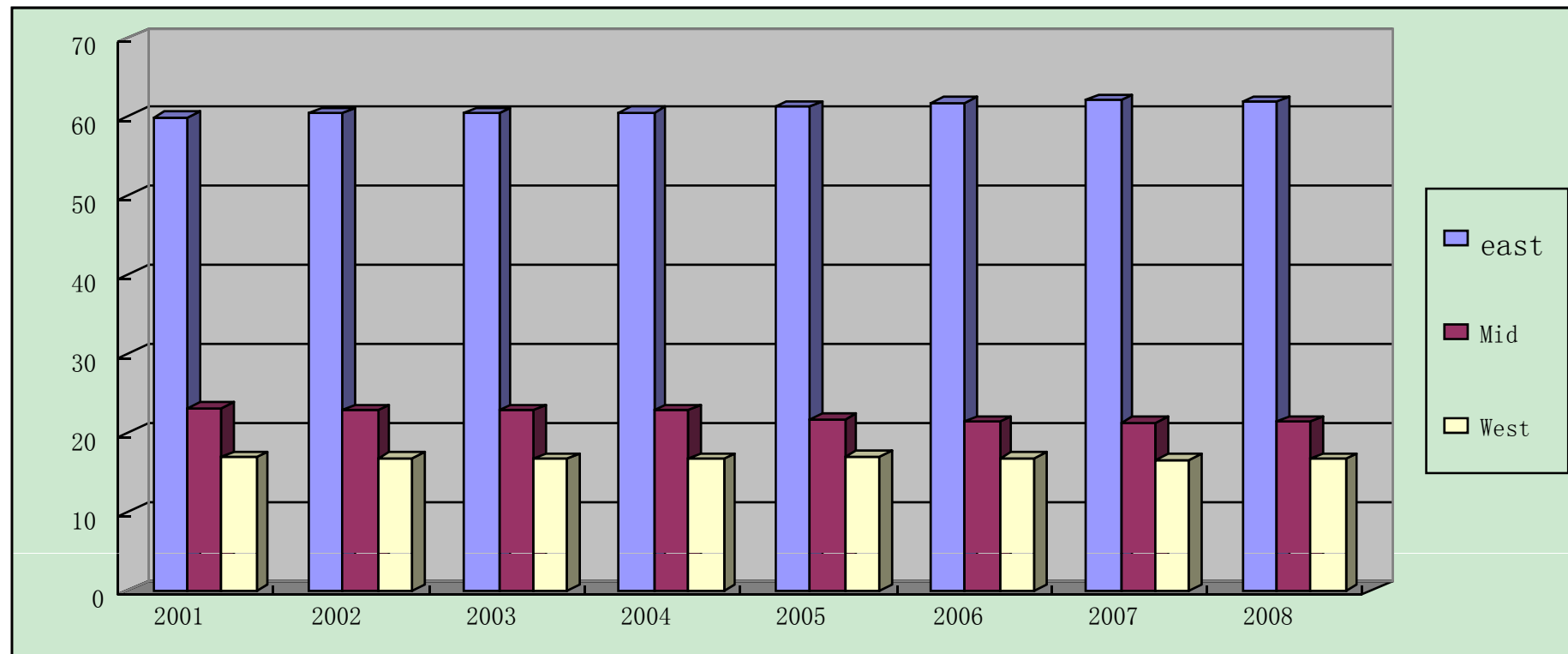
Main Development Features

2. Active changes in the service sector structure



Main Development Features

3. Conglomerate development in east region and in big cities



Ratio of service value-added to GDP for big cities

City	Ratio	City	Ratio
Beijing	72.09	Chengdu	47.68
Lhasa	68.31	Kunming	47.30
Haikou	64.96	Taiyuan	47.22
Urumchi	59.42	Guiyang	47.02
Guangzhou	58.41	Shenyang	46.54
Hohhot	56.62	Hangzhou	45.85
Shanghai	52.58	Xiamen	45.57
Guyuan	51.74	Hefei	45.24
Xi'an	51.52	Yinchuan	44.56
Lanzhou	50.57	Zhengzhou	43.94
Nanning	50.40	Xining	43.87
Wuhan	50.06	Fuzhou	43.17
Jinan	48.95	Chongqing	42.40
Changsha	48.70	Tianjin	40.54
Harbin	48.69	Nanchang	39.49
Nanning	48.42	Shiiazhuang	34.93

Main Development Features

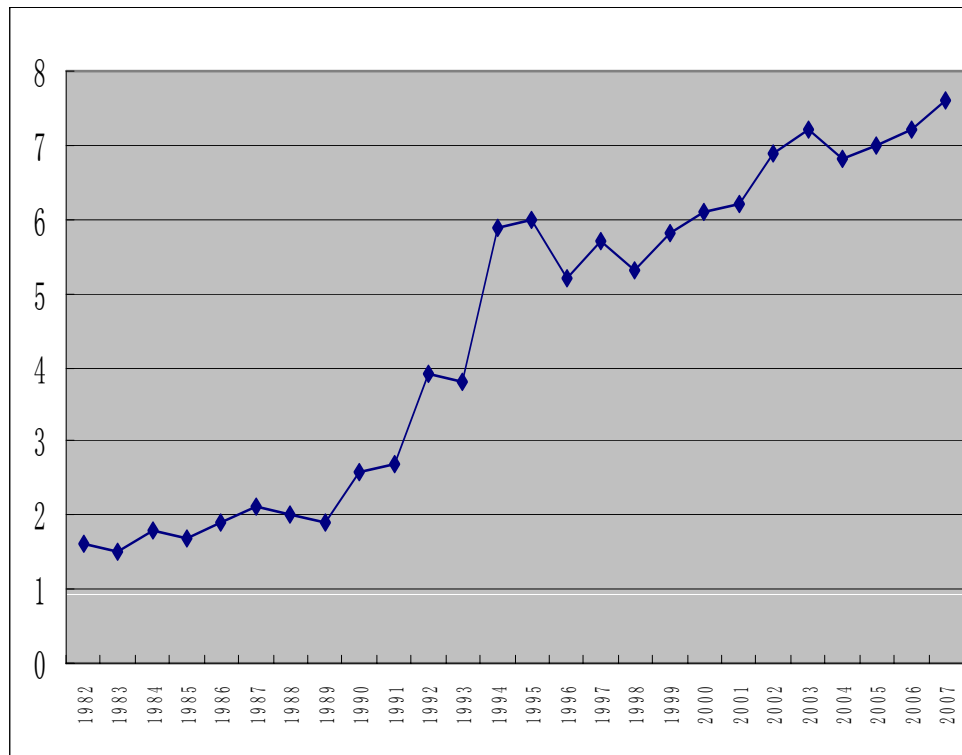
4. Fast developing trade in service and show increasing demand for international market



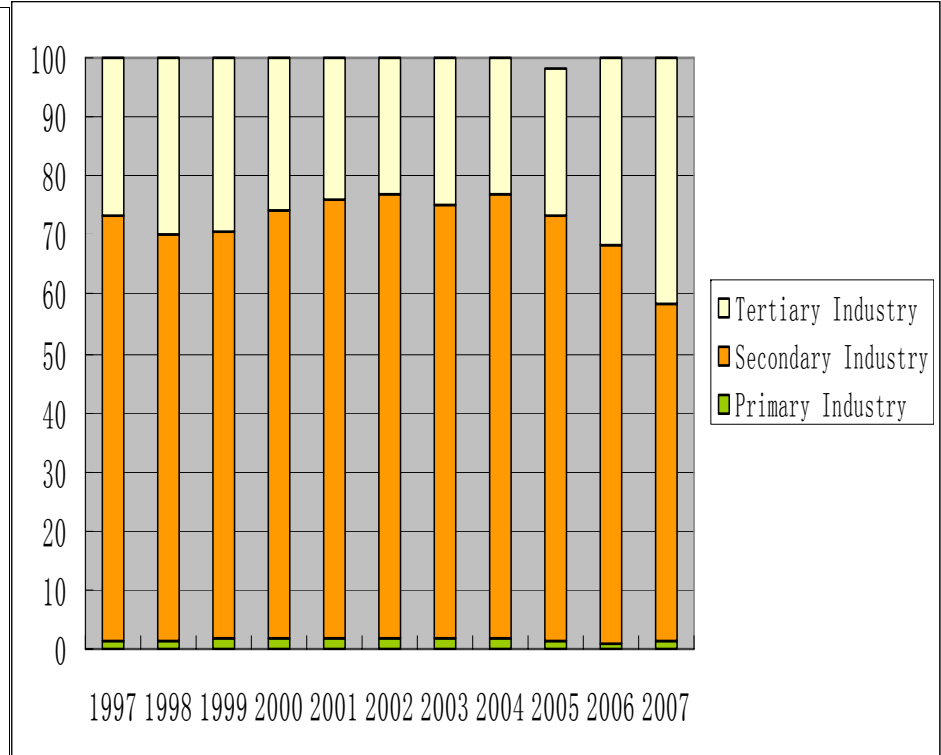
Main Development Features

4. Increasing degree of openness in service sector

Ratio of trade in service to GDP

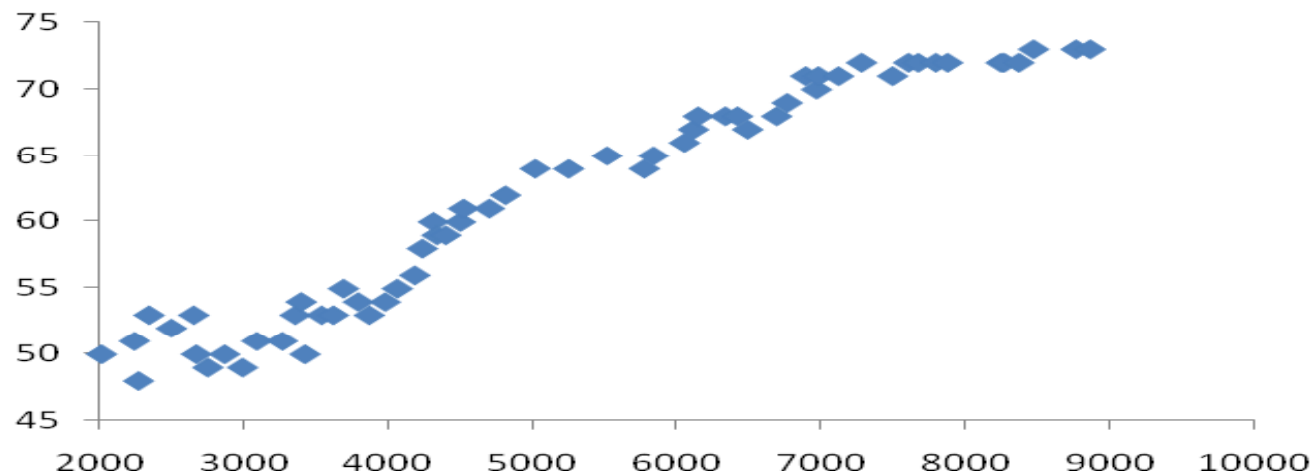


Ratio of FDI for different sector



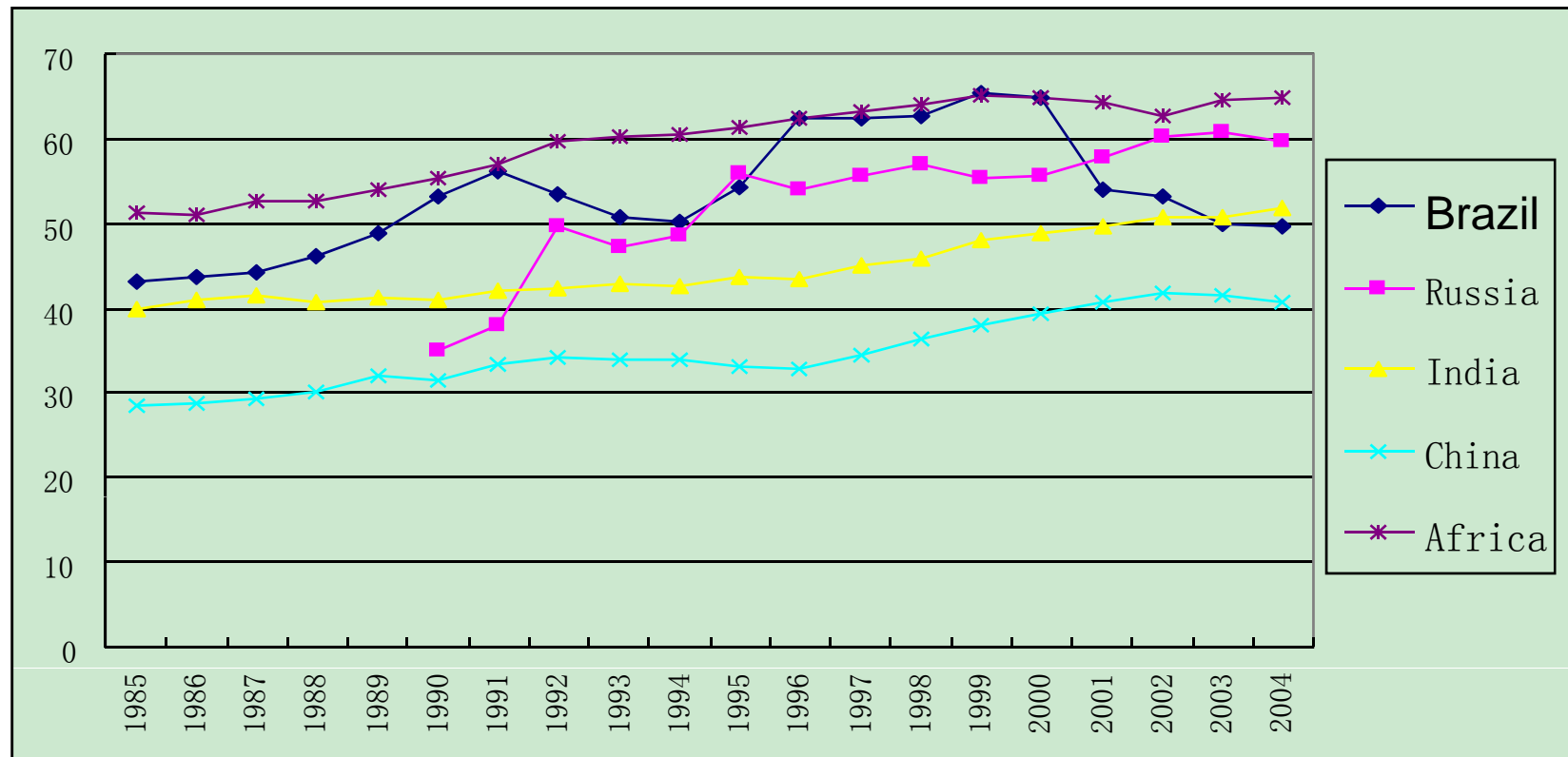
Main Development Problems

1. China is still at the initial stage of service economy



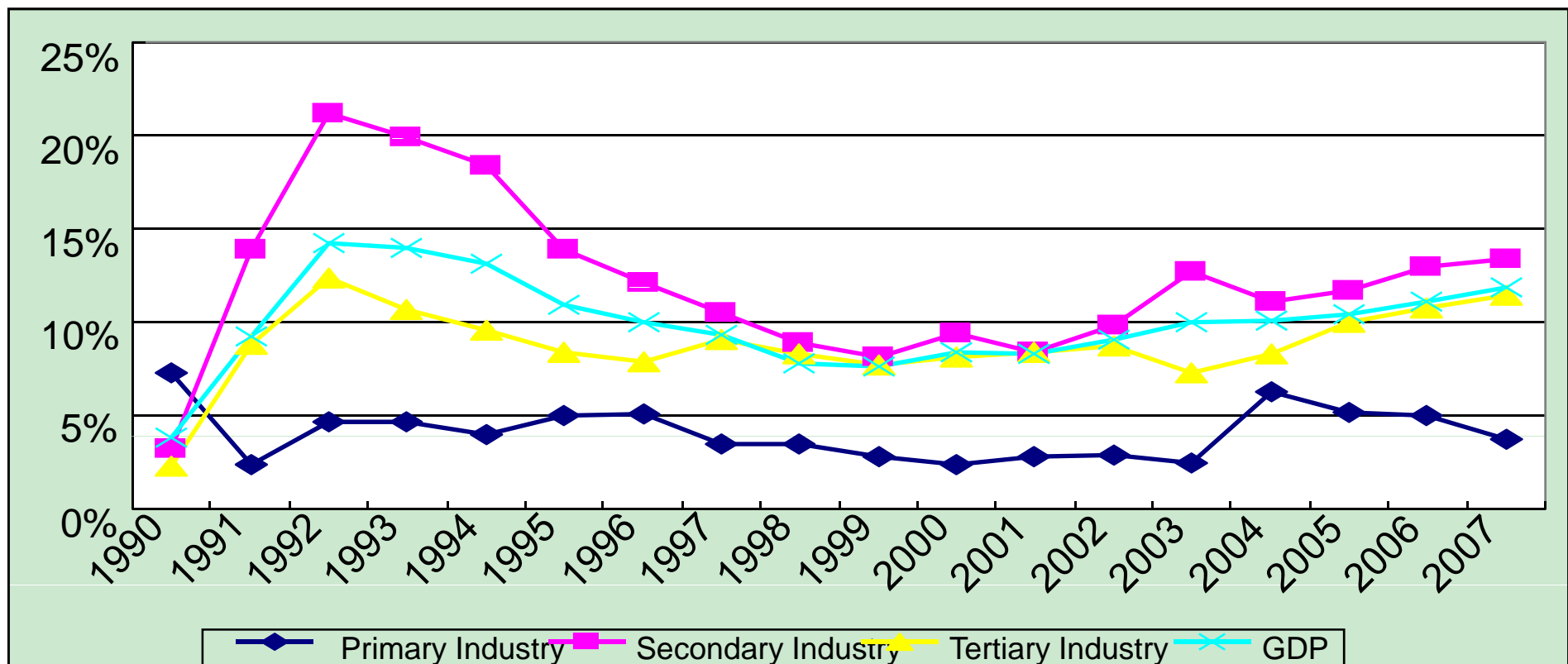
GNI per capita and ratio of service in GDP

China is still at the initial stage of service economy



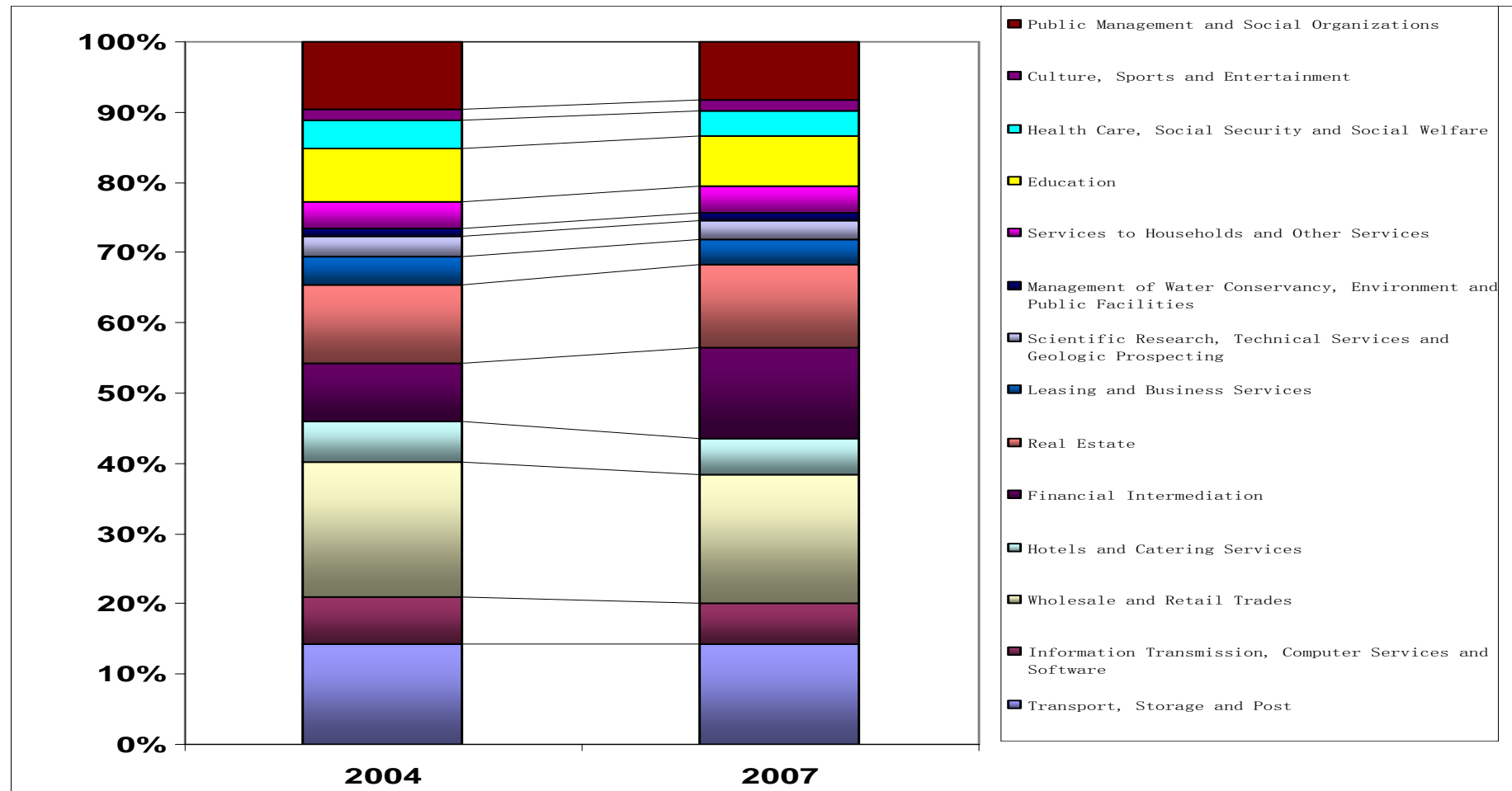
Main Development Problems

- Lagged behind the GDP growth and manufacturing sector



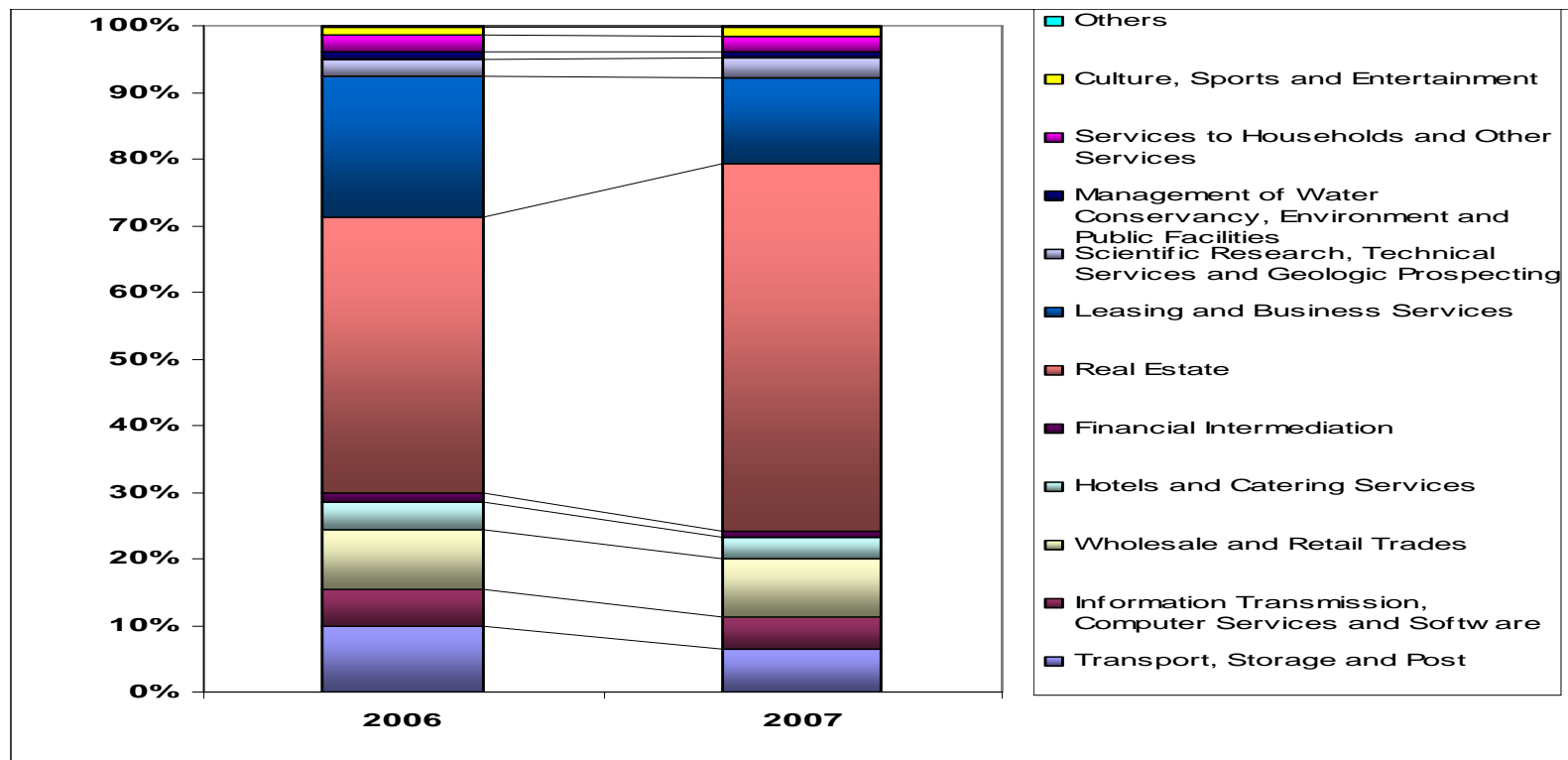
Main Development Problems

3. Service structure need to upgrading



Main Development Problems

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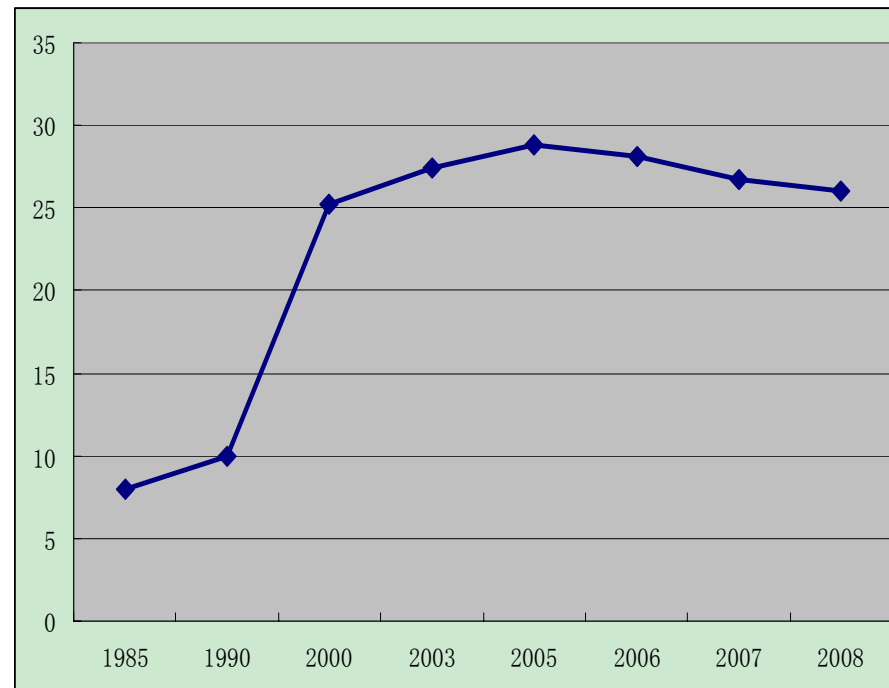
2005-2007 FDI in service sector in China

Main Development Problems

4. Shortage of service demand both from individuals and industry

In manufacture sector, the ratio of service input to total has been decreased from 13.5% in 1992 to 12.2% in 2002.

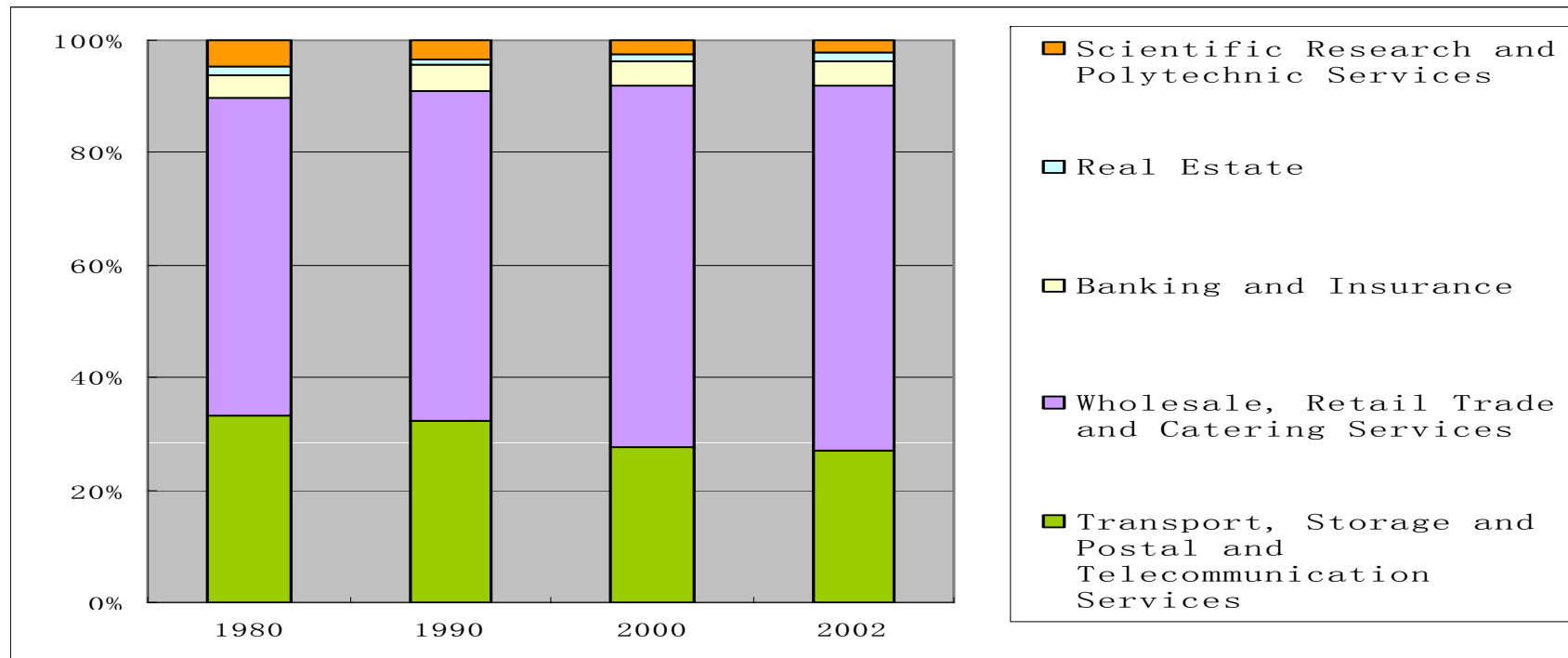
Compared with developed countries, such ratio has been increased from 12% in 1970 up to 22% in 2000.



ratio of household service expenditure

Main Development Problems

5. Low ability to create employment for most of service industries

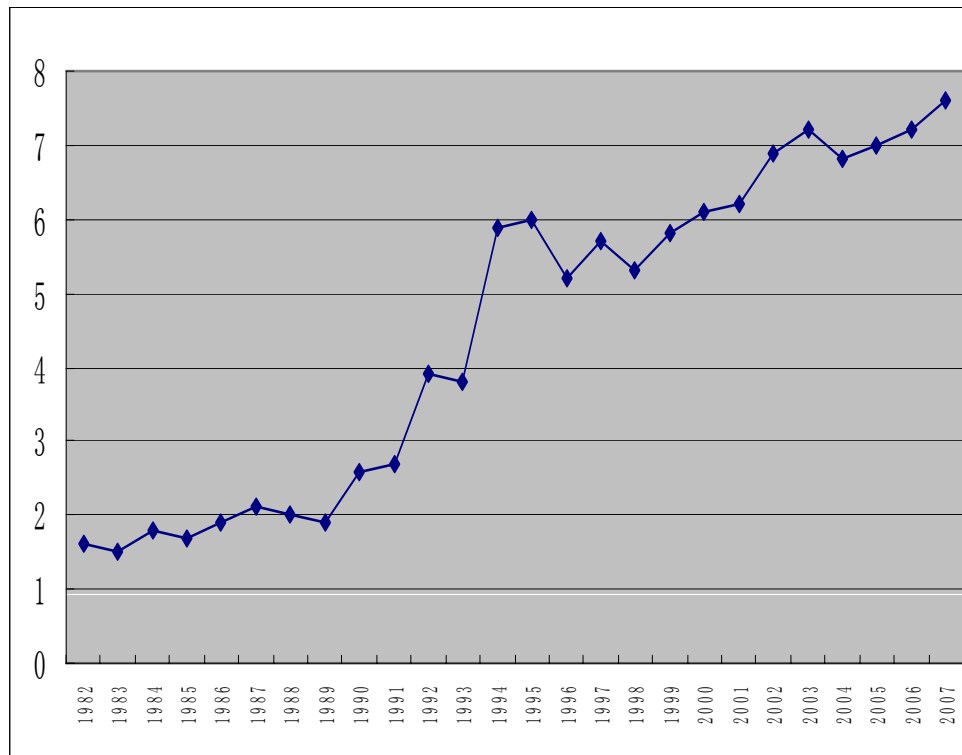


Proportion of Labor Force by Service Industry

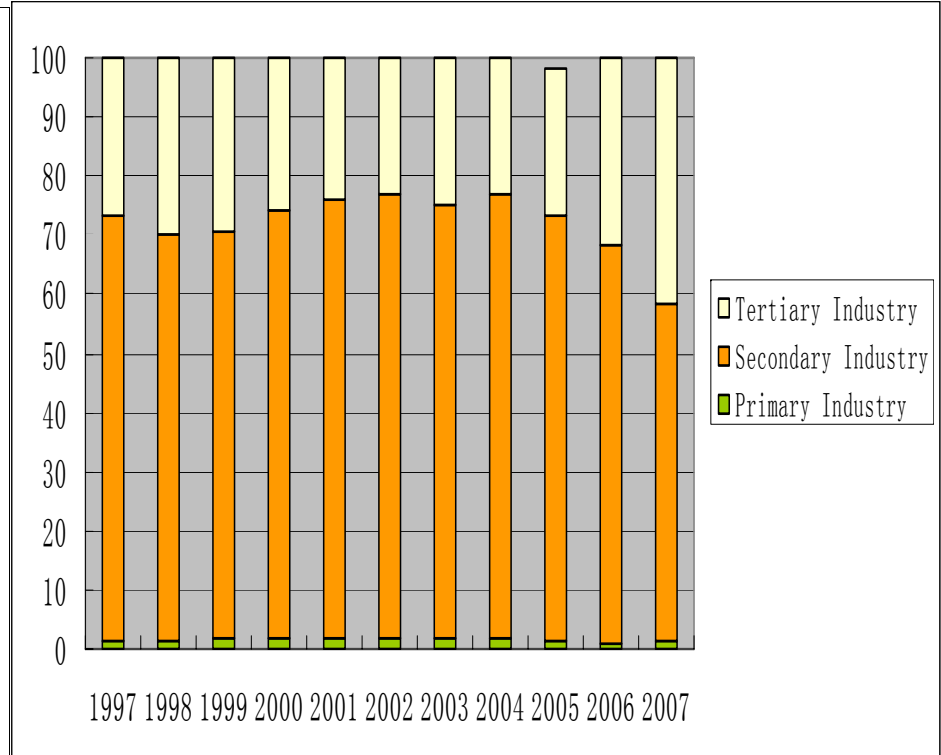
Main Development Problems

5. Low degree of openness in service sector

Ratio of trade in service to GDP



Ratio of FDI for different sector

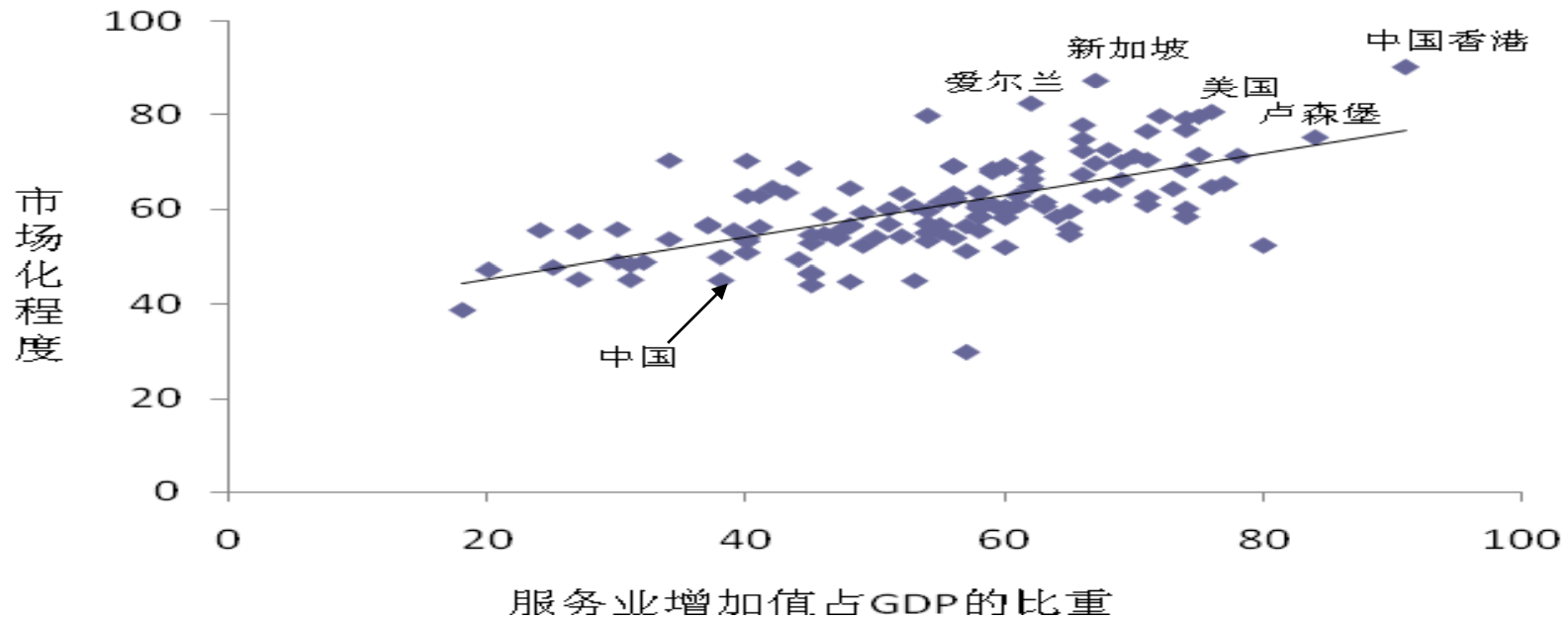


Institutional Restricts and Obstacles Existed in Service Sector

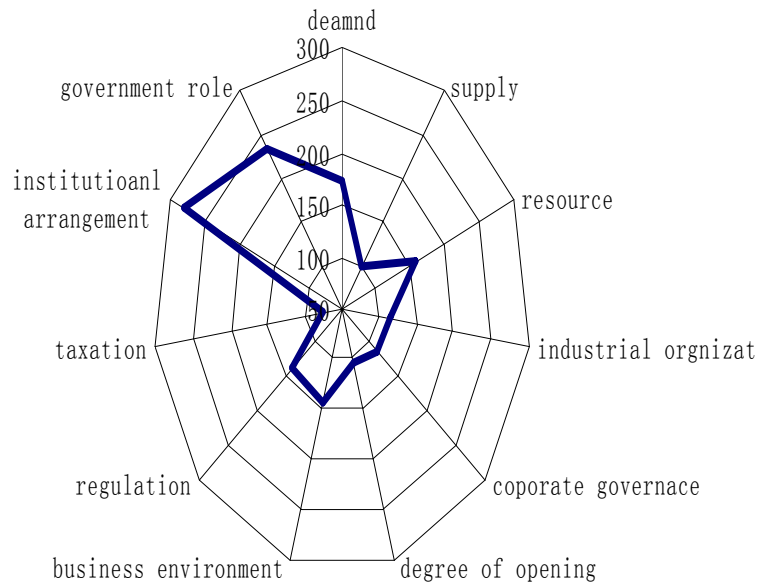
1. Weakness of Market-oriented in Service Sector

- Government monopoly
- Over regulated
- Shortage of law and legislation

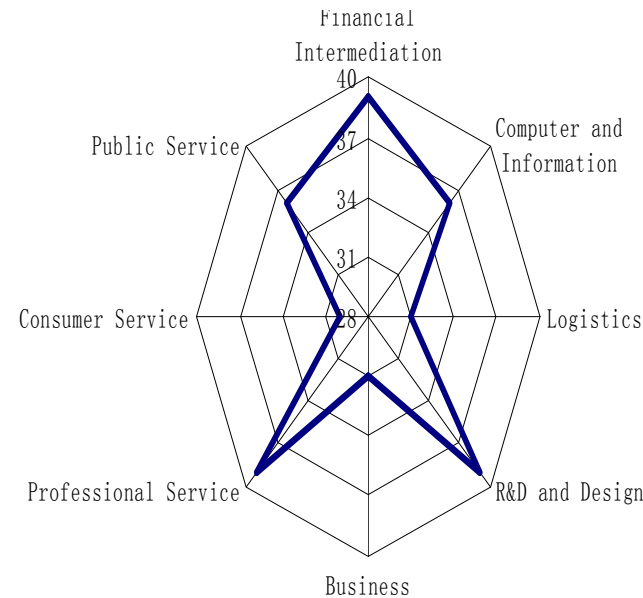
Degree of marketization and service development



Institutional arrangements and service development



Major Factors affect service sector



Institutional arrangements and different service Industry

Institutional Restricts and Obstacles Existed in Service Sector

2. Heavy government intervention

- Departmental and regional barriers
- Administrative approval
- Price control

Institutional Restricts and Obstacles Existed in Service Sector

3. Policy and institutional arrangement in favor of manufacturing
 - Policy priority
 - Taxation
 - Financing
 - GDP evaluation

Effects of Recent Policy Measures on Service Sector Development

Main policy measures of central government

Different priority and policy by selected
province government

Policy effects need to improve

New Policy Thinking and Recommendation

- Market orientation reform
- Improve service market
- Foster market player esp. the private sector
- Focus on big cities
- Increase openness
- Improve human resource
- Strength development capability

New Policy Thinking and Recommendation

- Traditional labor-intensified service industry VS knowledge-based service
- Producer service VS individual service and social service
- Big cities VS everywhere
- Private products VS public products