

Export of Services and Economic Growth: Needs and Opportunities for China

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objectives of the study 1/3

- (i) to analyze the existing status of liberalization in financial and telecommunication sectors in China focusing on regulatory framework, market structure and policy changes and their effect on performance;



objectives of the study 2/3

- (ii) constructing service trade restrictiveness index (STRI) to assess degree of openness in these sectors;

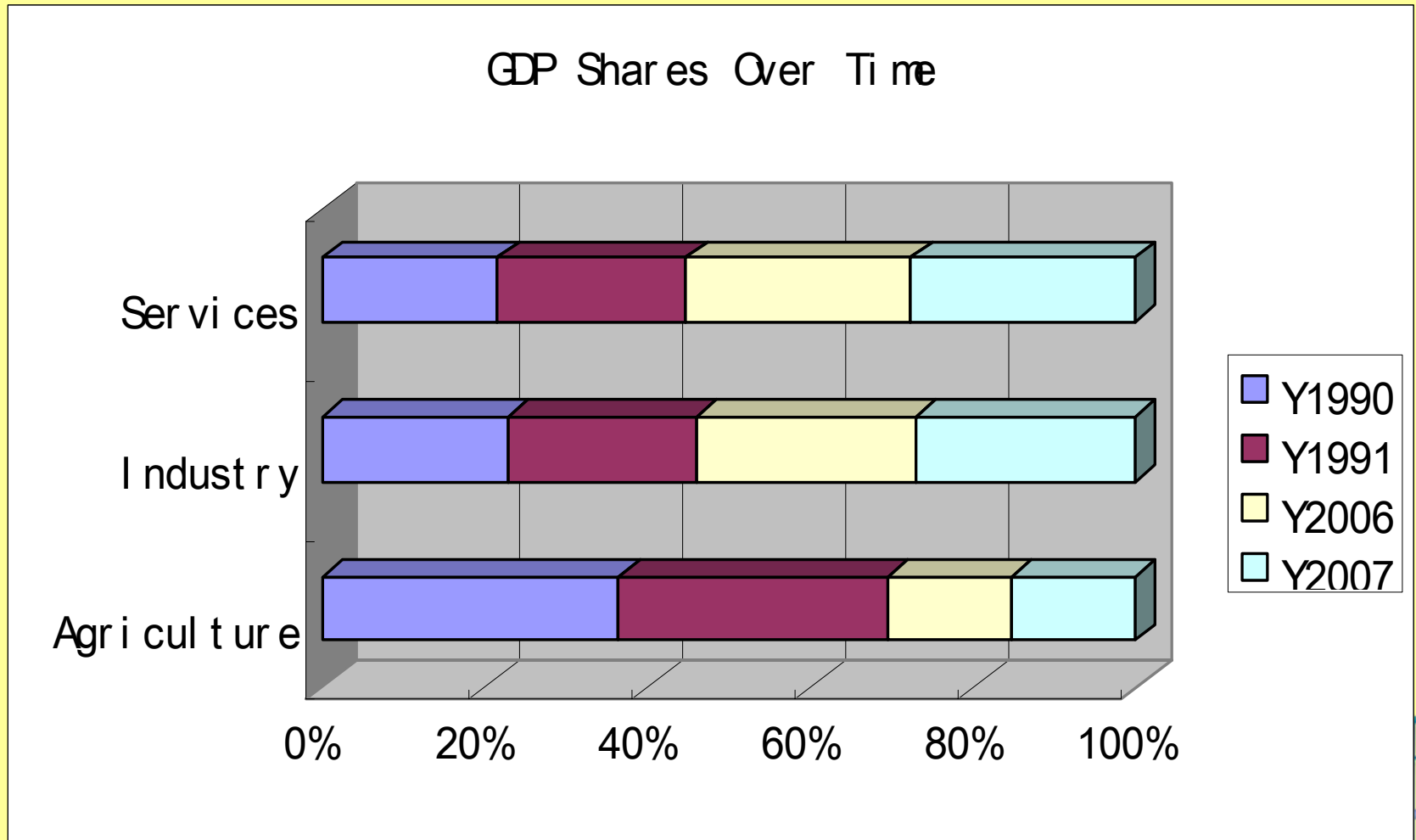


objectives of the study 3/3

- (iii) to investigate potential benefits and contributions that may be expected from liberalization.

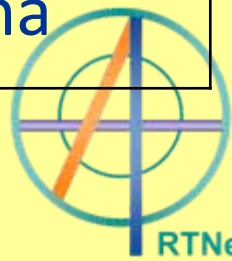


Share of Service Sectors in Gross Domestic Product



Liberalization in Service Sectors in China --Regulatory institution

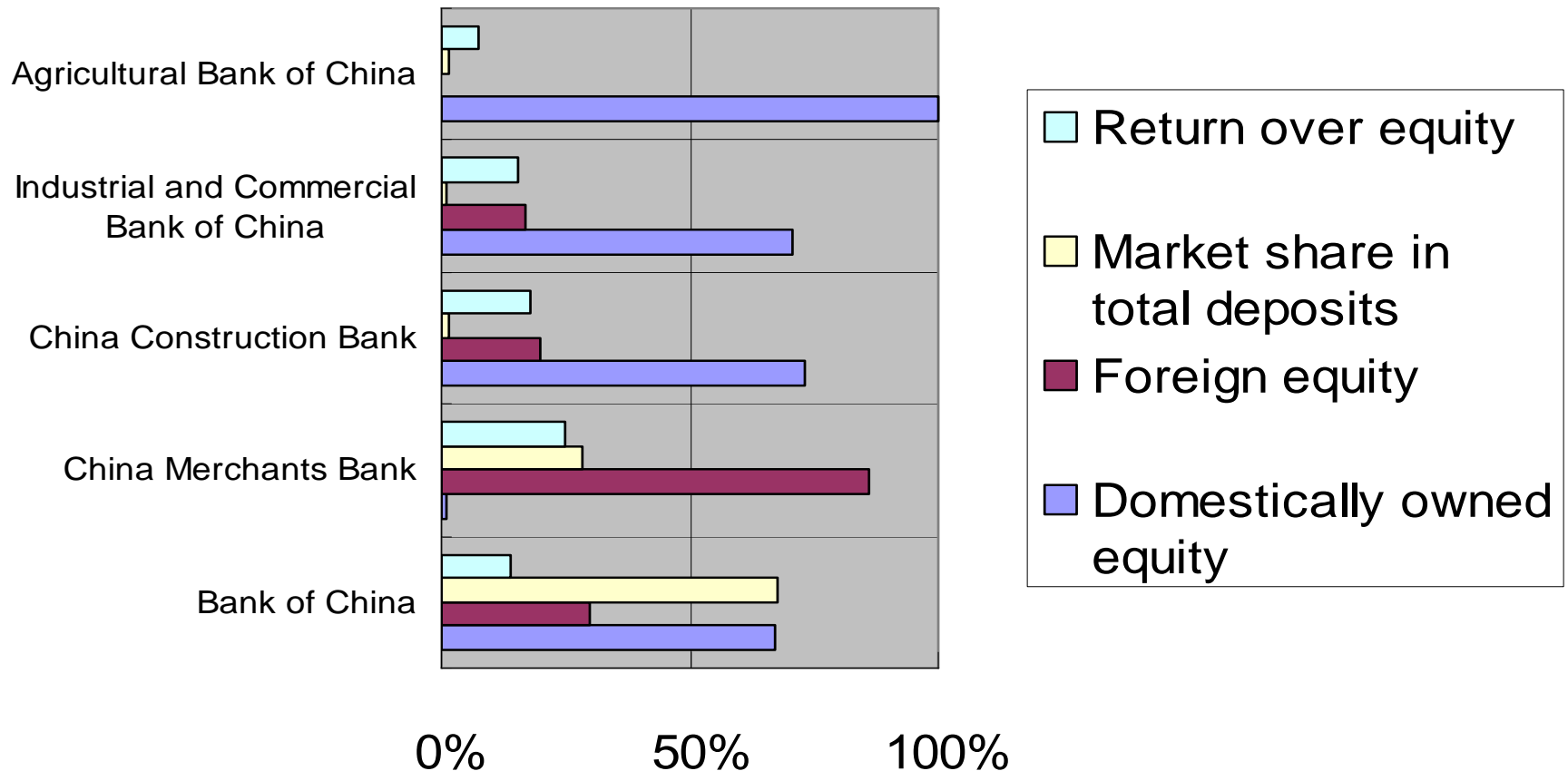
Banking	China Banking Regulatory Commission
Insurance	China Insurance Regulatory Commission
Maritime transport	Ministry of Communication and Transportation
Air transport	Civil Aviation Administration of China



Market Structure and Performance

-- Market of Deposit

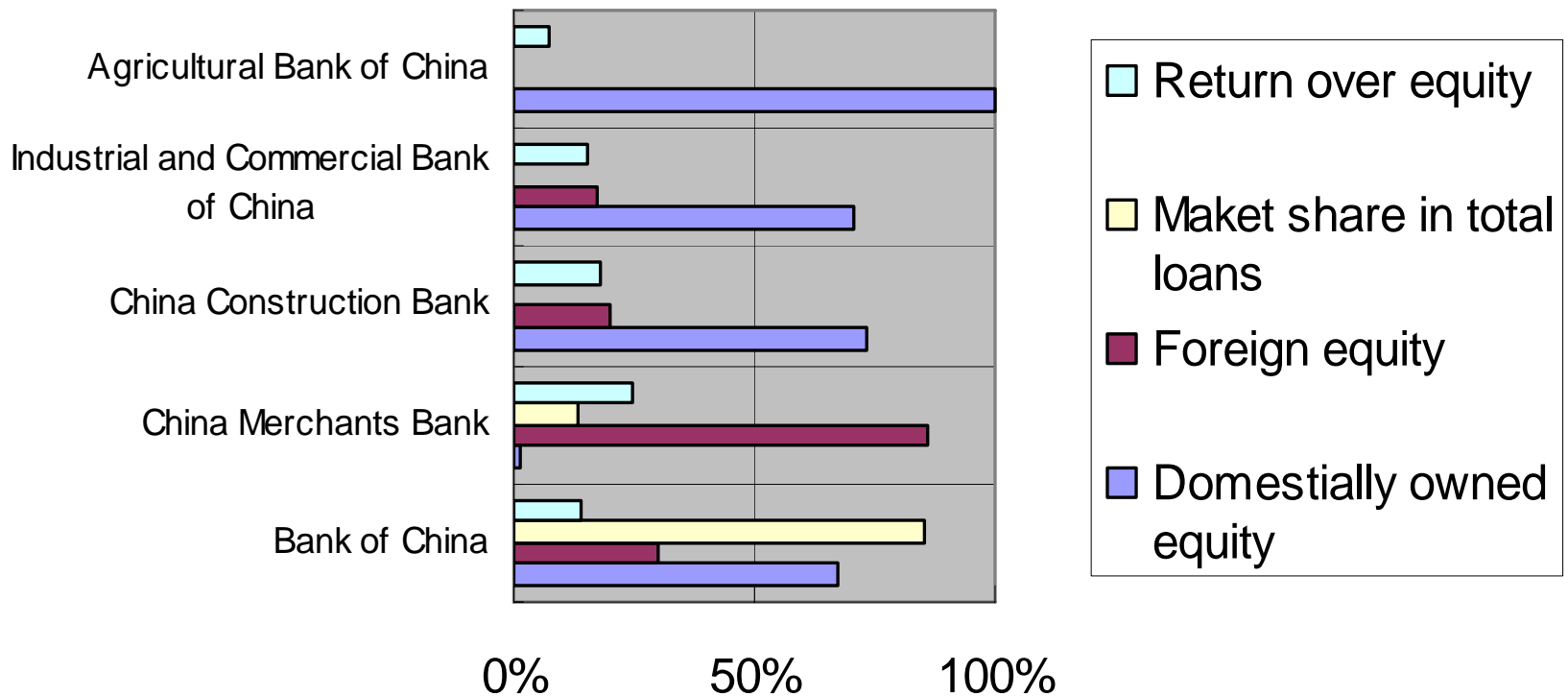
5 largest banks in China



Market Structure and Performance

-- Market of loans

5 largest banks in China



Changes in Policy – Banking 1/2

- **1. the amendment on the financial management of the permit decision (July 2007)**

To delete Article 15, 16; article 2, paragraph 2 is amended as follows:

"Financial permits issued, replacement, such as suspension of the exercise by the CBRC in accordance with the law, any other unit or individual may exercise these powers. Article 5 is amended as follows:" Banking Supervision committee or its branches' decisions need to be presented to financial institutions, permit renewal shall be permitted within 10 days from the date of issue to the applicant. "

- **2. the amendment of <People's Republic of China Law on Commercial Banks> (December 2003)**

The establishment of national commercial banks require the minimum registered capital of 1 billion Yuan. To establish the City commercial banks required minimum amount of registered capital of 100 million Yuan, and 50 million Yuan as for rural commercial banks set up.



Changes in Policy – Banking2/2

- **3. Management of the People's Republic of China foreign-funded banks (November 2006)**

Foreign-owned banks and foreign joint venture banks in the People's Republic of China , should be capable to not less than 100 million Yuan or the equivalent amount in freely convertible currency in working capital.

- **4. Newly revised "People's Republic of China foreign-funded financial institutions regulation" (September 2004)**



Liberalization in Telecommunication Sector -- Regulatory institution

Fixed line services	Ministry of Industry and Information Technology
Mobile services	
Internet services	



Changes in Policy 1/2

- The establishment of the Ministry of Industry and Information Technology 1998

The telecommunications industry policy would separate government function from enterprises implementation process. Telecommunications companies should behave as market component to be in competition.



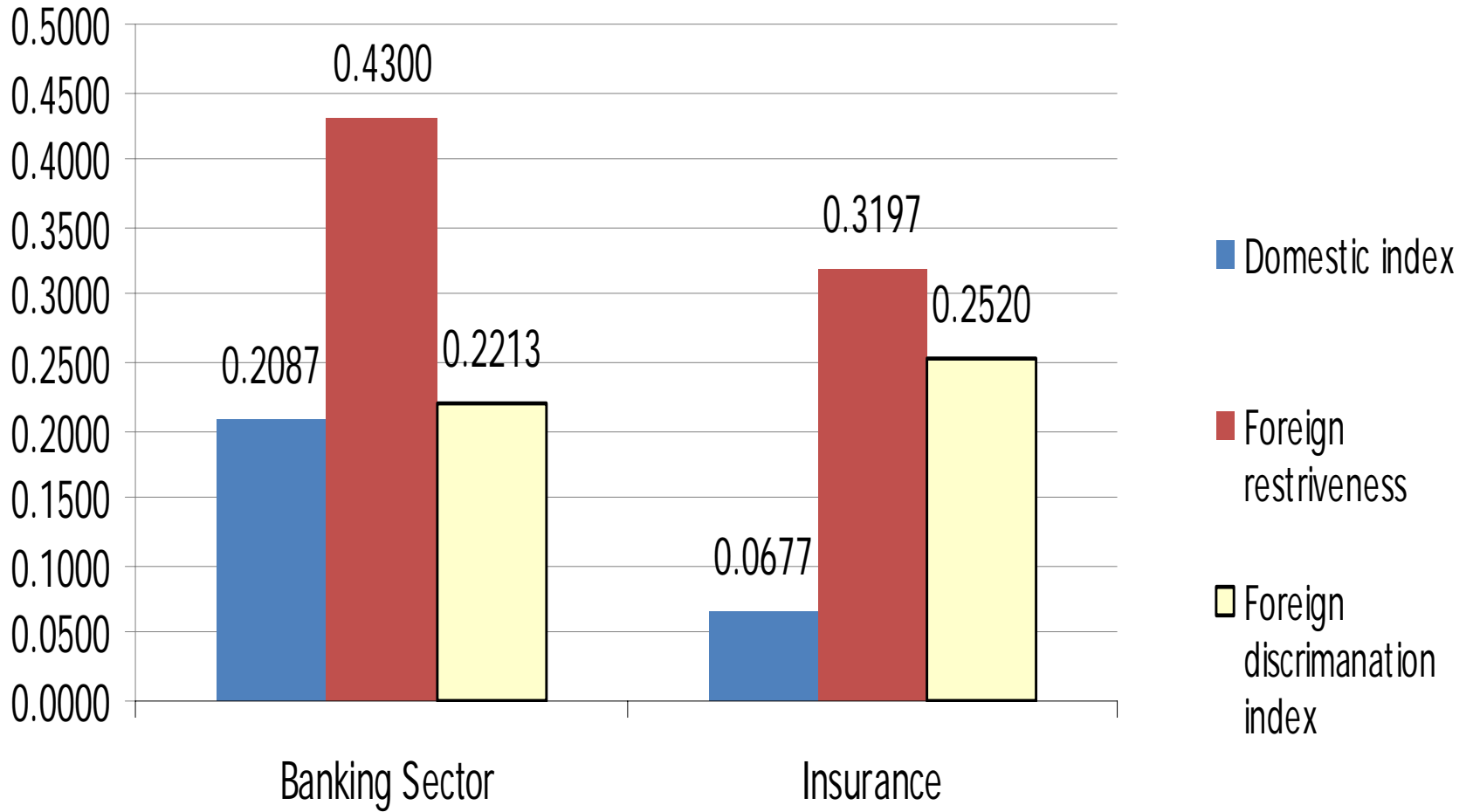
Changes in Policy 1/2

- Foreign-invested telecom enterprise management requirements 2002

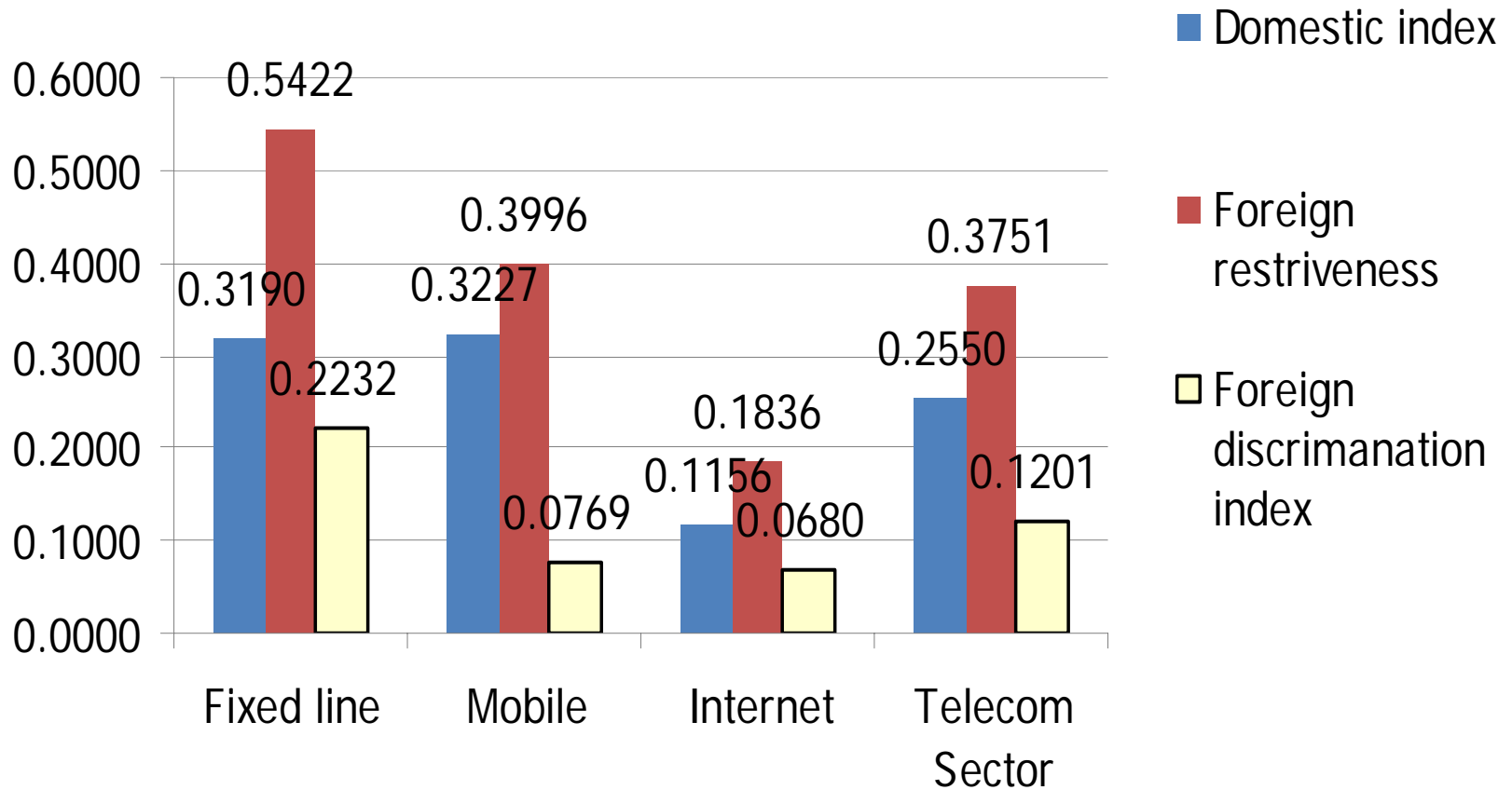
Allow to establish foreign-invested telecommunication enterprises. Foreign-invested joint ventures can only be the way to enter China's telecommunications market .



STRI China



STRI China



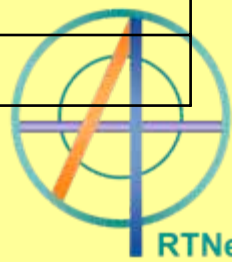
Fixed Line

Weight	FR	FDR	Restrictions on Commercial Presence
0.200	0.150	0.075	Licensing of fixed line services
0.100	0.050	0.000	Form of Commercial Presence
0.200	0.007	0.003	Direct Investment: equity participation permitted
0.100	0.100	0.050	Direct Investment: restrictions on certain types of services
0.100	0.100	0.050	Joint venture arrangements
0.020	0.008	0.008	Permanent movement of people
			Other Restrictions
0.100	0.050	0.000	Third party resale of lease line
0.050	0.025	0.013	End user tariff
0.050	0.025	0.013	Regulation of network interconnection
0.050	0.025	0.013	Market structure
0.020	0.000	0.000	Composition of board of directors
0.010	0.003	0.000	Temporary Movement of People
	0.5422	0.2238	STRI fixed line(SUM)



Mobile

Weight	FR	FDR	Restrictions on Commercial Presence
0.200	0.150	0.000	Licensing of mobile phone services
0.100	0.100	0.000	Form of Commercial Presence
0.200	0.004	0.002	Direct Investment: equity participation permitted
0.100	0.000	0.000	Direct Investment: restrictions on certain types of services
0.100	0.050	0.025	Joint venture arrangements
0.020	0.008	0.004	Permanent movement of people
			Other Restrictions
0.050	0.000	0.000	Regulation of interconnection between fixed line and mobile or between mobiles
0.100	0.050	0.025	End user tariff
0.050	0.010	0.005	location of radio spectrum
0.050	0.025	0.013	Market structure
0.020	0.000	0.000	Composition of board of directors
0.010	0.003	0.003	Temporary Movement of People
	0.3996	0.0760	STRI mobile (SUM)



Potential Influences

improve quality of services
reduction in price of services
efficiency in production/distribution
reduction in services input cost
enhanced competition
increase in entrepreneurship
increase in employment
transfer of technology
increase government's revenue
decreases effectiveness of central bank's policy
decline in domestic firms' market share
attract foreign direct investment
improve social welfare
improve social cost



Recommendation

- There should be a consultation mechanism set up for policy maker to understand the needs and interests of different stakeholders, especially the perspective of business sector to make a progressive liberalization.



Thank you!

