

(Translated from Chinese)

Keynote Address Delivered by Li Keqiang at the 2nd China Beijing International Fair for Trade In Services and the Global Services Forum Beijing Summit

Making the Service Sector the New Engine for Sustainable Economic and Social Development

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Premier of the People's Republic of China State Council, Li Keqiang
(29 May 2013)

Distinguished President Rajapaksa, Prime Minister Bainimarama, President Shein, Deputy Prime Minister Shanmugaratnam, dear guests, friends, ladies and gentlemen:

It is a pleasure to be with you all here in Beijing attending the 2nd China Beijing International Fair for Trade In Services and the Global Services Forum Beijing Summit. This event is focused on the growing service sector, promoting exchange and cooperation in trade in services amid the strong trend towards economic globalization, and furthering reciprocal openness in services among all countries, as this can play a very positive role as a new engine for economic growth in the context of thorough global economic restructuring. On behalf of the Chinese Government, I congratulate you on the opening of the Fair and the Summit. I welcome all our distinguished guests who have travelled far to be here.

The current global economic recovery is an arduous and complicated process, and there are still many uncertain and changing factors. At the same time, a new bright spot has emerged in the global economic restructuring: a new technological revolution is being born, as the pace of industrial upgrading and transfer of factors of production accelerates. Developed economies strive to maintain their leading edge in the service sector as they seek further industrialization and manufacturing capability. Developing countries strive to compensate for their underdeveloped service sectors as they promote industrialization. Up-and-coming services such as research and development, information, networks and logistics are rapidly developing, traditional services continue to provide jobs as they transform and upgrade, and the financial services industry has stepped up the pace of innovation after undergoing a shock. The service sector is increasingly becoming a focal point of development and mutual cooperation among States.

Since the start of reform and opening up, China's service sector has seen sustained and relatively rapid development. In recent years, it has added more value than industry, and it now employs more people than the agricultural sector. But it is still a weak point in the country's economic and social development. In 2012, the value added in the Chinese service industry amounted to 44.6 per cent of GDP, much lower than the 70 per cent and more seen in developed countries and about 10 percentage points lower than the average for developing countries with a similar income level. The proportion of jobs in the sector is also clearly low. That disparity should be viewed as potential: the Chinese service industry has ample room for growth. Vigorous development of the service industry is very important for promoting the strategic restructuring of the economy, pressing ahead with reform and opening up, and expanding international cooperation. Not only is the service sector increasingly becoming an accelerator of global economic recovery, ushering in new driving forces and new directions in transformation and development, it is also a new engine, a new motive force for long-term sustainable and healthy development, optimization and upgrading in the Chinese economy.

- Vigorous development of the service industry is an important means of promoting steady growth and maintaining employment. Maintaining steady economic growth is a major objective of macroregulation in China. A key aspect of steady growth is the positive effect an increase in domestic consumer demand has on economic growth. Per capita GDP in China has surpassed US\$ 6,000, bringing it up to middle-income level. From the view point of restructuring consumption, at this stage people need not just good products but also good services. Only then can we improve living standards. Expansion of domestic demand must follow this principle of development, steadily releasing the huge potential for consumption of services in order to bolster economic growth and improve people's lives. The purpose of steady growth is ultimately to maintain employment levels, and the development experience of various countries has shown that the service sector is the largest source of employment opportunities. China is a country with a large population; agricultural modernization, the informatization of industry and new employment growth primarily depend on the service sector absorbing workers. Therefore, by promoting accelerated development of the service sector and fostering interest in and facilitating the consumption of services we can bring about development that provides employment and improves people's lives;
- Vigorous development of the service industry is a strategic choice compatible with structure and transformation. The level of development of a country or region's service sector is an important indicator of its level of industrial development. Developed countries have already established a service-oriented industrial structure. The supply of industrial goods in China is generally sufficient, with some industries showing a serious surplus in production capacity, while in many areas of the service sector supply does not meet demand. Development of the service sector helps to increase the available supply and intensifies socialization and specialized division of labour, creating new economic growth points. Services also have the special attributes of using few resources and generating little pollution. Their development, combined with the transformation of traditional industry, helps to alleviate pressure on energy resources and the environment, fostering energy-saving and environmentally-friendly industry and a green economy and thereby helping to improve the quality and efficiency of economic growth. In particular, modern innovations in science and technology, such as information and network technologies that rely on the service sector, have fostered the creation and development of strategic new industries, giving impetus to complete innovations in technology, management and business models. Therefore, development of the service sector is a key aspect of the restructuring and optimization of Chinese industry, now and in the future. It can help boost industry from a lower-middle to an upper-middle level and can bring about a new form of environmentally friendly, sustainable development;
- Vigorous development of the service industry is an effective way of modernizing. Given the current situation in China, accelerated socialist modernization and a coordinated push towards industrialization, informatization, new-type urbanization and agricultural modernization — otherwise known as the new four modernizations — in the service sector are unavoidable. Promoting industrialization means strengthening industry and expanding the service sector; developing an advanced manufacturing industry means using a variety of measures such as fiscal support and equity incentives, to build on the modern service sector so as to improve research and development plans, market management and other service links; the effect of this should be a better product mix, higher quality and increased value added. Informatization itself is a conduit for services, and the growth of the sector helps to popularize the use of information technology and can increase consumption of new

services, of which information services are a prime example. Urbanization — the spatial concentration of the population — is at the heart of new-type city development. This both creates and requires services, including the services that need to be developed to support industry and employment, improve the operation and increase the capacity of urban transport, traffic and environmental protection services, and strengthen public services and social undertakings in science, education, culture, health and social security. Promoting agricultural modernization also means improving services for farm production, such as agricultural technology and machinery, and for rural living. Faster development of the service sector can promote further integration of industrialization and informatization and enable new-type urbanization and agricultural modernization to complement one another, giving rise to a more comprehensive and harmonious form of development;

- Vigorous development of the service industry is a must for a perfected socialist market-based economic system. The development of the Chinese service sector is lagging. This is due in part to knowledge gaps and structural factors but primarily to institutional and systemic conditions. We must continue along the path of socialist market-based economic reform, give the service sector free rein to develop in accordance with the law and regulations, standardize the market economy order, and bring dynamism, vitality and creativity to the development of the service sector. The service sector largely depends on available market resources, and currently most service ventures in China are mixed-ownership, privately managed and small and medium-sized enterprises. They are the primary force driving an active market economy and an important component of the market system. Without a robust service sector there can be no market conditions for integrated, open and fair competition. Further development of the service sector will help give full play to the fundamental role of available market resources, and can bring about more dynamic, efficient development.

In short, China will use the development of the service sector as a strategic measure to upgrade the economy, as a major means of promoting the new four modernizations, and as an important outlet for the “reform dividend”, pursuing marketization, industrialization and internationalization, simultaneously developing both manufacturing services and social services, modern and traditional, hastening the development of the service sector, making it proportionally larger and raising standards. The Government has taken and will continue to take a series of measures to this end. We will further mobilize forces from all sections of society to increase investment in services, strengthen service infrastructure and large-scale project development, pursue reform, stimulate service enterprises of all types, implement policies that promote development of the sector, in part by extending the pilot project to replace turnover tax with value added tax, strive to create an environment conducive to the development of the service sector, and constantly offer new scope for the development of the sector.

Ladies and gentlemen,

In the context of economic globalization and trade liberalization and facilitation, trade in services is developing very quickly in China. This is beneficial not only to the country’s development but also to growth worldwide. Looking to the future, China will further develop trade in services, further open up its service sector to the outside world, and, to this end, promote national reform and development and economic transformation, encouraging mutually beneficial policies on trade in services with other countries.

We will focus on expanding trade in services, which is a cross-border sector. Last year, trade in services accounted for about 10 per cent of all trade in China – significantly lower than the global average of 20 per cent. China will actively develop trade in fields such as information, logistics, finance, travel and tourism, and will continuously develop

new fields and foster a balance of trade in services. It will encourage businesses to take on more outsourcing work and will welcome foreign companies that wish to engage in service outsourcing and other such business in China.

We will energetically promote mutual investment in the service sector, which is where, at present, most global transnational direct investment occurs. Last year, the Chinese service sector attracted the most foreign investment of any sphere. China will continue to support strong service enterprises that are active in the construction and development of the service sector abroad. It also welcomes transnational corporations and foreign enterprises that wish to invest in the Chinese service industry or come to China to set up regional headquarters, research and development centres, data centres, procurement centres and other such service institutions. The Government will explore the possibility of establishing a pilot free-trade area, pioneer efforts to develop the service industry, and promote the optimization of industrial structure.

We will create an environment of fair competition for trade in services. China has already placed trade in services in a strategic position, making it a strategic focus of economic development. We will formulate policies to develop trade in services, adopt many different measures to support its development, refine the framework of laws and regulations governing it and the structures encouraging cooperation between government departments and intermediary organizations, establish platforms for public services, trade promotion and corporate financing for small and medium-sized businesses, and provide services for all types of enterprises, including foreign investment firms. Moreover, we will intensify international exchanges in areas such as labour mobility, the reciprocal recognition of qualifications and industry benchmarking.

We will promote international liberalization and facilitation of trade in services. All countries should act in accordance with the principles of cooperation and mutual benefit, oppose protectionism of every kind, eliminate trade barriers, and resolve the issue of trade imbalances between highly developed and developing countries. Developed countries should take the lead in opening up markets and helping developing countries towards a balanced development of trade in services. Developing countries should be actively involved in the creation of global governance mechanisms and regulations to govern the service sector, and give themselves greater representation and a louder voice.

Ladies and gentlemen,

We are here today to promote the global development of the service sector and trade in services – here at the China Beijing International Fair for Trade In Services, which in itself is an important service. The Fair is the world's first dedicated platform for international exchange on trade in services. It is also the world's largest trade-in-services fair, and I believe each edition will be better than the last. The development of the Chinese service sector has huge potential and a promising future, affording unlimited business opportunities. I hope everyone will strengthen communication, enhance understanding, and use policies of mutual benefit to create a new global brand and a glorious future for the service sector.

Thank you all.
