

WSC Summaries and Conclusions

Servicing the China Market

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The panel explored opportunities and obstacles to the development of the services market in China.

The discussion reaffirmed the critical role of the now underdeveloped services sector in China's rapidly evolving economy. Travel and tourism, telecommunications, professional services, and logistics were cited as fast growth sectors. Consulting services have been and will continue to be in strong demand, though the market is maturing and consultants are competing on the basis of price, and foreign vendors are finding more local competition.

Financial services was cited as an area for cautious growth, reflected in five year transition periods and limited liberalization in securities.

On the other hand there is the view that real progress in modernizing the financial services sector can only be achieved through the creation of a free competitive environment that encourages the entry of foreign players.

Several other elements are essential to China's development. A truly critical element is transparency in the economy. Other elements include reducing the role of state institutions and adding new market players; removing controls on capital flows; liberalization of interest rates as a prerequisite for properly functioning financial markets; development of new financial products and products like pensions; eventual adoption of floating exchange rates; an independent judiciary; reform of State Own Enterprises and resolution of their bad assets.

Local protectionism was cited as a factor slowing WTO implementation and development of a market economy.

Development of human skills, better access to information, and better quality of information are highly necessary.

The four panelists cited education, unequal development between the coast and interior, more and more accurate information, and human resources as the major obstacles impeding the growth of China's services sector. In conclusion, transparent, fairly regulated, open markets are essential to China's modernisation.