The Analysis of Service Trade of China's Financial Industry Competitiveness Strategy under the Background “The Belt and Road”

Wei Liu and Jian Xin Li

Abstract: To strengthen our country and "The Belt and Road" along the country between the financial services industry is to promote trade cooperation with countries along the economic and other aspects of cooperation, an important aspect of the development. At present, the development level of China's service trade in financial industry is low, there is a small scale, poor competitiveness structure unreasonable. Therefore, to enhance China's financial services trade of the overall level of development is imminent. By strengthening the financial product innovation, cultivate "service personnel The Belt and Road" development, increase the role of the Internet in the national strategy and to vigorously promote the RMB in four aspects of countries along the internationalization process to achieve.

Keywords: Financial service trade; Revealed comparative advantage index; "Belt and Road Initiative" strategy.

In June 2015, the national development and Reform Commission, the Ministry of foreign affairs and the Ministry of Commerce jointly issued the "push to build Silk Road Economic Belt and twenty-first Century Maritime Silk Road vision and action" clearly pointed out that "financing" is the important support to The Belt and Road construction. The proposed strategy has brought new opportunities for the development of China at the same time the service industry and the financial industry, it also brings great challenges. Although the service trade of China's financial industry overall lack of competitiveness, but with the rapid economic development, its development
speed is accelerated. Statistics show that in 1997 China financial services industry import and export volume of only $350 million. In 2015 China financial services industry import and export volume has reached $4 billion 800 million, is 13 times as much as in 1997. However, behind the rapid development has also brought many problems. For example, the service trade finance accounted for a lower proportion of overall service trade, the trade deficit continued to exist. Therefore, based on the intra-industry trade theory based on analysis of important factors affecting the international competitiveness of service trade of China's financial industry, the corresponding countermeasures and suggestions and "The Belt and Road” along the country's financial industry put forward how to promote service trade cooperation in the future.

**Measurement and analysis of the competitiveness of financial service trade**

This article selects the revealed comparative advantage index and trade competitiveness index. The national sample is selected China, America, Japan, Korea, Canada, India, Brazil, the European Union and so on. Through the analysis of the empirical results of China's financial industry service trade competitiveness.

**Measurement and analysis of revealed comparative advantage**

The index proposed by American economist Barraza in 1965, reflecting a country exports a product or service of total world exports and the proportion of a country's status of a commodity or service in the international competition, excluding the impact of national total and world total volatility. The formula is as follows:

\[
RCA_{ij} = \frac{X_{ij} / W_j}{X_i / W_i} 
\]

The relative comparative advantage is close to 1, the neutral RCA value, the relative superiority or inferiority at all; more than 1, said the goods in the country in the world is greater than the export proportion of exports, has a comparative advantage in the international market, there is a certain international competitiveness; less than 1, said that in the international market does not have a comparative the advantage, international competitiveness is relatively weak. The results of the test cases in table 1:
Table 1. Revealed comparative advantage index measure.

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>0.11</td>
<td>0.06</td>
<td>0.14</td>
<td>0.19</td>
<td>0.15</td>
</tr>
<tr>
<td>U.S.A</td>
<td>1.71</td>
<td>1.69</td>
<td>1.68</td>
<td>1.76</td>
<td>3.15</td>
</tr>
<tr>
<td>Japan</td>
<td>0.36</td>
<td>0.39</td>
<td>0.45</td>
<td>0.44</td>
<td>0.71</td>
</tr>
<tr>
<td>South Korea</td>
<td>0.43</td>
<td>0.48</td>
<td>0.40</td>
<td>0.45</td>
<td>0.17</td>
</tr>
<tr>
<td>India</td>
<td>0.67</td>
<td>0.63</td>
<td>0.50</td>
<td>0.54</td>
<td>0.99</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.00</td>
<td>0.00</td>
<td>0.97</td>
<td>1.09</td>
<td>0.37</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.49</td>
<td>1.86</td>
<td>2.01</td>
<td>2.09</td>
<td>3.15</td>
</tr>
<tr>
<td>Canada</td>
<td>0.67</td>
<td>0.68</td>
<td>0.71</td>
<td>0.74</td>
<td>1.1</td>
</tr>
</tbody>
</table>


In Table 1, with the United States, Japan, South Korea, India, Brazil, Singapore, Canada and other countries compared to China’s financial services trade, revealed comparative advantage index overall low, from 2010 to 2014 revealed comparative advantage index average of about 0.13. Outside of our country in the United States, the index is high. The overall remained above 1, in 2014 the index was 3.15, for the selected sample of countries in financial industry service trade competitiveness of the strongest country.

Measurement and analysis of competitiveness index

The index represents a country’s import and export trade balance accounted for the proportion of the total import and export trade, excluding the impact of inflation and other macroeconomic factors fluctuations. The index is -1 - 1. Close to 0 that is close to the average level of competitiveness; -1 said the industry only imports, the competitive power is weak; 1 said the industry not only export import, competitiveness is greater. The formula is as follows:

\[
TC_i^k = \frac{X_i^k - M_i^k}{X_i^k + M_i^k} \tag{2}
\]

445
Table 2. Competitiveness index of financial service trade.

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>-0.02</td>
<td>0.06</td>
<td>-0.01</td>
<td>-0.08</td>
</tr>
<tr>
<td>U.S.A</td>
<td>0.66</td>
<td>0.66</td>
<td>0.64</td>
<td>0.64</td>
</tr>
<tr>
<td>Japan</td>
<td>0.07</td>
<td>0.10</td>
<td>0.18</td>
<td>0.11</td>
</tr>
<tr>
<td>India</td>
<td>-0.06</td>
<td>-0.12</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Canada</td>
<td>-0.05</td>
<td>0.04</td>
<td>-0.04</td>
<td>0.00</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.00</td>
<td>0.00</td>
<td>0.15</td>
<td>0.24</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.67</td>
<td>0.74</td>
<td>0.68</td>
<td>0.65</td>
</tr>
<tr>
<td>European Union</td>
<td>0.37</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
</tr>
</tbody>
</table>

Source: WTO international trade data

Table 2 and table 1 the conclusion is similar to that of our country from 2010 to 2013 the competitiveness index were -0.02, 0.06, -0.01, -0.08, the overall low, and in 2010, 2012 and 2013 competitiveness index values were less than zero. Therefore, the competitiveness of China's service trade financial industry overall is low. In other countries, the United States financial industry competitiveness index is higher, and imports more than exports, with the index of comparative advantage from table 1 to measure the same conclusion.

Analysis on the factors influencing the competitiveness of financial service trade

Demand structure

Based on the framework of intra industry trade theory, this paper analyzes the influencing factors of international competitiveness of China's financial service trade from three perspectives, namely, demand structure, production factors and international direct investment. The structure of consumer demand is an important factor affecting the difference of financial products or services production, determines the international competitiveness of a country's financial service trade. From the domestic perspective, Chinese diversified consumer demand consumer finance has become increasingly. In the foreign level, foreign market demand for China's financial services gradually increased, China's exports of financial services by 1997 the $30 million increase to $2 billion 920 million in 2013. However, compared with Europe and other developed countries, China financial services export proportion is still low.

Production factors

Generally speaking, a relatively abundant capital, labor and national wide financial scale, the cost of financial services is lower, more factors of
production has a comparative advantage. The commercial bank is an important part of the financial industry, its operating efficiency directly determines the international competitiveness of Chinese trade in financial services. Among them, the net interest margin is an important indicator to measure the efficiency of commercial banks, in general, the greater the net interest margin, commercial banks tend to rely on a higher degree, low operating efficiency, and vice versa.

International direct investment scale

Kojima believes that the international direct investment (FDI) has a complementary function and international trade. The foreign banks will increase the size of the spillover effect of foreign direct investment, the local banks by learning to promote its operations, product development and management competence, so as to improve the operating capacity of the local financial industry. Statistics show that the actual use of foreign direct investment in China's financial industry grew rapidly, from $220 million in 2005 to $4 billion 180 million in 2014. However, compared with other industries, China's foreign direct investment in the financial sector accounted for the proportion of total foreign direct investment is generally low, in 2014 the proportion was only 3.5%.

Problems in the development of financial service trade

Unbalanced development of financial service trade in China

In 2014, China's financial services trade accounted for only 1.17% of China's trade in services, while China's financial services trade has maintained a deficit for many years.

Financial products with low technology content, lack of innovation

At present, China financial institutions to invest in product development efforts is still low, the technical content of financial products is relatively low, lack of innovation, the product is relatively simple, and the mode of technology product development is still in the imitation stage, making the supply ability of financial products at a disadvantage.

The degree of liberalization of domestic financial market is relatively low

For a long time, the liberalization of China's financial market is relatively low, with the banking industry as an example, China's commercial banks are mainly state-owned banks, foreign banks, whether the size or number of business is relatively small.

Countermeasures and suggestions

To promote the RMB in the "The Belt and Road" along the pace of internationalization, realize the balanced development of trade in financial services.
Enhance the research and innovation of financial products, improve the competitiveness of China's financial services. To strengthen the cultivation of "The Belt and Road" financial talents, improve the service level of foreign financial institutions.

**References**


