



# Research on the Countermeasures of Henan's Service Trade Export

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## Abstract

In the face of the new normal of Chinese economy, China has continuously adjusted its economic strategy while developing its foreign trade. It has paid more attention to the development of the export of service trade when the export of goods has made remarkable achievements. As an important part of the central plains economic zone, Henan province has increased its efforts in the export of service trade. In this paper, the author analyze the strength and weakness of the service trade export in Henan province. On the basis, this paper studies the countermeasures for the problems existing in the export of service trade in Henan Province.

**Keywords:** *Henan province; Foreign trade; Service trade export*

## 1. INTRODUCTION

Since the third information technology revolution, global international trade has developed more and more rapidly. Recently, the import and export of service trade has rapid growth and the total transaction volume has been rising<sup>[1]</sup>. In 2021, the total amounts of our country's trade in services imports and exports are ¥5298.27 billion. The growth rate of service trade remains relatively elevated. the situation of China's service import and export maintains a steady upward momentum of development.

Henan Province is an important strategic area of the Central Plains Economic Zone and the service trade in Henan Province has attracted much attention. Although the development speed of China's service trade has generally exceeded that of goods trade in recent years, the development of goods trade export seems to have no obstacle to the export of service trade<sup>[2]</sup>. The foreign trade in Henan Province starts late and develops slowly, the export of goods trade still exceeds that of services trade. These decide that the export of services trade must take the goods trade into account. Through the analysis of the strength and weakness of the service trade development in Henan Province, this paper finds out the practical problems existing in the export of service trade. By improving the export structure of service trade, this paper further studies how to coordinate the development of

goods trade export and service trade export. In the end, this paper gives the countermeasures for the problems existing in the export of service trade in Henan Province. This is useful to promote the development of foreign trade in Henan Province and improve the level of opening up economy in Henan Province.

## 2. THE ANALYSIS ON THE STRENGTH AND WEAKNESS OF THE SERVICE TRADE DEVELOPMENT IN HENAN PROVINCE

### 2.1. Strength

#### 2.1.1. The outstanding of resource advantages

Henan Province has obvious traffic location advantages and is an important hub connecting all directions of China. Henan Province has multiple transportation modes such as highway, railway, aviation and pipeline. The construction of regional civil airports in Zhengzhou, Nanyang and Shangqiu have opened up sufficient international and domestic routes for service trade. Henan Province, as a big province in population, has abundant labor resources. According to the data of Henan Provincial Bureau of statistics, the proportion of working age population in Henan Province is 69.5%. Henan Province has a demographic dividend period of at

least 10 years. Sufficient labor force meets the needs of the development of service trade.

### *2.1.2. The support of provincial policy*

The Ministry of Commerce of Henan Province formulated the development plan of service trade in Henan Province. The scale of service trade should be continuously expanded. In 2020, the total volume of import and export of services trade in Henan Province is over \$20 billion, with an average annual growth of more than 15%. The structure of service trade will be increasingly perfect. Henan Province has formed a service trade industry with regional characteristics. Meanwhile, Henan Provincial Commerce Department has issued many policies to support the development of service trade. On the one hand, service trade industry should make full use of various funds to promote the development of foreign trade and service trade; On the other hand, the financial institutions should improve financial services and innovate financial products on the premise of controllable risk.

## **2.2. Weakness**

### *2.2.1. The lack of colleges and professional talent reserves*

The lack of high-quality universities in Henan province directly leads to the loss of local talents and the low quality of labor force. For a long time, the industry in Henan Province has been dominated by simple processing. Taking Foxconn as an example, Foxconn's production is mainly concentrated in traditional processing trade. The low-quality labor force can meet the processing production. However, the low added value of such products will lead to less total exports of service trade. There are few professional talents engaged in research on service trade in Henan Province. As an important driving force of the province's economy, the development of service trade can't rely on traditional processing trade. This is not a long-term policy for the development of service trade in Henan Province. Moreover, the loss of labor force in Henan Province is more serious in recent years. Most of the labor force flows to the eastern coastal areas with good wages. All these cause the lack of young and middle-aged labor force in Henan province and the increased cost of service industry cost.

### *2.2.2. Residents' consumption structure hinders the development of service trade export*

According to the statistics of the National Bureau of Statistics, in 2020, the per capita disposable income of residents of Henan Province was ¥24810 and the per capita consumption expenditure was ¥16143. In 2021, the per capita disposable income of residents in Henan Province was ¥26811 and the per capita consumption

expenditure was ¥18391. The per capita consumption expenditure of Henan Province is mainly concentrated in survival consumption. There is little expenditure on development consumption and enjoyment consumption. As we all know, the service industry is mainly concentrated in development and enjoyment goods. Therefore, this consumption structure is not conducive to the development of service industry in Henan Province.

## **3. PROBLEMS OF THE EXPORT OF SERVICE TRADE IN HENAN PROVINCE**

### ***3.1. The export volume of service trade is low***

According to the statistics of Administration of foreign exchange in Henan Provincial, since the 13th five-year plan, the average annual growth rate of service trade in Henan Province was 10.1%. In 2019, the import and export of service trade was nearly \$8.6 billion, up 31.6% from a year earlier. The export was \$3.78 billion with an increase of 126%. Compared with coastal cities, the export of service trade in Henan Province is still very backward. According to the statistics of Tianjin service trade monitoring system, the total import and export volume of service trade in Tianjin was \$121.74 billion in 2020, of which the export was \$41.2 billion. Compared with Tianjin and other coastal areas, it lags far behind the underdeveloped inland city in terms of total volume of the service trade export.

### ***3.2. The export of service trade lags behind that of goods trade***

In recent years, the service trade in Henan Province has grown rapidly as a whole in recent years. The government has also gave more support for service trade than goods trade. But, the import and export volume of service trade still lags far behind the goods trade. The export development of service trade is unstable. The export commodities of foreign trade in Henan Province are mainly concentrated in the trade of mechanical and electrical products, agricultural products and human hair products. The export of service trade accounts for a very small proportion. Service trade lags behind goods trade in terms of total imports and exports and export commodities. the development of service trade and goods trade is still uncoordinated.

### ***3.3. The export mode of service trade is divorced from the new economic development mode***

The export of service trade in Henan Province mainly depends on foreign contracted projects and labor cooperation, foreign direct investment and dispatched labor services. Statistics show that in 2020, the newly signed contract amount of foreign contracted projects and labor cooperation in Henan Province was \$4.965 billion, up 12.2% from a year earlier. The actual foreign direct

investment was \$1.232 billion, ranking 12th in China. The sum of expatriate worker is 29421. However, the three modes of service trade in Henan Province take a large number of low-quality labor force as the main resources for development, and are still concentrated in the traditional form of trade. Moreover, the mode of foreign contracted projects in the export of service trade is single. Taking labor force as the main export object and the export of capital, technology etc. lags behind. The export of service trade in Henan Province is still entangled in the traditional form of trade of human investment. The export mode of service trade is divorced from the development mode of emerging economy.

### ***3.4.Relevant policies and regulations are imperfect***

Although China's laws and regulations on service trade have been reformed to some extent in recent years, the legal system is still imperfect. There is still a vacuum in some laws and regulations. The reason is mainly reflected in the fact that some fields of trade in services cannot be regulated by law, and only the internal systems of industries or enterprises can be used to replace them; Some laws and regulations in the field of trade in services lack pertinence and are directly regulated by laws such as general principles of civil law and contract law. Some current laws and regulations are relatively abstract and lack of practical operability<sup>[3]</sup>. The current laws and regulations cover a small area, and there is still a serious lag in legislation. The coordination of administrative regulations in the field of service trade is poor, the management efficiency is low, and the relevant legal provisions can not meet the needs of the service trade industry.

## **4.COUNTERMEASURES FOR THE HEALTHY DEVELOPMENT OF SERVICE TRADE EXPORT IN HENAN PROVINCE**

### ***4.1.Expand the degree of openness and increase the total export volume of service trade***

#### ***4.1.1.Seize the development opportunity of the "the Belt and Road"***

Most of the countries along the One Belt, One Road are developing countries, and there is a strong demand for foreign labor, infrastructure construction and contracted projects<sup>[4]</sup>. These are conducive to increasing the total export volume of Henan Province in traditional service trade. The new service market of countries along the line has great potential in the new mode of service trade. Henan Province should seize the opportunity in the export of new service trade. The One Belt, One Road strategy provides a broad development space for the export of service trade in Henan Province. The export of service

trade in Henan Province should make use of the supporting policies, improve the openness of service trade, and expand the scale of service trade export.

#### ***4.1.2.Improve the consumption structure of residents and increase support for service industry***

The improvement of residents' consumption structure should be carried out from the following aspects: firstly, the government should improve the social welfare system and social insurance system. For example, the strengthening and improvement of pension can reduce the living pressure of residents and reduce the worries behind of residents' consumption. Secondly, enterprises shoulder their due social responsibilities, involve themselves deeply in community affairs and let more residents participate in entertainment activities. Thirdly, as consumers, residents should update their consumption ideas in time, keep pace with the development of the times, and enrich their own spiritual culture. The increase of residents' expenditure on service products will promote the development of service industry in Henan Province. These are the foundation for the export of service trade in Henan Province.

### ***4.2.The development of service trade and goods trade should complement each other***

#### ***4.2.1.Realize the specialization of service trade based on the goods trade***

Service trade in Henan Province should be further developed on the basis of goods trade. Based on the export of traditional service trade, we should make use of the scale economies in goods trade to separate the low-value part from the high-value part of service trade. Such as separating the product design, marketing department, human resources from the product processing, encouraging and supporting industries with high added value and high technical content,. In addition, the service processing enterprise can be professionally managed and become an enterprise specialized in service processing. We can also implement industrial transfer of service outsourcing, move the labor intensive industry to the west, make full use of the labor advantages of the western region, and promote service outsourcing from regional favorable to industrial favorable gradually.

#### ***4.2.2.The export of service trade should learn from the development experience of goods trade***

In today's new normal of economic development, the export of service trade accounts for a large proportion in the foreign trade of Henan Province. But the export of goods trade still plays an important role. Therefore, while developing new service trade, we should learn the

development mode of goods trade, innovate and upgrade the traditional service departments, speed up the flow of labor force, introduce high-quality talents and innovate the service management mode. At the same time, the service trade should integrate into the network economy. For example, the combinations of Internet and tourism help domestic and international tourists to solve the problems of booking tickets, accommodation, catering and so on. These not only facilitate the travel of consumers, but also make the international business of tourism more convenient. Therefore, Henan Province should speed up the application of the Internet of things, promote the reform of traditional service industry, and accelerate the industrial transformation and upgrading. Leading enterprises in the service industry should participate in industrial change, develop new service development methods, and realize common innovation.

### ***4.3. Optimize the export structure of service trade and focus on new export modes of service trade***

#### ***4.3.1. Encourage the development of service industry and improve the export structure of service trade***

The development of service trade is based on the progress of service industry. At present, the service industry in Henan Province is still concentrated in labor-intensive industries. To improve the export structure of service trade in Henan Province, we should focus on the development of the following service industries. The first industry is the international tourism. Henan Province is a province with a large population and tourism. In recent years, the tourism industry in Henan Province has developed rapidly. Base on the prominent resource advantages, Henan Province has increased in the international popularity. Therefore, Henan Province should make full use of its advantages in developing international tourism and establish the international market. The second industry is the technology intensive industries, such as financial services, computer information services, consulting and so on. These industries are closely related to the development of international service trade for the low investment costs and high profits. The third industry is the international transportation. The development of the international transportation industry in Henan Province should be established on the basis of maintaining the original transportation advantages.

#### ***4.3.2. Enrich the export mode of service trade driving by the new mode of labor export***

Since the new normal of economic development was put forward, the labor export mode of Henan Province has changed from simply exporting labor force to exporting

workers abroad with the capital, technology and credit capital. In 2015, China Development Bank Henan Branch issued \$163 million in foreign exchange loans under the "the Belt and Road" strategy, with a balance of \$1.431 billion in foreign exchange loans. According to the website of the Ministry of Commerce of China, the 110km highway upgrading project undertaken by Henan International (Namibia) Co., Ltd. was successfully opened to traffic on April 27, 2018. The implementation of this project provided skill training for hundreds of local people. The export of capital, technology and credit funds enriches the mode of labor export and improves the structure of labor export. Service trade should learn from the mode of labor export.

### ***4.4. Improve the legal and policy system of service trade***

#### ***4.4.1. Continuously improve the laws and regulations of service trade***

As a policy maker, the government should eliminate the laws and regulations with serious lag in time and reform the laws that do not adapt to the development of emerging service trade. The government needs to introduce laws suitable for the current development of service trade as soon as possible. The government should change the situation that the development of the whole industry is regulated by departmental regulations due to the lack of legal norms in some fields. The government should formulate specific legal document systems, improve the pertinence of laws, enhance practical operability, and clarify the legal relations within and with external legal systems. The government should make the legal norms in the field of trade in services coordinated and more perfect, and make the trade in services develop in the direction of standardization and institutionalization. Finally, the government should establish special institutions for trade in services, improve the efficiency of staff through training and other methods. the government should make staff act in strict accordance with the law, abide by integrity and discipline, and improve the efficiency of industry management.

#### ***4.4.2. Take advantage of various preferential policies to encourage the export of service trade***

Firstly, we should encourage exports by using the tax preference of service trade. For qualified cross border service trade, the government should give preferential policies of zero tax rate or value-added tax exemption, which is also applicable to technologically advanced enterprises. Secondly, tax incentives such as enterprise income tax and individual income tax should be used to reduce the export cost of service trade enterprises, alleviate the burden on enterprises and stimulate the economic vitality of enterprises. The government should encourage and support the export of small and medium-

sized enterprises, implement a commendation system for enterprises that have made meritorious exports, and enhance the export enthusiasm of enterprises. Finally, the government should improve the credit and trade cooperation mechanism, actively develop export credit insurance for small and micro enterprises, expand the underwriting coverage of small and micro enterprises, and subsidize the premiums paid by enterprises for export credit insurance in service trade. The export credit insurance of cross-border e-commerce shall be fully insured, and try to expand the export scale of cross-border e-commerce in Henan province.

## 5.CONCLUSION

The export of service trade mainly focuses on human resources for economic exchanges. It is useful to reduce resource waste, protect the environment and provide more jobs through the export of service trade. The export of service trade is an economic development mode actively advocated by the state<sup>[8]</sup>. As China's major economic and trade province, Henan Province should fully recognize the problems existing in the development of service trade export, correct the unreasonable factors in the development process, improve the export structure of service trade and increase the total export volume of service trade. The development of service trade is useful to promote the transformation of service economy and the improvement of the overall trade level of Henan Province.

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