

# Empirical Analysis of China's Service Sector Development and Strategic Transition\*

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**Abstract:** Since reform and opening-up in 1978, the service sector has become the largest industry in China's economy. Compared with developed countries, however, China's service sector, especially modern services, remains rather undeveloped in terms of its aggregate size and internal industrial structure. The underlying reason is that the international OEM model under an export-oriented strategy created both technology spillovers and crowding-out effects on domestic service firms. With the deepening global division of work, such a market crowding-out effect is outweighing the technology spillover effect. This paper suggests that China's service sector must shift towards a domestic consumption-based strategy, utilize domestic and foreign production factors, and promote service sector innovation and development in differentiated monopolistic competition.

**Keywords:** reform and opening-up, service sector, export-oriented, domestic consumption-oriented

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Over the past four decades of reform and opening-up, China's economic aggregate and per capita income have increased substantially. The service sector, which used to be the smallest sector in China's economy at the beginning of reform and opening-up, has now become China's largest industry. To some extent, this is consistent with the trend towards a service-based economy when developed countries transitioned from the mid- and late-stages of industrialization to the post-industrialization stage. However, the question is what are the manifestations of such a trend in China? Is it in line with China's future development path? At the critical juncture of China's growth transition, these questions require science-based answers. This paper takes stock of China's service sector development over the past four decades of reform and opening-up, identifies a domestic consumption-based strategy for service sector development, and explains how such a strategy works and why it matters.

## 1. History of China's Service Sector Development Since Reform and Opening-up

### 1.1 Overall Size of China's Service Sector

#### 1.1.1 Substantial growth of service sector value-added

Since reform and opening-up in 1978, some service sectors that used to be subject to restrictions

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during China's planned economy era have been encouraged and therefore have developed by leaps and bounds. According to statistics, China's service sector value-added increased from 90.5 billion yuan in 1978 to 42.7 trillion yuan in 2015,<sup>1</sup> up 18.1% on an annual average basis, which was far above the growth rate of China's GDP during the same period. Service sector value-added as a share in China's GDP rose from 24.6% in 1978 to 50.2% in 2015, crossing the 50% mark for the first time after surpassing the share of secondary industry in 2013. In 2017, this percentage further rose to 51.6%, unveiling China's service-based economy era.<sup>2</sup> During this period, China's service sector value-added as a share in GDP increased by 1.9 percentage points each year with an accelerating pace of growth over recent years.<sup>3</sup>

### *1.1.2 Job creation potentials of the service sector to be fully unleashed*

International experience shows that with increasing per capita GDP and urbanization, the service sector will become a crucial source of jobs (Xia, 2008). After 1978, as employment in primary industry as a share in total employment decreased, employment in secondary industry as a share in total employment initially increased and then stabilized, and employment in the service sector also increased rapidly. However, the potential of the service sector in creating jobs is yet to be fully unleashed. In 2015, the number of people employed in China's service sector was as high as 337.57 million, an increase of 5.9 times over the 48.9 million people employed in that sector in 1978. In 2016, employment in China's service sector only accounted for 43.5% of its total employment, far below the world average. According to World Bank data, this percentage was as high as 81.3% and 69.6% in the US and Japan, respectively, in 2016. For Brazil and Bulgaria, this percentage was 63.3% and 63.6%, respectively. Notably, the employment growth of China's service sector has been slowing over recent years.

## **1.2 Industrial Structure of Service Sector Development**

### *1.2.1 Specialization boosted productivity*

Before 1978, China adopted a national strategy to prioritize the development of the material production sectors, particularly the heavy and chemical industries. As a result, the service sector was underdeveloped, incomplete and often subordinated to the material production sectors. For instance, many SOEs ran employee canteens, kindergartens, and other services. After China's market-oriented reforms began in 1978, these supportive services were separated and became independent businesses. In this manner, China's service sector developed from scratch and expanded rapidly, and specialization and economies of scale boosted productivity. According to NBS database, China's service sector productivity increased from 18.51 million yuan/10,000 persons in 1978 to 1.138 billion yuan/10,000 persons in 2016, up 11.4% on an annual average basis. Since the eruption of the global financial crisis in 2008, China's service sector productivity has been rising at an accelerating pace.

### *1.2.2 Sector heterogeneity led to uneven development*

As a large sector, the service sector encompasses various subsectors with different levels of technology (Huang, 2000), and is thus heterogeneous. Table 1 describes the productivity levels of service subsectors in China since 1991. As can be seen from the table, the real estate sector and the household services, repair, and other services sector had the highest productivity, averaging 10.25 billion yuan and 12.9 billion yuan/10,000 persons, respectively, over the 2011-2015 period, and 8.54 billion yuan and 8.1

<sup>1</sup> This paper defines the service sector by the Chinese industry classification standard, i.e. tertiary industry based on the GDP accounting system.

<sup>2</sup> Based on Fuchs's (1968) study, a typical characteristic of the service-based economy is that the service sector's output value exceeds total output value by more than half.

<sup>3</sup> Data is from the NBS database. Without special explanation, the same below.

**Table 1: China's Service Subsector Productivity, 1991-2015 (100 million yuan/10,000 persons)**

Subsector	1991-1995	1996-2000	2001-2005	2006-2010	2011-2015
Transportation, warehousing and postal service	1.2	2.1	9.8	25.4	65.0
Wholesale and retail	0.9	1.4	12.3	39.9	40.1
Hotels and restaurants	-	-	21.9	32.8	38.0
Information transmission, software and information technology services	-	-	35.4	44.5	48.4
Financial industry	8.5	14.8	17.0	35.4	74.1
Real estate	10.4	15.3	33.0	85.4	102.5
Leasing and commercial services	0.0	0.0	13.4	19.2	34.6
Scientific research and technical services	1.0	2.7	6.0	14.9	28.6
Water conservancy, environmental and public infrastructure management	-	-	4.5	6.5	11.6
Household services, repair and other services	-	-	51.9	81.0	129.0
Education	0.5	1.2	2.7	5.8	11.3
Health and social work	0.7	1.4	3.5	7.9	14.3
Culture, sports and entertainment	-	-	9.1	14.9	27.3
Public administration, social security and social organizations	1.0	1.8	3.7	9.1	14.0

Source: compiled by the authors based on the *China Statistical Yearbook* of various years.

billion yuan/10,000 persons, respectively, over the 2006-2010 period, which were all far above those of other subsectors. Specifically, the education sector had the least productivity, averaging 580 million yuan and 1.13 billion yuan/10,000 persons over the 2006-2010 and 2011-2015 periods, respectively. Further observation of Table 1 suggests that apart from the education sector, other least productive sectors include public administration, social security and social organizations, health and social work, water conservancy, environmental and public infrastructure management, scientific research and technical services, and other services of a public goods nature. The lack of productivity may have to do with Baumol's (1967) "cost disease" of the service sector, and also reflects a severe shortage of public service supply in China that needs to be enhanced.

### 1.3 Institutional Reform for the Service Sector's Development

#### 1.3.1 From regulatory tightening to relaxation

After China launched its economic reforms in 1978, the development of the service became a focus of mainstream economic research in China. Many scholars believe that the service sector is as equally important as other sectors such as industry and agriculture in economic research (Li, 1984; Liu and Yang, 1992). After the theory of the service-based economy was applied and achieved some progress, the State Council enacted the *Decisions on Accelerating the Development of Tertiary Industry*, which marks the official beginning of China's service sector reform. However, China embarked upon a gradualist reform approach for the service sector. That is to say, the market-oriented transition of the

service sector was carried out in the easier areas first before being rolled out in more difficult ones. Later, the State Council enacted the *Opinions on Accelerating the Service Sector's Development* in 2007 and introduced guidelines on consumer services such as household, elderly care, health and cultural creativity services. In 2014, the State Council enacted the *Guidelines on Accelerating the Development of Producers Services and Promoting Industrial Restructuring and Upgrade*. As can be seen from these official documents, China first created economic statistical indicators for the service sector as the basis of the sector's further development, and then relaxed market entry restrictions for non-public enterprises in sectors like trade, education, telecom, finance and insurance that accounted for a significant share in the economy. Afterward, China took steps to expand its opening-up and improve the quality and efficiency in its use of foreign capital. Lastly, it introduced a negative list pilot system to promote market-based service sector development.

### 1.3.2 Market-oriented reform: a long-term task

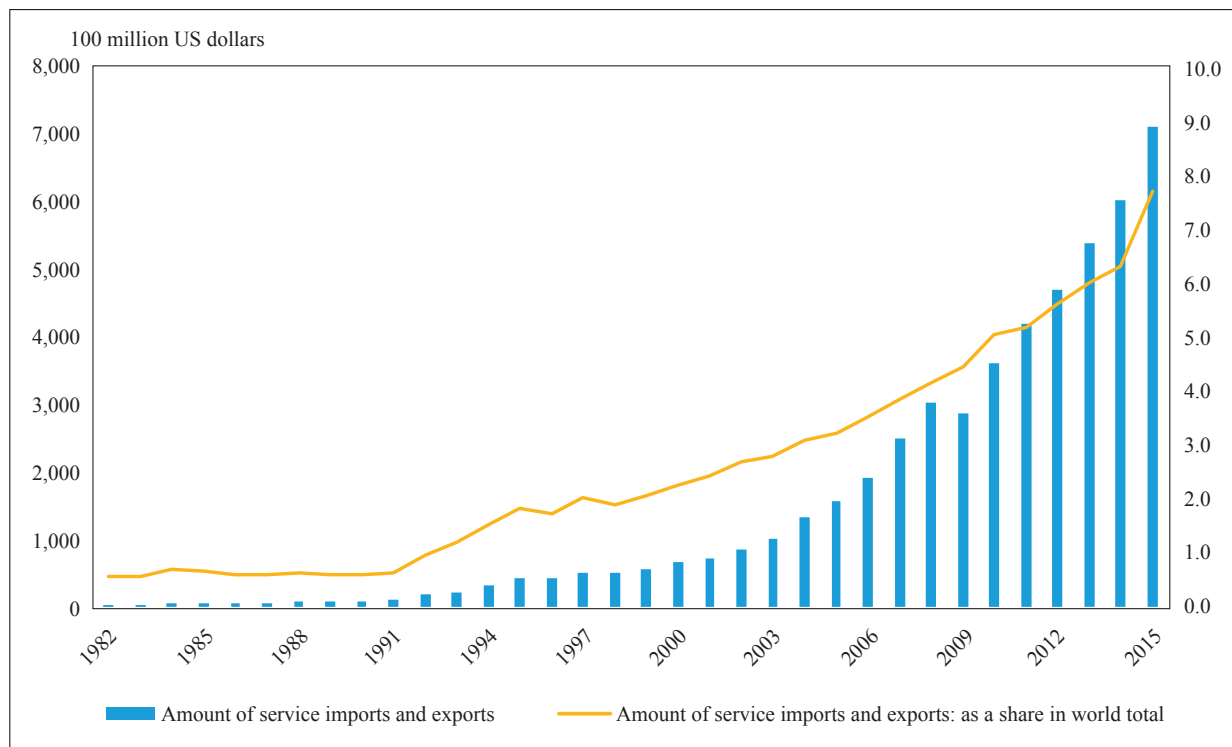
The reform initiatives boosted China's service sector development, making it the largest industry in China's economy. Over the past four decades, however, the results of reform are yet to be brought into full play. A key reason is institutional constraint. For instance, China's commercial banking sector has been subject to exorbitant entry barriers and monopoly (Liu and Ling, 2018). After China launched the shareholding reform of large state-owned commercial banks, the total assets of state-owned commercial banks as a share in total banking sector assets dropped from 55% to 40.3% in 2016. However, the market position of China's state-owned banks underwent no fundamental change.<sup>4</sup> Moreover, after the completion of interest rate liberalization reform in 2015, major commercial banks established a self-regulatory mechanism for interest rate and agreed on the upper and lower limits of deposit and lending interest rates. This move is suspected of price collusion and violates the *Antimonopoly Law*. To some extent, the self-regulatory mechanism potentially constitutes a monopoly and brings interest rate liberalization back to the previous double-track system that existed before the market-oriented banking sector reform. Without market-based resource allocation in place, China's service sector will not be freed from institutional constraint. The market-oriented reform of China's service sector still has a long way to go.

## 1.4 Service Sector's Opening-up

### 1.4.1 Rapid development in trade in services and FDI

Since the 1980s, China's trade in services has developed by leaps and bounds. Figure 1 describes China's import and export as a share in total world trade since 1982. As can be seen from the chart, China's trade in services experienced three stages of development: In Stage I from 1982 to 1991, China's trade in services started to develop almost from scratch, with total import and export volume increasing from 4.4 billion US dollars in 1982 to 10.8 billion US dollars in 1991. In Stage II from 1992 to 2000, China's trade in services steadily increased, and its share in global trade in services rose from 1% in 1992 to 2.3% in 2000. In Stage III from 2001 to the present, China's trade in services embarked on a fast track of growth since its WTO entry, with total import and export volume up from 71.9 billion US dollars in 2001 to 713 billion US dollars in 2015, up almost ten times over a matter of 15 years. Despite a minor reduction in FDI inflows into China's manufacturing sector, FDI inflows into China's service sector have spiked in recent years. The increasing attraction of China's service sector to foreign investment is conducive to optimizing China's macroeconomic structure (Xia, 2008).

<sup>4</sup> Source: Calculated based on relevant data from the *China Financial Statistical Yearbook* of various years and the *China Banking Sector Survey Report*.



**Figure 1: Amount of China's Service Imports and Exports and Share in World Total, 1982-2015**

Source: Wind database.

#### 1.4.2 Service sector openness requires structural improvement

After 1992, China's trade in services was in deficit, which had been expanding over years and reached a record high of 197.1 billion US dollars in 2014.<sup>5</sup> This shows that China's service exports had no international competitiveness. By taking a closer look at the subsectors, we find that an important reason behind China's lack of service competitiveness is that foreign capital mostly went to less technology-intensive sectors such as real estate, wholesale and retail. Table 2 shows the actual use of FDI by China's service subsectors since 2004. As Table 2 shows, the real estate sector received the highest amount of foreign capital, totaling 30.81 billion US dollars over the 2013-2015 period. The wholesale and retail sector came second, receiving some 11 billion US dollars over the 2013-2015 period. In comparison, much less foreign capital went to producer services, including scientific research and technical services, information transmission, software and IT services.

## 2. China's Service Sector Development since 1978: Spillover and Crowding-out Effects

Since 1978, China's service sector has made significant progress in terms of size, structure, institutional reform and opening-up. However, compared with developed countries, China's service sector, especially producer services, remains underdeveloped due to its export-oriented strategy that has been in place over the past four decades. From a supply-side perspective, China's export-oriented

<sup>5</sup> Source: Wind database.

**Table 2: Actual Use of FDI by China's Service Subsectors, 2004-2015 (100 million USD)**

Sector	2004-2006	2007-2009	2010-2012	2013-2015
Transportation, warehousing and postal service	16.900	24.618	29.694	42.863
Wholesale and retail	11.892	41.664	81.607	109.992
Hotels and restaurants	7.449	9.414	8.265	6.187
Information transmission, software and IT services	10.004	21.690	28.480	31.571
Financial industry	2.553	4.287	17.175	71.605
Real estate	65.326	174.916	249.973	308.063
Leasing and commercial services	35.973	50.519	79.079	109.657
Scientific research and technical services	3.811	13.653	25.068	35.114
Water conservancy, environmental and public infrastructure management	1.878	3.897	8.744	6.809
Consumer services, repair and other services	3.073	9.595	17.003	6.988
Education	0.285	0.275	0.155	0.227
Health and social work	0.473	0.244	0.773	0.951
Culture, sports and entertainment	3.315	3.423	5.357	8.112
Public administration, social security and social organizations	0.042	0.002	0.004	0.047

Source: Compiled by the authors based on Wind data.

strategy provides its service sector companies with advanced technologies and managerial expertise that can be replicated locally, thus exerting a positive spillover effect. From a demand-side perspective, such an export-oriented strategy has introduced vertically integrated multinational companies to China, which sourced supporting services primarily from foreign vendors as well. Consequently, local service companies have suffered a crowding-out effect. Over the past four decades, China's service sector has developed despite these challenges.

### 2.1 Technology Spillover Effect of the Export-Oriented Strategy

Technology spillover refers to the non-voluntary technology diffusion between multinational companies and recipient companies in a host country as an economic externality. Such diffusion enables host country firms to acquire advanced technology or productivity. With comparative advantages like inexpensive labor and land, China has swiftly integrated into the global value chain under an OEM-based export-oriented development model. Given their vast technological gaps with multinational companies, it has been a second-best option for Chinese companies to first gain a foothold in the low-end processes of the global value chain. In this process, foreign companies directly or indirectly generate technology spillovers on local service companies. Local firms imitate foreign companies' technology and managerial expertise, including their technology, marketing and supply chain management. For instance, Walmart's cold chain was copied by local Mexico retailers soon after it was deployed at its Mexico subsidiary, which generated technology spillovers (Iacovone et al., 2009). On the other hand, multinational companies need to train the local workforce in a host country. After developing technical skills and marketing and managerial expertise, their local employees change jobs to local service companies, creating a talent flow. Before 1978, almost all enterprises in China operated social services,

which were inefficient. Since China's implementation of an export-oriented policy after reform and opening-up, foreign-funded companies have relocated services to host countries in the form of service outsourcing. In this manner, local Chinese service companies were separated from manufacturing SOEs and formed an independent service sector. Such technology spillovers on local service companies are more implicit but significantly influence the specialization of local service companies.

## 2.2 Export-Oriented Crowding-out Effect

China's local industry remains at the low-end of the global value chain under the export-oriented OEM model. By creating local R&D centers, multinational firms have crowded out local service companies (Ling et al., 2018). The international OEM model is a closed network. Instead of creating demand for local producer services, the manufacturing sector crowds out the producer-service market (Jiang and Liu, 2010). While relocating low-value manufacturing activities to host countries, foreign companies attract capital and labor from the local service sector.<sup>6</sup> Well-educated professionals prefer to work for foreign companies, causing a brain drain for the local service sector, especially producer services. Service outsourcing in the host country is often locked up at low-value links. In addition to regulatory and cultural barriers, producer-service companies also face informational barriers to entry into overseas markets. The presence of such barriers offers a possible explanation for the observation that producer-service companies tend to follow FDI by downstream industries (Raff and Von der Ruhr, 2001). In this manner, producer-service companies form regional clusters in a host country to satisfy their service demand (Jiang, 2014). According to official statistics, FDI in China's service sector amounted to 83.89 billion US dollars in 2016, accounting for 66.6% of total FDI in China. This percentage only stood at 20.3% upon China's WTO entry (2002) but rose by 8.9 percentage points on an annual average basis over the past 14 years.<sup>7</sup> The growing FDI in China's service sector has intensified the market crowding-out effect on local service companies.

## 3. Strategic Transition of the Service Sector in the New Era

Empirical analysis shows that China's service sector development has followed an export-oriented strategy. In the context of deepening specialization, this strategy's market crowding-out effect outweighs its technology spillover effect. In the new era, therefore, China's service sector must transition from an export-oriented strategy to one that relies on domestic consumption as a critical pathway to transition from the mid- and late-stages of industrialization to the post-industrial stage. What are the implications of a domestic consumption-based strategy? How does such a strategy contribute to service sector development? What does it take to implement it? In this section, we will address these critical questions.

### 3.1 Implications of a Domestic Consumption-Based Strategy

In a narrow sense, the concept of domestic consumption refers to "demand for domestic goods and services," which relates to the competition and substitution between a country's export and import goods. In a broad sense, it refers to "domestic demand for goods and services," i.e. the question as to whether effective demand is from within a country or outside it. This paper generally follows the definition of domestic consumption in a broad sense. In our view, a domestic consumption-based strategy means that industrial innovation and development should be driven by the effective demand of domestic market entities and the use of domestic and overseas production factors. As a large developing country,

<sup>6</sup> According to classical industrial life cycle theory, technology gaps exist between developed and developing countries, so that sunset industries in developed countries may still be sunrise industries in developing countries. This is the primary reason that low-value manufacturing activities are able to relocate internationally and siphon advanced production factors in developing countries.

<sup>7</sup> Here, FDI refers to actual amount. Data is from the China Statistical Yearbook of 2003 and 2017.

China boasts tremendous market potential in terms of its large population and rapid urbanization. By unleashing the potentials of domestic market entities and turning them into effective demand, China's economy will be able to achieve domestic consumption-based growth. With its large domestic market, a large economy like China attracts global innovation factors that contribute to manufacturing upgrade and service sector development. Also, a large economy's domestic market has a "competition effect" that promotes product or service diversification, which is consistent with the trend towards customization and helps avoid homogeneous competition with developed countries and upgrade to the high-end links of the global value chain. The rise of the US economy in the 1920s was characterized by domestic consumption as a growth engine and import-oriented firms (Jia, 2011).

The domestic consumption-based strategy mentioned in this paper does not mean that a country should close its doors. Domestic consumption is not at odds with economic globalization. Theoretically, a domestic consumption-based strategy can be carried out in an open manner, such as by importing overseas factors for domestic processing and then selling finished goods overseas. It may also be carried out in a closed manner. For instance, the entire value-adding process can be completed domestically without interacting with the world economy (Liu, 2012). In fact, the rise of the US economy was achieved through domestic consumption-led development in a closed form with high tariff protection.<sup>8</sup> Currently, the trend towards economic globalization is irreversible given the deepening specialization in the global market and the frequent international flow of goods, services and factors. In this context, it is unrealistic to practice protectionism. Therefore, China should shift towards a domestic consumption-based development strategy, but at the same time, open wider to the outside world at a higher level (Dai and Zhang, 2018).

### 3.2 Mechanism of the Domestic Consumption-based Strategy

Under the export-oriented OEM model, foreign firms control intermediate demand for producer services, which is unfavorable to the development of the local service sector. Unlike the market crowding-out effect of an export-oriented strategy on China's service sector, the domestic consumption-based strategy creates an unimpeded environment for service sector development. By promoting differentiated monopolistic competition in a domestic consumption-driven economy, the domestic consumption-based strategy fosters owners of the value chain. For the highly heterogeneous service sector, such a domestic demand-driven effect is even more significant. On the value chain, R&D, design and marketing represent the high-value sides of the smile curve - both of which are part of the service sector and feature differentiated competition. In this sense, the domestic consumption-based strategy will encourage domestic service firms to move towards high-value links of the value chain, and the cost of doing so can be abated through economies of scale that a large economy may offer. While the export-oriented strategy promotes manufacturing globalization, it cannot provide momentum to service sector globalization, as evidenced in the local characteristics of China's service sector development. The domestic consumption-based strategy will unlock a huge market demand from China's manufacturing industry, including advanced and smart manufacturing, that drives the service sector's development.

In shifting from an export-oriented to a domestic consumption-based strategy, China should create a value chain dominated by its local firms outside the one controlled by multinational firms. The new value chain can be either a domestic (regional) value chain or a global value chain. Whatever the form, it lays a market foundation that allows local service companies to develop. Under the home-market effects, a country with huge market demand will become a net exporter of differentiated products (Krugman, 1980; Helpman and Krugman, 1985). In such a case, exports in the form of general trade will rise substantially, giving local service firms an "accelerator" for leapfrog development.

<sup>8</sup> For more than half a century after the US Civil War, the import tariff for its industrial finished goods was around 40% to 50%. See Jia (2011).



### 3.3 Preconditions for Implementing the Domestic Demand-based strategy

A large economy's domestic consumption potentials must be unleashed in order for the domestic consumption-based strategy to succeed. The key is to create a unified domestic market. For the more expensive services, it is vitally important to form a large domestic market with equal incomes. As a critical engine of China's economic and industrial development, investment has been subject to administrative interventions under the remnant influence of the planned economy era. Local governments often used their "visible hand" to direct investments towards manufacturing industry, particularly energy-intensive and polluting sectors that could stimulate GDP growth in the short run. Even in the service sector, they gave priority to real estate projects. For emerging industries, local governments competed in fostering similar companies, resulting in repetitive development and overcapacity. This problem stems from China's administrative segmentation manifested in dual barriers in the product and factor markets. In the product market, local protectionism prevails and restricts nonlocal goods and services from entering the local market, particularly in key fiscally-contributing sectors like tobacco, alcohol and dietary salt. Many chain stores are subject to double taxation since their primary stores and branch stores are not in the same local market, which adds to their operating cost. In the factor market, free labor flow is made difficult by such barriers as differentiated household registration and public welfare. Infrastructure is often incompatible and disconnected across regions, causing severe fragmentation of China's domestic market. The domestic consumption-based strategy must define the boundary of government powers and prevent the "visible hand" from excessively intervening in and distorting market-based investment and allocation. Insufficient domestic consumption in China over the years is partially attributable to differences in statistical classification,<sup>9</sup> but the fundamental reason lies in China's urban-rural divide. Urbanization gaps have slowed the growth of consumer demand. According to the experience of developed countries, when per capita national income reaches 8,000 to 10,000 US dollars, urbanization will rise to around 75%. In 2016, China's per capita total national income stood at 8,620 US dollars, but its urbanization rate was only 41.2%. Urbanization gaps have led to an estimated loss of consumer demand worth a staggering 3,160.9 billion yuan, or 9.51% of the aggregate consumer retail volume of the same year (Zhou, 2017). The differentiated land ownership system between urban and rural areas has inhibited the growth of farmers' consumer demand. Under the existing land system, individual farmers do not have land ownership and may only lease land from the State. They cannot sell or mortgage land. Under the rural collective land ownership, land rights are often vague. For farmers, their land assets cannot be monetized, which prevents them from benefiting from urbanization and increasing their consumer power.

## 4. Service Sector Transition towards a Domestic Consumption-based Strategy

Based on our review and analysis of China's service sector development over the past four decades of reform and opening-up, we believe that it is vitally important for the service sector to shift from an export-oriented strategy to a domestic consumption-based strategy. In this section, this paper identifies policy recommendations on how to achieve this transition.

- Create a nationally unified domestic market, and build a long-term mechanism to expand domestic demand. The government should proactively improve laws, regulations and industrial policies on unifying the market. Through judicial reform and infrastructure construction such as transportation and the internet, the government should remove local protectionism and increase inter-regional interconnectivity. At the micro level, the government should spare no efforts in removing market entry barriers for small and medium-sized service firms, encourage firms to organize associations, and

<sup>9</sup> Since the mid-1990s, the housing reform has been followed by a spike in housing spending, which is classified as an investment rather than consumption.

integrate the industrial chain of primary goods in the rural market and high-value goods in the urban market.

- Expedite new-type urbanization, and unleash domestic consumption potentials. “New type” means that urban development should increase people’s happiness and welfare, and that household registration, land, and fiscal systems should be reformed in coordination. Specifically, China should: (1) create a unified residency certificate system for all its people, separate the welfare distribution functions from household registration and equalize public services between cities and the countryside; (2) confirm rural land rights, create a rural property right exchange market and explore a mechanism for the swap of urban and rural construction land quota; (3) reform its fiscal system, consider piloting a property tax, and deliberate on appropriate tax rates for various types of properties and links such as property possession, acquisition and transfer, so as to broaden the tax base and stabilize the tax revenue.

- Promote the interplay between the service and manufacturing sectors. In fostering world-class manufacturing clusters, China should also modernize its service sector. As shown by the experience of other countries, the interplay between the service and manufacturing sectors plays a vital role in the transition from the mid- and late industrial stages to the post-industrial stage. Overemphasis on the service-based economy in disregard of such interplay leads to industrial hollowing and the Latin American-type middle-income trap. Industrial development is the foundation for high-quality service sector development.

- Seize the historic opportunities of the Belt and Road Initiative, and create a domestic consumption-based global value chain to open up the service sector at a higher level. China should build platforms for win-win cooperation in the Belt and Road countries and regions and carry out international trade in services and service outsourcing in such areas as transportation, tourism, communication and financial services. Differentiated industrial development stages in the Belt and Road countries and regions constitute a typical gradient industrial belt that is conducive to creating a domestic consumption-oriented global value chain for Chinese service companies to invest abroad. ■

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