

Comparative Study on International Competitiveness of Financial Services Trade in China, America and India

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Abstract—In recent years, the rapid development of international trade in services has increasingly become an important indicator of national competitiveness. This paper does research in financial services trade. China and India are the delegates of emerging economies. The United States is the most developed country in the world in services trade. After a brief introduction on financial services trade of China, United States and India, the paper makes an empirical and comparative analysis of the international competitiveness of the three countries' financial services trade using RCA index, TC index and international market share respectively. It is found that the competitiveness of Chinese financial services is behind both the United States and India. Promotion of Chinese financial services trade will help improve the whole country's international competitiveness. At last, the paper proposes some relative strategies to enhance the international competitiveness in China.

Keywords- *The Financial Services Trade; RCA index; TC index; The International Market Share; International competitiveness*

I. INTRODUCTION

The services trade has developed rapidly at the background that the international division of labor continues to deepen and global industrial structure keeps adjustment and upgrading. The international competitiveness of services trade has increasingly become an important measure of a country or area's international competitiveness. According to "General Agreement on Trade in Services" (GATS), financial services mean a member offers another member any services related to financial. The financial services trade includes three modes: cross-border supply, consumption abroad, and commercial presence.

China and India are the delegates of emerging economies. The United States is the most developed country in the world in services trade. How was the three countries' international competitiveness of financial services trade? How to enhance China's ability of financial services trade? This paper will give China's development some advice through the comparative study of the three countries' financial services trade.

II. CURRENT DEVELOPMENT

A. China. Since the reform and opening policy in the 1970s, China's foreign trade development has entered a

new stage. Financial services exports have developed from \$1.7 billion to \$6.9 billion since 2008 to 2013. The annual growth rate was 55.3%. At the same time, financial services trade imports also grew rapidly. The import amount reached \$25.5 billion. China's trade deficit of financial services was gradually expanding. The amount of import and export also constantly increased. But the development level of China's financial services trade is still low.

B. United States. Its exports rose from \$152.5 billion to \$167.8 billion since 2008 to 2013. The annual growth rate was 2%. Financial services trade exports reached \$98 billion in 2013. The annual growth rate was 5.6%. The surplus existed in the United States since 2008 and the amount was rising. It shows that US financial services trade was well developed and maintains a strong competitive advantage.

C. India. Since the 1990s, financial services development in India has the characteristics of large-scale, rapid growth, and surplus. India's finance and insurance services have a rapid growth and its exports have been among the forefront of the worldwide financial services. India's total amount of financial trade was 19.1 billion.

TABLE I THE CURRENT DEVELOPMENT OF CHINA, UNITED STATES AND INDIA IN FINANCIAL SERVICES TRADE

year category		2008	2009	2010	2011	2012	2013
Total services trade	China	306.03	288.33	355.48	414.49	472.63	538.50
	USA	667.34	638.50	708.40	806.45	858.31	917.14
	India	195.48	172.69	231.39	263.48	274.98	280.89
Total financial services trade	China	15.01	13.91	20.20	24.35	27.74	32.38
	USA	152.56	157.24	163.72	166.56	162.00	167.84
	India	13.73	12.91	19.41	23.31	18.64	19.10
Financial services trade export	China	1.70	1.96	3.06	3.86	5.21	6.90
	USA	76.43	79.02	86.75	93.20	92.48	98.02
	India	5.85	5.13	7.62	8.83	7.39	7.635
Financial services trade export	China	13.31	11.95	17.14	20.48	22.52	25.48
	USA	76.13	78.22	76.98	73.36	69.51	69.81
	India	7.88	7.78	11.79	14.48	11.25	11.47
Financial services balance	China	-11.61	-9.99	-14.08	-16.61	-17.31	-18.57
	USA	0.30	0.81	9.76	19.84	22.96	28.21
	India	-2.025	-2.65	-4.18	-5.65	-3.86	-3.83

Date source: Calculated based on UNCTAD handbook of statistics online (2014)

III. EMPIRICAL ANALYSIS

A. International competitiveness analysis based on RCA index

RCA (Revealed Comparative Advantage) index is proposed by the Balassa. RCA index refers to a share that a country's exports of certain goods or services divided by the the country's exports than the world's. The index can be used to react a country's status of a commodity or services in the whole world market. The formula RCA index can be expressed as: $RCA=(X_i/X)/(Y_i/Y)$.

In the formula, X_i represents i-th exports of goods or services of a State. X represents the country's total exports of goods and services. Y_i represents the i-th world exports of goods or services. Y represents the total world exports of goods and services. If the RCA index ≥ 1 , it indicating that the country's some kind of services has revealed comparative advantage. If RCA index ≥ 2.5 , it means that such services has a well strong international competitiveness. If $1.25 < RCA \text{ index} < 2.5$, it shows that such services has strong international competitiveness. If RCA index < 1 , indicating that this kind of services has not revealed comparative advantage.

In this paper, the RCA index is calculated through data of China, USA, India and the World (in Table 2). In the financial services (except insurance), the highest RCA index is $2.63 > 2.5$ and it is from USA in 2011. It indicated that American's financial services has revealed comparative advantage with strong international competitiveness. India's RCA index of financial service is close to 1 and is more than 1 in 2010 and 2011. It means that India also has a revealed

comparative advantage in the world. China's RCA index < 1 indicate that its international competitiveness is weak.

The competitiveness of insurance of USA and India is stronger than China. American's RCA index is around 1.6. The value is very stable. American's insurance has a strong international competitiveness. India's RCA index of insurance is between China and American and the industry also has a revealed comparative advantage. China's RCA index has been low but there is a slow upward trend.

TABLE II RCA INDEX OF FINANCE SERVICES TRADE

year category		2008	2009	2010	2011	2012	2013
Finance (except insurance)	China	0.01	0.01	0.02	0.05	0.03	0.06
	USA	2.17	2.28	2.46	2.63	2.63	2.54
	India	0.82	0.94	0.84	1.12	1.01	0.87
Insurance	China	0.15	0.21	0.20	0.20	0.31	0.32
	USA	1.48	1.73	1.53	1.55	1.52	1.59
	India	1.42	1.22	0.96	1.01	1.26	1.14

Date source: Calculated based on UNCTAD handbook of statistics online (2014)

B. International competitiveness analysis based on RCA index

TC index(Trade Special Coefficient) represents an industry's trade balance than the industry's total trade amount. The index can measure the industry's export competitiveness in the world market. The RCA index can be represented by the following formula: $TC=(A-B)/(A+B)$.

In the formula, A represents export amount of some kind services in a country and B represents import amount. TC index is in the range (-1,1). If the index is close to 0, such kind of services export competitiveness is strong. If the index is close to 1, the competitiveness is weak. If $TC=-1$, the country has only import services. If $TC=1$, there is only export services in the country.

American's TC index of financial (except insurance) in biggest in the three countries. It is lowest in China and it is medial in India. American's TC index reached 0.63 in 2013. It indicate that there is a strong competitiveness in international market. Chinese TC index is negative. It is mainly because the financial service trade of exports in China is less than its imports. The deficit is exit, indicating the competitiveness of Chinese financial services is weak. India's index began to be positive from 2012 indicating that the Indian financial services trade is gradually full with international competitiveness.

In the insurance, the three countries are all deficit that the import is more than export. Therefore the three countries' TC index is negative. But the American's TC index is close to 0 in comparison. Chinese TC index is -0.69 close to -1. It indicates Chinese international competitiveness of financial service trade is weaker than USA and China.

TABLE III. TC INDEX OF FINANCIAL SERVICES TRADE

year category		2008	2009	2010	2011	2012	2013
Finance (except insurance)	China	-0.28	-0.29	-0.02	0.06	-0.01	-0.08
	USA	0.57	0.63	0.65	0.63	0.64	0.63
	India	0.10	-0.02	-0.08	-0.14	0.03	0.03
Insurance	China	-0.80	-0.75	-0.80	-0.73	-0.72	-0.69
	USA	-0.63	-0.63	-0.62	-0.58	-0.53	-0.53
	India	-0.47	-0.45	-0.48	-0.41	-0.48	-0.49

Date source: Calculated based on UNCTAD handbook of statistics online (2014)

C. National competitiveness analysis based on international market share

The international competitiveness of a industrial measured by the international market share of its products. The products' international competitiveness of the industrial is stronger as the index value is larger.

In terms of international market's share (Table 4), international market's share of America is highest. The international market's share of financial services trade (except insurance) in USA is 24.68% in 2014 and insurance is 15.47%. The international market's share of China is lowest among the three counties. But its international market's share is more than India in 2011 and 2012. The two types international market's share is rising year by year

TABLE IV. INTERNATIONAL MARKET SHARE OF FINANCIAL SERVICES TRADE

year category		2008	2009	2010	2011	2012	2013
Finance (except insurance)	China	0.08	0.11	0.13	0.47	0.27	0.61
	USA	20.66	21.12	24.42	25.50	24.61	24.68
	India	1.14	1.44	1.37	2.06	1.97	1.66
Insurance	China	1.18	1.66	1.67	1.80	2.87	3.21
	USA	14.13	16.06	15.18	14.98	14.22	15.47
	India	1.96	1.87	1.58	1.85	2.46	2.17

Date source: Calculated based on UNCTAD handbook of statistics online (2014)

IV. CONCLUSIONS AND RECOMMENDATIONS

At present, China's financial services trade is still weak in the international financial services market and there is still a large distance between China and developed countries such as United states. Besides , China is also behind India as one of emerging countries. Therefore, promotion of China's financial services trade will help improve the whole country's international competitiveness. Specifically, we can start from the following aspects.

A Strengthen the three countries' cooperation in financial services trade. In the economic globalization and financial internationalization today, the international cooperation in finance is an important way to achieve regional economic development stability. Strengthening the three countries' financial cooperation can help the country learn the successful experience

from each other and enhance the international competitiveness of financial services trade. With the relation strengthening in economic of the three countries, the effectiveness of a country's monetary policy is closely related with the degree of the reaction of other countries. The three countries need to strengthen the coordination of financial policy, such as improving the dialogue mechanism of financial government further, enhancing security and strengthen the coordination of financial monetary policies to improve the international competitiveness in financial service trade.

B. Perfect outsourcing market of financial services further. In recent years, the domestic financial institutions focus more and more on their core business with the increasingly fierce competition in financial industry. The financial services outsourcing can reduce costs, transfer risk and enhance the core competitiveness of financial enterprises. Therefore, development of service outsourcing means a lot to enhance Chinese international competitiveness of financial service trade and accelerate the integration of Chinese and the international financial markets. However, Chinese financial services outsourcing developed slowly and financial services outsourcing market is still not mature , such as outsourcing business scope is too narrow and relevant legal system is not perfect, which seriously hinders the enhancement of financial enterprise's core competitiveness. Therefore, the financial sector should gradually expand the scope of outsourcing and the government should further improve the regulatory system outsourcing.

C. Establish statistics accounting system of financial services. At present, the statistics service accounting system of Chinese import and export is still not perfect. Some individual service sector does not import and export statistics. In order to offer reliable data for relevant departments to make decision and analysis economic, import and export accounting statistics of financial services should be established. Statistical standards should be international in order to improve the accuracy and usefulness of the data. It can also enhance the development and competitiveness of financial services in China.

D. Accelerate the training of financial professionals. At this stage, although the scale of Chinese financial talents is huge, the training quality is still backward compared with other country. The human trained by the traditional education system is difficult to meet the needs of a modern financial enterprise. So the current financial talent cultivation system should be reform and speeding up the training of senior financial personnel understanding the advanced theory and advanced technology.

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