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TRADE IN SERVICES BETWEEN RUSSIA AND CHINA: EVALUATION OF MAJOR TRENDS AND STRUCTURAL CHANGES

SUMMARY. This article shows the disposition of Russia and China in the international service trade and the peculiarities of the dynamics and structure of this process. Russia in 2012 had the 22d position in the world in service export and the 14th in import. China had the 5th position in the export of services and the 3rd position in import. To count structural changes in trade in services the author of this article used the index of Riabtsev, developed as a result of the search for improved methods to measure differences in the structure compared to the index of Salai. The index shows the ratio of the actual measure of the discrepancy in the proportion of components of structures with their maximum possible value. The index value ranges from 0 to 1 and reflects the measure of significance of structural differences. This method was used by the author to assess structural changes in export and import of services of Russia and China, as well as to identify the structural features of Russian foreign service trade with China. It was revealed that at high rates of growth of international service trade (primarily business), the structure of service trade depending on delivery methods, Russia and China did not show progressive changes, taking place in developed countries. In Russia's trade with China, there are "significant" differences in export and "significant" differences in import from China in comparison with international trade in services as a whole. The main types of trade between Russia and China are trips, especially tourism, as well as "transport" and "building services", indicating less progressive trade which needs to be improved. The tendencies of the development of international service trade between the two countries are identified in this article.

KEY WORDS. International service trade, the structure of international services, Russia, China, Russian-Chinese cooperation.

International trade in services is a relatively new and rapidly developing sphere of the world economy. Some service sectors outpace not only in trade of goods indices, but also in productive activities. All terms were clarified after the two most important collective decisions had been made: the formation of the World Trade Organization and signing of the GATS (General Agreement on Trade in Services).

Moreover, GATS identified and adopted the modes of service supply: cross-border trade, consumption abroad or consumer mobility, commercial presence, and the movement of physical entities supplying services (presence of natural persons providing services) [1], [2]. As a result, a substantial part of the "non-tradable" services was classified as "traded". It made it possible to organize accounting of the services which did not use to be reflected in the national balance of payments. At the same time, in practice, taking into account international service trade, in most cases it is reduced to the first two modes of shipment, which means that the real volume of world trade is underreported.

According to the WTO data, in 2012, Russia ranked 22d in the world in the export of services and 14th in import, which corresponded to the eleventh and ninth places if one does not take into account the mutual trade within the European Union [3]. During the period from 2001 to 2012, exports of services increased by 5.6 and imports increased by 5.5, indicating high growth in the sector of Russia's foreign trade.

Overall turnover of services in Russia (after the recession of 2009 due to the global financial crisis) continued to grow. In 2012, it amounted to $171.2 billion, which marked 18.8% increase, as compared to 2011. Meanwhile, according to the Central Bank data, the deficit of services increased in 2012 and reached a historic high of $46.5 billion [4]. Its increase in the last two years is due to the better than expected growth of imports.

In the structure of service exports, in three large groups (Table 1), there were significant changes that are associated with the reduction in the share of transport services and travel tours as well as an increase in the number of other commercial services. At the same time, absolute indices of all the three groups continued to increase until 2008; and the structural changes were mainly due to the rapid growth of other commercial services, the export of which grew by 11.2 times from 2001 to 2012. The latter can be regarded as a positive trend. As for the export of travel services, in 2012, Russia did not reach the pre-crisis level, indicating little attractiveness of inbound tourism.

Table 1

The structure of Russian export of services, %

Services \ Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transport	42	41	38	38	37	32	30	30	27	30	30	31
Travel tours	32	31	28	27	24	25	24	23	20	18	19	17
Other commercial services	26	28	34	35	40	43	46	47	53	52	51	52
Total	100	100	100	100	100	100	100	100	100	100	100	100

The changes in the structure were confirmed by the quantitative assessment of the structural shifts in the service export market in Russia that took place in 2012 as compared to 2001. Evaluation was performed for the three large groups (Table 1) using Riabtsev's index [5, 45]:

$$J_R = \sqrt{\frac{\sum_{i=1}^{n}(d_2 - d_1)^2}{\sum_{i=1}^{n}(d_2 + d_1)^2}} \qquad (1)$$

where: d_1 and d_2 – the shares of two compared structures of Russian export (in 2001 and 2012); $i = 1,2,3,..., n$ – the number of gradations in the structures. As a result of calculations, Riabtsev's index, equal to (J_R = 0,271), ranges from 0.150 to 0.300 on the assessment scale for the evaluation of the significance of structural differences, which corresponds to the "significant level of differences".

In the export of other commercial services, computing and information services had the highest growth rate (increased by 21). However, within the share of services delivered in 2012, the group "other business" was the leading one, including professional and consulting services, services in technical spheres, trade and mediating services, and others (12.6-fold increase). The second and the third positions were taken by construction services and the group of computing and information services.

With regard to import of services, despite the leading position of the group of "other commercial services", their growth rate is lower than that of export. A significant share in import is constituted by travel services (especially tourism). This point develops a negative balance, which indicates predominance of the outbound tourist flow from Russia and cash leaking out of the country (Table 2) [4]. "Other business services" have taken the maximum share among other commercial services. These include mainly technical, trade and mediating services, engineering services, services in the sphere of architecture, and consulting services. Three groups of services: the fee for using intellectual property (licenses, patents), construction, telecommunications, computing and information services, had almost the same share of import (about 6%).

The highest growth rates in the analyzed period were recorded in the financial services sphere (by 13.5) and in the sphere of fees for using intellectual property, including license fees, purchase of R&D, brands, logos and names (by 25.3). These changes indicate an increase in the structure of service imports related to financial security of economic processes and the use of technologies and brands on the basis of licenses. Further, structural changes were identified in the Russian import of services. Riabtsev's index for the Russian import of services (Jr = 0.091) corresponds to "low-level differences" at the threshold values 0.071-0.150, which characterizes minor structural changes.

Table 2

The structure of import of services in Russia in 2001-2012, %

Year / Services	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transport	15	12	12	12	14	15	16	18	15	16	17	15
Travel	47	50	48	48	46	42	37	32	33	35	36	39
Other commercial services	38	38	40	40	41	43	46	50	52	49	47	46
Total	100	100	100	100	100	100	100	100	100	100	100	100

The conducted analysis suggests that Russia lags behind other developed countries in their progressive changes both in the structure of service trade and in shipping methods. The reasons for this are the following:

— Imbalance of international service exchange;

— Insufficient use of the advantages of its Eurasian position and transit organization;

— Prevalence of cross-border supply, consumption abroad and consumer mobility.

Consequently, it is essential to take drastic measures to increase export of services in the spheres of high technology, business, computing and information services, as well as in outbound tourism.

It is noteworthy that the European Union and the United States, as well as Turkey, remain the key partners of Russia in the international service trade. Meanwhile, there is a growing importance of trade in services between Russia and China, which will be discussed below.

The foreign trade turnover between China and Russia after 2009, despite its continuous growth, remains negative except the outstripping growth in import, which reached its maximum in 2012 and amounted to 89.7 billion US dollars. Deficit growth in recent years has identified a negative balance, particularly for such positions as travelling, especially tourism, insurance services, as well as enjoying the benefits of intellectual property.

Analysis of the structure of the Chinese export of services indicates significant structural changes taking place at the expense of reducing the share of travels and increasing the share of other commercial services (Table 3) [6] and [7]. Differences in the growth rates of the three integrated groups have become the main reason for structural changes.

In 2001 to 2012, the volume of travel services increased by 2.8; however, the amount of other commercial services increased by 8.5 over the same period. Other business services, among which were professional and consulting services with a share of 17.6%, as well as technical trading and mediating services associated with an increase in the export of goods from China after joining the WTO [8], were excluded from the group of other commercial services. The second position was taken by computing and information services with a share of 7.6% (a 31-fold increase), and the third position was taken by construction (traditional for China) with a share of 6.4% (a 15-fold increase). These results indicate high dynamics in the development of modern high-tech and innovative services, differentiation in growth rates of individual groups of services related to the change in demand for certain services in connection with the transition of China's economy to the way of intensive development.

Table 3

The structure of Chinese export of services in 2001-2012, %

Services \ Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transport	14	14	17	19	21	23	26	26	18	20	20	20
Travel	54	52	38	41	40	37	31	28	31	27	26	26
Other commercial services	32	34	45	39	40	40	44	46	51	53	55	54
Total	100	100	100	100	100	100	100	100	100	100	100	100

Riabtsev's index for China's service export (Jr = 0.295) corresponds to a "significant level of differences". Before analyzing China's import of services, it is important to note that in this country, as well as in Russia, import of services exceeds their export. However, the structure of import is more balanced and has not changed significantly in recent years (Table 4). As seen from Table 4, in 2012 for the first time in the last 10 years the position of "travel" in the import structure exceeded other service groups, which is explained by rising living standards, liberalization for tourists, and the growth of tourism expenditure of Chinese citizens abroad.

As for the structure of other commercial services, the leaders here are foreign trade cargo insurance services (7.4% of total imports of services), consulting services (7.1%), and the fee for the use of intellectual property (6.3%). Such import structure indicates the development of the economy of modern China, focused on support of services related to the provision of foreign trade contracts, investment and procurement of modern technology.

Table 4

The structure of import of Chinese services in 2001-2012, in%

Services \ Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transport	29	30	33	34	34	34	33	34	29	33	34	31
Travel	36	33	28	27	26	24	23	18	28	29	31	36
Other commercial services	35	37	39	39	40	41	44	48	43	39	36	33
Total	100	100	100	100	100	100	100	100	100	100	100	100

Assessing structural changes in the import of services in China that occurred during the analyzed period with the help of Riabtsev's index (equal to Jr = 0.021), its value meets the criterion of "identity of structures". The value of Riabtsev's index calculated in the crisis (Jr (2008-2001) = 0.195) and post-crisis (Jr (2012-2008) = 0.202) periods indicates "a significant level" of differences and confirms the reaction of the structure of import of services first to the crisis, and then to economic recovery.

Thus, after joining the WTO, trade in services in China are characterized by increased volumes and structure optimization. The growth rate of trading tourism and transport services were quite stable. Transnational service in such spheres as construction, insurance, finance, computing and information services, fees for the transfer of rights to use intellectual property and franchise, consulting and outsourcing services were marked by significant growth.

However, international trade in services in China made only 11.0% in the total foreign trade turnover in 2012. In this regard, in the twelfth five-year plan, considerable attention is paid to the development of this particular sector, the size of which, as experts at the Ministry of Commerce predict, should reach $ 600 billion with growth rates of over 11 % by 2015 [7]. The analysis of the interaction of the two countries in the service sector shows growth in the foreign trade turnover by 3.3 times (4.3 times in export and 2.8 times in import) and amounted to 3.68 billion dollars in 2012 (export – 1.53 billion, import – 2.15 billion dollars) [4].

However, the dynamics of foreign trade turnover of trade in services between Russia and China is behind the dynamics of international trade in services of Russia in general. In recent years, along with the increase in China's share of Russian-Chinese trade in goods [9], [10], the share of trade in services increased too: up to 2.5 % in export and 1.9% in import.

With an upward trend there was negative balance in the international trade in services between Russia and China. That cannot be recognized as a positive factor (Table 5, Figure 1).

Table 5

Russia's international trade in services with China ($US billion)

Services \ Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Export	0.36	0.37	0.63	0.65	0.64	0.75	0.87	0.90	1.10	1.41	1.53
Growth rate comparing to the previous year (%)	-	2.8	70.3	3.2	-1.5	17.2	11.6	3.4	22.2	28.2	8.5
Import	0.77	0.89	0.89	0.96	1.1	1.36	1.59	1.01	1.38	2.00	2.15
Growth rate comparing to the previous year (%)	-	15.6	0	6.7	15.8	24.5	16.8	-36.5	36.6	44.9	7.5
Turnover	1.13	1.26	1.52	1.61	1.74	2.11	2.46	1.91	2.48	3.41	3.68
Balance	-0.41	-0.52	-0.26	-0.31	-0.46	-0.61	-0.72	-0.11	-0.28	-0.59	-0.62

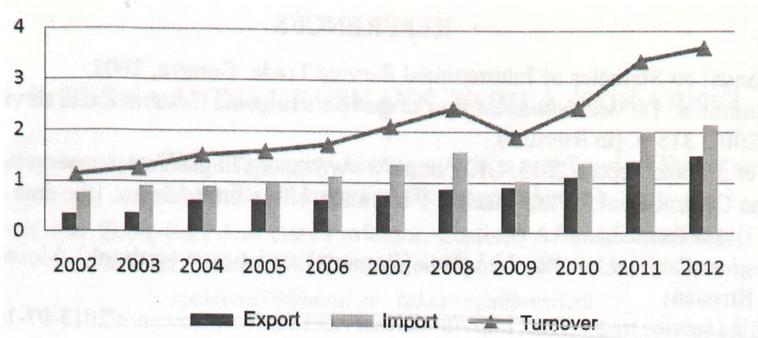

Figure 1. Russia's foreign trade relations with China in the service sphere, in billions of dollars

The analysis of the structure of Russian foreign trade with China in the sphere of services allows to assess the structure of export and import as a primitive one since it is dominated by simple services. In 2011, export of Russian standard service groups (transport and travel) to China was 76%, against 49% to other countries. A similar situation exists in the structure of import – 71% were "travel" and "transport", while in the import from other countries their share was 53% (Table 6).

Table 6

The structural features of the Russian-Chinese trade in services, 2011

Services	export, %		import, %	
	Russia's	from Russia to China	Russia's	to Russia from China
Transport	30	31	17	13
Travel	19	45	36	58
Other commercial services	51	24	47	29
Total	100	100	100	100

Due to the absence of any data on the structure of services in Russia's export and import in its trade relations with China in 2012, the data on the structure of services in 2011 were used in the current analysis.

Comparison of the Russian export of services in general and to China in particular, based on Riabtsev's index (Jr = 0.323), showed its correspondence to "a significant level of differences". Similarly, in the comparison of the structure of import Riabtsev's index (Jr = 0.231) corresponded to "a significant level of differences". Consequently, the analysis led to the conclusion of "significant" and "essential" differences in Russia's trade with China as compared to the international trade in services as a whole, which confirms the thesis of an imperfect structure of trade in services between Russia and China.

In conclusion, it should be noted that the search for new types of services involved in cross-border exchanges and trade adjustment to the conditions and commitments made by Russia when joining the WTO are relevant.

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