Responses to Questions from the Social Sciences in China Press (Peking)

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1. What's your take on the relationship between trade in services and high-quality economic development?

Görg: The development of the services sector is crucial for high-quality economic development. Currently, around two-thirds of worldwide GDP is attributable to services. And the trend is increasing. (China is currently at around 55% according to World Bank figures, but this is also increasing). And around 25% of world trade is in services; and this share has also risen over the last decade or so. And trade in services has tremendous potential to increase due to further liberalization efforts, and digital technologies. So services are set to be the engine for further growth in globalization which will also lead to further economic growth. And many tradable services are skill intensive – think of IT, business consulting, finance, architecture etc. – so a growth in those sectors needs highly skilled employees, further boosting economic development. And lastly, compared to many aspects of manufacturing, many services are far less polluting thus also fostering high-quality economic development.

2. What's your take on China's accession into the WTO and this move's influence on China and the wider world?

Görg: China's accession to the WTO, and the increase in trade, investment and links into global value chains that followed it, have undoubtedly contributed massively to China's economic growth, and have strengthened globalization around the globe. Through this process of globalization, Chinese firms have been exposed to increasing international competition, which has been beneficial for productivity growth (though of course to different extents for different types of firms, depending on, e.g., ownership, location or industry. It has also led to further spillover and learning effects for Chinese firms, which also improved productivity. Moreover, and perhaps sometimes overlooked, WTO accession induced China to improve its institutions – both the institutional environment and institutional arrangements (e.g., compliance of accounting standards with international rules; and property rights law). This has helped to provide a better rule-base for firms doing business on site, and for foreign firms being engaged in partnership with China.

3. How can China and Germany boost economic and trade cooperation trade, especially in services?

Görg: The perception (rightly or wrongly) in many European countries is that China is a strategic competitor on world markets, rather than a strategic partner. In order to boost international trade and investment between the two countries this perception needs to be changed. The relationship needs to move back to being one of cooperation rather than competition. The Comprehensive Agreement on Investment could be one first step into this direction but it has yet to be implemented. But many controversial issues remain which should need to be addressed in the future. The fact that both Germany and China are partners to the new WTO Agreement on Services Trade is also a very good signal and important to foster trade in services.

4. How can Chinese enterprises go abroad in current globalized and changing world?

Görg: China has been very active in investing abroad – also amid the pandemic: Chinese outward FDI flow was ranked first worldwide for the first time in 2020 (154 billion USD, +12.3% compared to 2019). Its outward FDI stock until the end of 2020 reached 2600 billion USD, ranked third worldwide. So I would rather think the challenge that China has is NOT just how to encourage more and more Chinese firms to go and invest abroad, but how to further encourage Chinese outward FDI of high quality that is both good for the Chinese economy AND advantageous for the host economies. The aspect that the Chinese outward investment can be advantageous for the development in the host economies is especially relevant nowadays when many countries in the world, particularly the western economies, turn to focus on emphasizing economic self-sufficiency and technological sovereignty through re-regionalization, re-nationalization or even decoupling. If outward FDI projects of Chinese firms can be of positive support for the development of host countries (through, e.g., fostering spillovers or cooperation with local partners), they may face much less difficulties in carrying out their projects. Related to this, the trend in many countries, particularly US and Europe, to better consider sustainability (social and environmental) aspect in business, trade and investment, need to be taken into account by Chinese firms, if they wish to start new projects or expand existing projects particularly in the countries where such sustainability aspects are becoming more and more emphasized. Also, (international) standards need to be better considered – both in terms of rules and regulations (for example, related to working conditions etc.) to be obeyed while running a business on site and in terms of product standards that are required to be met. In other words, to successfully go abroad, more focus needs to be put on “quality” and “long-term” engagement of the investment.