

4 September 2020 - China pitches services trade fair as proof of 'unwavering confidence in opening up' to foreign firms

Orange Wang SCMP

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President Xi Jinping is expected to speak at today's opening of the China International Fair for Trade in Services, which may draw more than 100,000 people.

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President Xi Jinping is expected to speak on Friday at the opening of a massive trade fair in Beijing – the first such large-scale event on Chinese soil since the coronavirus pandemic began – as the central government tries to project the image of opening up its market to foreign companies after bringing the outbreak under control.

Ministry of Foreign Affairs spokeswoman Hua Chunying said on Thursday that Xi would deliver his speech on Friday evening at the second annual China International Fair for Trade in Services (CIFTIS), which will run until Wednesday.

Chinese authorities are pinning hopes on the fair, which may draw more than 100,000 people, to showcase the nation's success in containing the spread of Covid-19 when many other countries, including the United States and neighbouring India, are still struggling with the disease.

"The 2020 CIFTIS is the first major international economic and trade event held by China since the outbreak," Commerce Vice-Minister Wang Bingnan said at a press conference on Thursday, adding that the event, which focuses on the services trade, will showcase China's "unwavering confidence in opening up".

However, the so-called international fair is unlikely to feature as many foreign exhibitors or attendees as last year, since China still bans entry of most foreigners. The spring session of the Canton Fair, which was postponed until June, ended up being held online. Hosting a successful offline trade fair now would give China confidence in rolling out other events, including the third annual China International Import Expo scheduled for November in Shanghai.

According to official figures, the fair has attracted 18,000 businesses, and more than 2,000 of them will have an exhibition booth. One highlight at the fair will be Covid-19 vaccines that are being developed by Chinese companies, as well as devices that can conduct nucleic acid tests for the coronavirus in 30 minutes, according to the Beijing Municipal Health Commission.

The fair is taking place against a backdrop of decoupling risks between China and the United States – Washington is trying to cut its trade, education and technology exchanges with China, viewing Beijing as a strategic competitor.

China, meanwhile, is responding by trying to woo foreign businesses and the investment community, especially those in the United States, through promises of opening up its market. The services trade fair appears to be part of China's charm offensive to show that it remains open for business.

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Dan Wang, a technology analyst at Gavekal Dragonomics, a global macro research firm in Beijing, wrote in a note on Thursday that China has realised that "tit-for-tat economic retaliation against US companies would only play into the hands of US national security hawks who are pushing for a broad decoupling of the US and Chinese economies".

As such, China's best way to counter that effort "is not to push US companies out of China, but to hug them even closer", Dan Wang wrote.

Wang Bingnan said Beijing is hoping that the services trade fair becomes one of the top three China expos signalling the nation's commitment to globalisation as well as "economic and trade cooperation", joining the Canton Fair and the China International Import Expo. Last year, Xi sent a letter to the event, saying China was willing to promote "trade and investment liberalisation". In his letter, Xi also noted that the "services trade has become increasingly important".

Many of China's service fields, which include finance, communication and education, are heavily restricted. In banking, for instance, the share of foreign banks in China's financial service market is tiny, even though China vowed to give foreign banks equal treatment after it entered the World Trade Organisation in 2001.

At the same time, China has reported a big deficit in the services trade because the Chinese people are buying more services from overseas providers than the other way around. According to its Ministry of Commerce, China's exports in services returned to growth in July, up 3.3 per cent to 172.5 billion yuan (US\$25.24 billion), year on year. China's services trade deficit narrowed by 49.4 per cent in the January-July period, year on year, partly because overseas travel has largely stopped this year. Still, Beijing Vice-Mayor Yang Jinbai said at Thursday's press conference that international organisations, embassies, foreign business associations and enterprises from 148 countries and regions will be participating in the services trade fair.