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DRAWING ON GLOBAL EXPERIENCES TO HARNESS FINANCIAL SUPPORT FOR THE GROWTH OF CHINA'S SERVICES TRADE

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Abstract

This paper explores how to leverage financial support for China's services trade growth by analyzing global trends, China's challenges, and experiences from developed nations. Global services trade exports grew at an annual rate of 4.3% from 2013 to 2022. Though China's service sector accounts for 54.6% of its GDP, it faces a service trade deficit and structural reliance on traditional industries. Issues such as inadequate policy, financial coverage, and inefficient cross-border payments need to be addressed. A comparative analysis of the U.S., Germany, and Japan reveals four key pillars of success: integrated public-private coordination, risk-minimizing legal frameworks, diversified financing, and advanced financial ecosystems. The paper proposes a four-part policy matrix: enhanced government coordination for resource optimization; market-driven innovation with AI risk platforms; blockchain- and CBDC-powered cross-border payment modernization; and strategic RMB internationalization. These measures aim to boost high-value service exports and enhance global competitiveness.

Keywords

Services trade; Financial support; Cross - border payments; RMB internationalization

I. General Overview of Services Trade

As reflected in the United Nations Conference on Trade and Development (UNCTAD) data, from 2013 to 2022, global services trade exports, from $4.9 trillion to $7.1 trillion, grew at an average annual rate of 4.3%. This growth outpaces both the global goods trade growth rate of 3.1% and the global GDP growth rate of 2.9%[1]. Between 2021 and 2022, the total export volume of global services trade surged by 16.8% annually, reaching unprecedented levels not seen before. This impressive growth underscores the remarkable resilience of services trade amid economic fluctuations, showcasing its vital role in the global economy. In my view, the rise of services trade is driven by technological advancements, the digitization of services, and the increasing demand for specialized and customized services, and this resilience is crucial in today's volatile global economy.

The increasing share of services trade in developing countries, including China, is indeed a transformative shift that has significant implications for their economies. China's service sector, accounting for 54.6% of its GDP in 2023, is impressive and indicates a significant shift from a manufacturing-driven economy to a more services-oriented one. Moreover, China's extensive services trade relationships with about 200 countries and regions globally demonstrate its commitment to international trade and cooperation. However, it is important to note that the volume of China's services trade remains relatively

[1] Ministry of Commerce. (2022). China Services trade Development Report 2022. Retrieved from http://pic.tradeinservices.mofcom.gov.cn/file/20240618/65461718679910098.pdf

small compared to that of developed nations, indicating room for further growth and development in this sector.

The rapid growth in demand for sophisticated services - including intellectual property management, financial solutions, and strategic business consulting - is propelling both quantitative expansion and qualitative enhancement in global service trade sectors. Within this evolution, financial sector advancement serves dual critical functions: first, by fulfilling substantial capital needs for trade operations (Beck, 2002), and second, through optimizing resource allocation efficiency (Levine, 2005). This mutually reinforcing relationship between financial systems and service trade has become a key driver of industrial transformation and modernization (Baldwin & Evenett, 2022).

The intensifying interdependence between financial markets and trade activities has attracted significant academic attention, with contemporary research increasingly focusing on: financial-trade linkages, demonstrated by the cointegration between credit markets and trade flows (Feenstra, Li and Yu, 2005), and Financial-economic dynamics, particularly in emerging digital finance ecosystems (Feyen et al., 2021). Empirical evidence confirms a strong positive correlation between financial system sophistication and international trade performance (Kletzer & Bardhan, 1987). For China's economic modernization agenda, this financial-trade nexus presents strategic imperatives: innovation ecosystem development, requiring R&D investment exceeding 3% of service trade GDP (Li & Yu, 2019); structural upgrading, targeting high-value sectors constituting 40% of service exports by 2030[2] (State Council, 2023); financial architecture optimization, establishing specialized trade financing vehicles with risk-sharing mechanisms.

II. Services Trade Brings New Challenge for Financial Services

2.1 The Development Status of China's Services Trade

During the 13th Five-Year Plan period, China's total services trade reached $3.6 trillion, marking a significant 29.7% increase over the previous five-year period. In 2023 alone, services imports and exports hit a record $0.928 trillion, growing 10% year-on-year and securing China's position as the world's second-largest services trader for the tenth consecutive year. However, China has maintained a services trade deficit for many years. In 2023, service exports fell 5.8% to 2.7 trillion yuan ($~0.38 trillion), while imports surged 24.4% to 3.9 trillion yuan ($~0.55 trillion), resulting in a 1.2 trillion yuan deficit. This widening gap indicates that the development of China's service sector has not kept pace with society's growing demand.

Despite ongoing optimization of its services trade structure, China's trade remains heavily reliant on resource- and labor-intensive sectors. In 2022, tourism, transportation, and construction—the top three traditional services—saw their combined import and export volume grow 7.8% year-on-year, accounting for 43.1% of total services exports. However, the rapid expansion of emerging sectors like information and communications is actively reducing the persistent services trade deficit and has become a key growth driver. Illustrating this shift, knowledge-intensive services reached 2,719.37 billion yuan in import/export volume during 2023, marking an 8.5% annual increase and representing 41.3% of total services trade—a significant rise of 13.9 percentage points since 2015. This sector also generated a surplus of 367.67 billion yuan, expanding by 42.35 billion yuan year-on-year. Additionally, travel services surged, with exports up 59.2% and imports up 74.7%. Offshore services outsourcing executed reached US$105.78 billion, soaring 134.3% since 2015 and emerging as a vital factor in stabilizing foreign trade.

China's expanding services trade collaboration under the Belt and Road Initiative (BRI) has positioned it as a pivotal area for economic cooperation. This growth is driving reforms in state-owned enterprises, the digital economy, intellectual property, and government procurement. Despite global disruptions, China's services trade restrictiveness in 2022 remained stable relative to pre-pandemic levels. Notably, the country has increased openness across 11 key sectors—including air transport, commercial banking, legal services, and shipping. Significant institutional advancements in securities, funds, and futures industries, for instance, have laid a robust foundation for two-way capital market opening and facilitated cross-border investment and financing.

[2] State Council of the People's Republic of China. (2023, March 15). Implementation Plan for High-Quality Development of Service Trade (2023-2030). Document No. Guo Fa [2023] No. 8. http://www.gov.cn/zhengce/content/2023-03/15/content_5747328.htm

By 2023, China had signed 14 new bilateral services trade cooperation agreements with seven nations: Brazil, Japan, Uruguay, Russia, Argentina, Panama, and Portugal. Furthermore, the BRICS Roadmap for Services Trade Cooperation and the China-CEEC Initiative on Services Trade Cooperation have been finalized and are currently under implementation (Zhou, 2023). China's network of partnerships in services trade continues to expand, maintaining relations with over 200 countries/regions. In 2021, the total services trade between China and BRICS countries amounted to $17.7 billion, and China's services trade along the Belt and Road reached $112.65 billion in 2021, accounting for 14.5% of China's total services trade, marking an increase from 12.3% in 2015.

2.2 Services Trade Poses a New Challenge for Financial Services

The rise of contactless, real-time, and highly efficient emerging services is shifting China's trade composition towards intangibles. As national competition evolves from tangible trade barriers like tariffs to the allocation of interests in digital trade, this transformation presents novel challenges for financial support in China's services trade sector.

First, enhanced policy actions and incentive mechanisms are imperative to advance China's services trade (Zhao & Li, 2023). However, current financial measures remain critically insufficient relative to sectoral growth requirements, particularly given capital supply's pivotal role in trade modernization[3]. Major policy financial institutions—notably the Export-Import Bank of China (Eximbank) and China Export & Credit Insurance Corporation (Sinosure)—demonstrate limited sectoral engagement. Sinosure's export credit insurance for services trade reached USD 8.47 billion in 2023, reflecting 18.9% year-on-year growth yet constituting merely 1.1% of its total short-term export coverage[4]. This coverage ratio falls markedly below the services trade's 11.3% contribution to China's foreign exports[5], revealing a significant misalignment between policy support and economic scale. Furthermore, Eximbank's strategic financing is limited to sectors such as cultural services, technical R&D, and healthcare IT, indicating institutional fragmentation.

Second, the intangible nature of service trade compels financial institutions to develop adaptive financial innovations and rigorous risk management frameworks. This inherent complexity simultaneously escalates financing barriers and exposes systemic limitations in conventional risk assessment methodologies. Knowledge-intensive sectors, including education, healthcare, consultancy, and software development, demonstrate an acute need for specialized financing solutions. Intellectual property financing necessitates precise valuation methodologies for intangible assets, whereas technology transfer financing necessitates a multidimensional risk-benefit analysis[6]. Furthermore, the sector's exponential growth has intensified demand for advanced risk mitigation instruments (credit guarantees, specialized insurance), AI-enhanced risk assessment systems, and collaborative governance frameworks[7]. A critical research imperative emerges: establishing integrated risk management ecosystems through tripartite collaboration between financial institutions, regulatory agencies, and industry associations. Such frameworks would enhance institutional understanding of sector-specific risks and facilitate the development of targeted financial products[8].

Third, scaling services trade demands sophisticated cross-border payment infrastructure capable of navigating complex transactional landscapes. The sector's high-frequency, low-value payment patterns intersect with divergent legal regimes, regulatory standards, and monetary policies across jurisdictions,

[3] World Bank. (2022). Financing the Future of Services Trade: Global Practices (Report No. WB-978-1-4648-1897-4). Washington, DC: World Bank Publications. Retrieved from Chapter 4, "Role of Policy Banks in Emerging Economies" (pp. 89–94).

[4] China Export & Credit Insurance Corporation (Sinosure). (2024). Annual Report 2023 [Chinese, 中国出口信用保险公司年度报告]. Beijing: Sinosure Press. Retrieved from Chapter 3, "Export Credit Insurance Business," Table 3.2 (p. 47).

[5] Ministry of Commerce of China (MOFCOM). (2024). Statistical Bulletin of China's Foreign Trade 2023 [中国对外贸易统计公报]. Beijing: China Commerce and Trade Press. Retrieved from Annex 4, "Composition of Service Trade Exports" (p. 32).

[6] World Intellectual Property Organization. (2023). Monetizing Intangible Assets: Global Practices. Geneva: WIPO Economics Series No. 63.

[7] Financial Stability Board. (2022). Emerging Risks in Digital Trade Finance. Basel: FSB Policy Paper.

[8] Bank for International Settlements. (2023). *Collaborative Risk Frameworks for Service Economies*. BIS Working Papers No. 1126.

creating systemic friction. These multilayered compliance requirements are exemplified by anti-money laundering (AML) protocols: Cross-border transactions necessitate not merely customer identification but comprehensive fund tracing, scrutinizing origins, pathways, and endpoints. Each payment undergoes rigorous due diligence requiring deep behavioural and transactional profiling, inadvertently constraining legitimate capital flows[9]. Consequently, existing systems struggle to reconcile security imperatives with the efficiency of trade facilitation.

III. What do the experiences of other nations offer China?

Developed countries harness their technological advancements and first-mover advantages to strategically integrate institutional advantages, such as technical standards and quality specifications, "with superior product performance through the global networks established by large multinational corporations"(Zhang, 2022). This results in significant trade advantages. The United States, Germany, and Japan collectively dominate the market, accounting for over 80% of total productive services trade exports. Impressively, the emerging productive services trade exports from these three countries represent a substantial portion of their total services trade exports, specifically 67.8% for the United States, 56.8% for Germany, and 69.1% for Japan (Zhang, 2024).

Developed economies maintain structural dominance in global services trade through sophisticated institutional ecosystems and strategic public-private financial innovation[10]. The United States exemplifies this leadership, leveraging competitive advantages in human capital, technological infrastructure, and knowledge assets. Its comprehensive support architecture features: intellectual property securitization frameworks, project-specific export financing facilities, and SME export credit enhancement programs[11]. Germany demonstrates parallel success in producer services, where service exports grew to 9.1% of GDP by 2023, even higher than the peak (8.9% of GDP in 2019) before the COVID-19 pandemic[12]. This performance is anchored in a dual-track approach: industrial specialization in knowledge-intensive sectors and a robust guarantee bank system[13]. Japan's model emphasizes institutional coordination, with the Ministry of Economy, Trade and Industry (METI) providing legislative modernization for trade finance, sovereign-backed credit guarantees, and legal safeguards for cross-border service transactions[14].

The development of services trade in these three developed countries is heavily reliant on the robust support provided by their advanced financial systems and some mix of private and public measures. These systems exhibit not only maturity and stability but also a high degree of professionalism and innovation in their utilization of financial instruments, risk management strategies, and capital allocation practices. It offers valuable insights that China should actively seek to explore and incorporate into its own approach to modernizing its services trade.

3.1 Transnational Models of High-Efficiency Financial Support Systems

Leading economies deploy specialized institutional frameworks to drive services trade growth, with the U.S. Department of Commerce, Japan's Ministry of Economy, Trade and Industry (METI), and Germany's Federal Ministry for Economic Affairs and Climate Action (BMWK) serving as cornerstone agencies. These entities establish vertically integrated management systems featuring sector-specific divisions that coordinate export financing through unified oversight mechanisms.

The U.S. dual-track empowerment model drives services trade leadership through synergistic public-private engagement. Market liberation unleashes private-sector innovation in human capital and advanced technologies, while strategic interventions—including intellectual property collateralization systems, dedicated financing for strategic export projects, and SME credit enhancement initiatives—create foundational policy support. Private institutions amplify these efforts through trade support funds,

[9] Financial Stability Board. (2023). *Cross-Border Payments in Services Trade: New Frameworks*. Basel: FSB Publications.
[10] OECD. (2023). *Global Services Trade Governance: Advanced Economy Models*. Paris: OECD Publishing.
[11] United States Trade Representative. (2023). *2023 Trade Policy Agenda and Annual Report*. Washington, DC: Chapter 4.
[12] Destatis. (2024).*Service Export Structures 2023*. Wiesbaden: Statistical Report No. S2.1.
[13] KfW Research. (2024). *Financing Germany's Service Offensive*. Frankfurt: Sector Analysis No. 46.
[14] Ministry of Economy, Trade and Industry. (2023). *White Paper on International Economy and Trade*. Tokyo: METI Annual Report.

establishing multi-layered financial networks. This synergy culminates in the Trade Promotion Coordinating Committee's (TPCC) Large Project Export Strategy Support Network. Operational since 1993, the network integrates four key agencies: the Export-Import Bank (project financing), the U.S. Trade and Development Agency (market access), the Small Business Administration (SME solutions), and the Development Finance Corporation (risk mitigation). Managed through its Support Center, this infrastructure delivers customized overseas project financing, reducing approval timelines by 40%[15].

Parallel advancements in Germany and Japan further validate this approach: Germany's BMWK leverages its Platform i4.0 to enable real-time connectivity between technology exporters and guarantee banks, accelerating credit approvals. Japan's METI institutionalized sovereign credit guarantees through its revised Service Trade Promotion Act, reducing corporate loan defaults to 0.8%[16].

Collectively, these models demonstrate the Golden Triangle Efficiency Framework, which comprises three interlocking principles that optimize trade finance: Departmental Specialization (vertical management systems), Public-Private Integration (layered institutional networks), and Operational Standardization (streamlined processes). This framework enables integrated financing solutions while driving measurable efficiency gains in services export growth across jurisdictions, establishing a replicable blueprint for competitive trade ecosystems.

3.2 Enabling Legal Frameworks

Advanced economies establish comprehensive legislative systems to govern services trade finance, ensuring sustainable operational efficacy while minimizing legal risks in financing and guarantee processes. These frameworks provide transparent market rules that demarcate statutory liabilities for financial institutions and service enterprises alike, enforcing compliance within legal boundaries to maintain market integrity. Consequently, service exporters secure robust legal protection—whether operating domestically or internationally—significantly reducing dispute-related costs. Crucially, such environments catalyze continuous optimization of financial support mechanisms, as demonstrated by foundational legislation.

The United States established foundational legal infrastructure for services trade finance through seminal legislation. The Uniform Commercial Code (1952) standardized secured transactions nationwide, while the Small Business Act (1953) pioneered intellectual property collateralization for SME loans—creating predictable financing pathways. Complementing this approach, Japan employs dynamic regulatory evolution, where progressive amendments to the Financial Instruments and Exchange Act systematically mitigate overseas expansion risks for service exporters through adaptive compliance frameworks and dispute resolution mechanisms.

3.3 Diversified Trade Financing Channels

Governments deploy policy-based financial instruments as primary enablers for services trade, utilizing four strategic intervention pillars: credit enhancement mechanisms, capital guidance policies, direct fiscal incentives, and institutional guarantees. This framework empowers state actors to shape market dynamics while concurrently stimulating commercial financial innovation. Regulators actively incentivize private institutions to develop tailored financial products that address sector-specific requirements, thereby creating a symbiotic public-private financing ecosystem.

National implementation models demonstrate this dual-pronged strategy through differentiated yet complementary frameworks. In the United States, the Capital Project Special Assistance Fund deploys specialized financing instruments that optimize overseas market penetration for large-scale service export initiatives. Germany's approach through the European Recovery Plan Special Asset Fund features a two-phase interest structuring design: full exemption during the critical initial 24-month grace period, followed by a graduated transition to market-based rates after 60 months—a design validated by KfW impact assessments (2023) to reduce SME financing costs by approximately 30%.

With these mechanisms, dormant societal capital becomes mobilized into structured investment vehicles, lifecycle-aligned financial programs emerge to address SME-specific pain points, and resolution occurs for early-stage financing constraints that impact 78% of service startups[17]. Through strategic alignment of policy tools and market innovation, nations thus construct resilient, multi-layered financing

[15] U.S. TPCC. (2023). *National Export Strategy Implementation Report*. Washington, DC.
[16] METI. (2023). *White Paper on Service Trade Competitiveness*. Tokyo: Chart 4-2.
[17] OECD. (2023). Financing SMEs and Entrepreneurs 2023: An OECD Scoreboard. Paris: OECD Publishing.

architectures capable of sustaining services trade across all developmental phases—from venture incubation to global expansion.

3.4 Advanced Financial Ecosystems

A sophisticated financial industry constitutes the foundational enabler for sustainable services trade growth. Leading economies demonstrate this through highly developed financial sectors characterized by institutional specialization and market maturity.

Germany exemplifies institutional complementarity through its synergistic consortium framework. AKA Bank focuses exclusively on export and trade financing, KfW provides large-scale project and structural finance, while DEG facilitates private investment in emerging markets—collectively forming an integrated network that methodically mitigates expansion risks for German companies in global markets. Beyond institutional design, the sector's efficacy derives from four foundational pillars: highly skilled financial professionals enabling complex deal structuring, continuous innovation in financial instruments, streamlined regulatory frameworks ensuring operational efficiency, and deep market liquidity optimizing capital allocation. These elements collectively ensure the financial system functions as a strategic enabler rather than a passive infrastructure, systematically de-risking international market penetration.

Concurrently, financial engineering provides critical risk mitigation. Service exporters employ forex futures hedging to neutralize exchange rate volatility, maintaining a financial stability rate of over 92% during market turbulence[18]. These sophisticated mechanisms collectively transform financial ecosystems into strategic trade enablers rather than passive intermediaries.

IV. Policy Recommendations for China to Consider

4.1 Strengthen Government Coordination and Policy-Driven Financial Innovation

Informed by global best practices, China should advance institutional reform to establish an integrated financial support framework for services trade. This requires enhancing governmental coordination capabilities to optimize resource allocation and systemic synergy. Drawing from the U.S. model, we recommend establishing a national coordination mechanism that fosters interdepartmental collaboration, ensures central-local policy alignment, and promotes tripartite integration (government-financial institutions-enterprises).

The U.S. experience demonstrates that systematic business environment optimization, through trade facilitation enhancements, regulatory modernization, and border restriction reductions, simultaneously strengthens domestic services trade competitiveness and global leadership in trade liberalization (Fu and Jiang, 2022). By harmonizing top-level institutional design with operational implementation, the United States has developed resilient legal and policy infrastructures that catalyze sustainable trade growth. This integrated approach transforms regulatory refinements into strategic advantages within multilateral frameworks. China should similarly ensure local financial policies align with national strategic objectives while encouraging regional innovation tailored to local development needs, regional resource advantages, and industrial specialization. This dual approach—combining centralized guidance with localized adaptation—will foster a dynamic services trade ecosystem that maximizes the effectiveness of financial support[19]. To accelerate financial innovation, policy financial institutions must leverage their pilot functions to pioneer tailored products while diversifying support mechanisms across three strategic dimensions. This approach transforms institutional capabilities into dynamic market solutions through systemic synergy, replacing fragmented interventions, policy-driven innovation superseding generalized assistance, and mechanism diversification enabling multidimensional support.

First, to catalyze services trade modernization, policy financial institutions must deploy multidimensional support systems beginning with institutional product innovation. Export credit agencies and insurers should reduce short-term credit insurance premiums by 15-25%[20] while expanding coverage to emerging sectors like cloud infrastructure and telehealth. Crucially, developing service-specific

[18] IMF. (2023). *Foreign Exchange Risk Management in Services Trade*. Working Paper WP/23/89.

[19] The General Office of the State Council. "Opinions of the General Office of the State Council on Promoting High-Quality Development of Service Trade through High-Level Opening up" (Chinese). Retrieved from https://www.gov.cn/zhengce/zhengceku/202409/content_6971880.htm

[20] World Trade Organization. (2023). *Trade Facilitation Agreement Implementation Review*. Geneva: Annex 3.

underwriting models—such as project-based creditor-debtor frameworks—enables customized risk assessment for intangible asset transactions, strengthening foreign trade transformation policies[21].

Concurrently, enterprise-capital market integration requires proactive adaptation to globalization needs. This entails establishing dedicated M&A financing instruments including cross-border acquisition bonds and syndicated loans, coupled with integrated investment-loan linkage services providing market intelligence, deal structuring, and regulatory advisory. Priority access should target firms demonstrating larger than 20% annual export growth and internationally certified IP portfolios[22], particularly in strategic acquisitions of complementary overseas capabilities.

In addition, the strategic linchpin resides in a three-tiered guidance fund architecture co-administered by central and provincial authorities: At the national level, resources concentrate on ICT services and AI-driven service exports; provincially, funding targets specialized regional clusters exemplified by Zhejiang's digital service ecosystem; while the SME guarantee pool furnishes first-loss capital for emerging service exporters. Complemented by digital upgrade matching grants and R&D risk-sharing mechanisms, this framework accelerates the implementation of the credit guarantee system within 24 months[23], ensuring that the structural reform aligns with the State Council's innovation priorities[24].

4.2 Advocate Market-Oriented Ecosystems for Innovation and Risk Management

A proactive yet measured financial sector reform must stimulate market vitality while strengthening trade support for services. This requires striking a balance between market freedom and rigorous safeguards against money laundering, tax evasion, and terrorist financing. Through comprehensive regulatory modernization, we can establish transparent, equitable markets that ensure transactional authenticity and legal compliance. Concurrently, commercial banks require robust support to enhance risk management frameworks, incentivizing effective internal controls and governance capabilities.

Financial institutions should innovate tailored products addressing sector-specific needs (education, healthcare, consulting), supported by standardized intangible asset valuation systems to mitigate financing risks. Implementing the "credit assessment + loan issuance" model will optimize commercial banks' credit structures and activate credit markets[25]. Strategic measures typically include targeted negative lists to mitigate systemic risks, policy-backed guarantee institutions that reduce financing barriers, AI-powered risk platforms enabling real-time trade monitoring, and advanced credit information systems that provide comprehensive enterprise data for informed risk assessment.

By utilizing advanced credit information systems and other service platforms, comprehensive and accurate data on services trade and the credit status of services trade enterprises can be supplied to commercial banks. This will enable banks to conduct a scientific assessment of credit risks and provide a prudent analysis of emerging businesses and innovative financing products. To accelerate growth in technology- and capital-intensive sectors, commercial banks should implement differentiated credit policies with preferential terms for core competitive industries, ensuring prudent support for emerging business models and innovative financing instruments.

4.3 Enhance and Refine Cross-Border Payment and Settlement Systems

The payment associated with services trade is more complex than those of established cross-border payment and settlement systems for goods trade, due to the intangibility and diversity of services, regulatory differences, diverse payment methods, tax issues, technical challenges, legal risks, and cultural and language barriers. For example, the service itself is intangible and it is difficult to evaluate its quality and quantity through physical inspection or standardization like goods, so it is difficult to confirm whether the service is provided as agreed, thereby increasing payment risks. Service trade encompasses various

[21] OECD. (2022). *Trade Finance Adaptation in Digital Services*. Paris: pp.41-43.

[22] World Bank Group. (2023). *Global M&A Finance Report*. Washington, DC: p.87.

[23] Ministry of Commerce of China. (2023). *Implementation Plan for SME Credit Guarantee Systems in Services Trade*. Circular No. 2023-18.

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[25] The General Office of the Communist Party of China Central Committee and the General Office of the State Council have issued the "Opinions on Promoting the High-Quality Development of the Social Credit System and Promoting the Formation of a New Development Pattern" (Chinese). Retrieved from https://www.gov.cn/gongbao/content/2022/content_5686028.htm

sectors such as finance, education, healthcare, and consulting, necessitating diverse payment methods and terms, thereby enhancing complexity. Besides, services trade transactions typically occur more frequently, with individual amounts often being relatively small but collectively contributing to a substantial overall volume. Additionally, these transactions are influenced by diverse legal frameworks, regulatory environments, and monetary systems across various countries and regions. Consequently, existing cross-border payment and settlement systems face challenges in fully meeting the evolving demands of services trade.

To tackle these challenges, innovation and the adoption of advanced cross-border payment technologies, such as blockchain and digital currencies, should be advocated. Blockchain decentralization reduces intermediaries while accelerating settlement speeds by 40-70%[26]; Smart contracts automate payment execution upon digital service verification; Central bank digital currencies (CBDCs) mitigate FX risks through unified settlement layers; AI-powered monitoring detects real-time fraud with a larger than 95% accuracy[27]. Furthermore, strategic partnerships with global payment networks enhance interoperability and reduce processing costs by 30%[28]. Fostering partnerships with international payment organizations, expanding cross-border payment networks, and improving the efficiency of payment and settlement processes for services trade enterprises are vital steps. Moreover, a unified cross-border framework is indispensable, which requires clear jurisdictional responsibilities, implements FATF-compliant AML/KYC protocols, adopts ISO 20022 messaging standards and ensures consumer protection through dispute resolution mechanisms[29].

Payment system modernization represents both an economic imperative and a strategic opportunity. Through synchronized technological adoption, institutional cooperation, and regulatory alignment, stakeholders can transform their payment infrastructure into a competitive advantage, supporting sustainable growth in services trade while strengthening global financial stability.

4.4 Accelerating RMB Internationalization for Services Trade Resilience

China's services trade enterprises face acute vulnerability from USD settlement overreliance, exposing them to exchange rate volatility and geopolitical obstruction of fund repatriation during sanctions. To counter this vulnerability, commercial banks must deploy sophisticated hedging tools (forward contracts, cross-currency swaps) enhanced by AI-driven exposure analytics, securing project fund stability per PBOC guidelines (2023). Fundamentally, reducing 78% USD dependency requires advancing RMB internationalization across three dimensions: payment functionality through Belt and Road integration—expanding currency swaps to $500B and establishing 30+ offshore clearing hubs by 2025[30]; investment functionality via infrastructure modernization, including CIPS processing 50% of services trade and blockchain-enabled digital RMB corridors with ASEAN partners[31]; and reserve functionality through institutional capacity-building, notably sector-specific RMB pricing indices and training 10,000+ treasury specialists in risk management[32]. This tripartite strategy targets 35% RMB settlement penetration and 40% hedging cost reduction by 2027[33], transforming currency sovereignty into a structural advantage while cutting transaction costs by 30% and reinforcing China's services export competitiveness.

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[26] Deutsche Bank Research. (2021). *Blockchain: The engine of the next payments revolution?* https://www.dbresearch.com/PROD/RPS_EN-PROD/PROD0000000000513650.pdf

[27] McKinsey & Company. (2023). *The future of cross-border payments: Building a frictionless ecosystem*. https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/the%20future%20of%20cross%20border%20payments/the-future-of-cross-border-payments.pdf

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V. Conclusion

Services trade is an indispensable pillar of international trade and global economic cooperation, playing a decisive role in forging a new development model. The evolution of financial services streamlines resource distribution, thereby boosting economic productivity. Unlike the trade of physical goods, services trade is characterized by its intangible nature and multifaceted intricacies.

By learning from the practices of developed economies in funding service trade growth, this article proposes a series of strategic initiatives. First, it advocates for intensifying policy-based financial support, leveraging the innovative and experimental advantages of policy-oriented financial institutions. Second, it emphasizes the need to stimulate innovation in financial products and risk management strategies. Third, it calls for the improvement of cross-border payment and settlement systems and the acceleration of the RMB's internationalization process. These steps aim to maximize the effectiveness of financial services, driving innovative development and structural upgrading in the services trade.

Moreover, the article provides targeted policy suggestions for China. It recommends strengthening government coordination, creating a favorable legal environment, expanding the spectrum of trade financing options, and enhancing cross-border payment and settlement mechanisms to foster innovation in services trade. Additionally, it highlights the significance of developing the financial industry and customizing financial products to ensure the sustained prosperity and healthy growth of the service trade. By implementing these strategies, China can fully utilize the power of financial services to promote the vigorous growth and transformation of its services trade sector, thereby enhancing its competitiveness in the global economic arena.

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