

# The Feature of Service Industry Development on the Old Industrial Bases in China's Northeast

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**Abstract:** Service (tertiary) industry plays an important role in economic growth, creating more jobs, speeding up urbanization, improving people's living standard. Therefore, in the process of adjusting and rebuilding the old industrial bases in China's northeast, we must pay great attention to developing the service sector. First, we analyzed the general situation of the service industry development in China's northeast three provinces. Second, we compared with the internal services and the economic efficiency comparison of service industry in China northeast three provinces. At last, we gave some suggestions for developing service industry development in China's northeast three provinces. [Nature and Science. 2006;4(4):47-52].

**Keywords:** industry; China; northeast; development; comparison

## I. Introduction

China central government implemented to develop the strategy of the old industrial bases in china's northeast (China's northeast refers to Liaoning, Jilin, Heilongjiang province). So in recent year, China's northeast these three provinces have showed a rapid economic development. The service industry in these provinces has developed rapidly and become an important power of economic growth, along with the second industry. It pushed increasing of the three provinces' GDP forward, and improved industrial structure of the three provinces' economy. The total value created by Heilongjiang province's service industry increased year by year, from the year 2000 to 2005, the added value of the service sector rose from RMB 102.75 billion to RMB 186.67 billion, increased by 1.82 times. The proportion of service industry added value in the GDP increased steadily, it kept at 31% to 33%; Jilin service industry added value reached RMB 140.28 billion in 2005, the proportion in the GDP was 38.8%. However since 2001, the added value of

Liaoning service industry has exceeded RMB 200 billion, the proportion in the GDP went up to 40%, which was much higher than Heilongjiang and Jilin province, and it developed fastest among the three. The proportion of Heilongjiang service industry added value in the GDP is 33.9%. It is not only lower than Liaoning's 40.5% and Jilin's 38.8%, but also lower than the national average level 40.3% (Table 1).

## II. Analysis on the internal services of China northeast three provinces

On the whole, the services sector in Heilongjiang, Jilin, Liaoning province has maintained rapid and favorable development, the internal services also increased steadily. In which, the development of transportation, warehousing and post was well. Growth rate and pulling effect on GDP was enhanced, traditional service industries like wholesale and retail trade, catering service always played an important role in the GDP. We can see from the indices, added value, growth rate and proportion in the GDP, each of them is

far higher than that in other internal services. Insurance, it reflected prosperity in both investment and sale. finance, and real estate increased rapidly year by year,

Table 1. Value added of the tertiary industry and proportion to GDP

RMB billion

Year	China	Proportion to GDP (%)	Heilongjiang	Proportion to Heilongjiang	Jilin	Proportion to Jilin	Liaoning	Proportion to Liaoning
2000	29904.6	33.4	1027.5	31.6	620.0	34.1	1851.0	39.7
2001	33153.0	34.1	1153.0	32.4	741.9	36.5	2043.9	40.6
2002	35132.6	33.5	1266.0	32.6	822.3	36.7	2258.4	41.4
2003	38885.7	33.2	1396.8	31.5	892.2	35.4	2487.9	41.4
2004	43384.0	31.8	1559.9	29.4	1017.9	34.4	2823.9	41.1
2005	73395.6	40.3	1866.7	33.9	1402.8	38.8	3244.6	40.5

Source: China statistical yearbook-2005

Table 2. Added value of internal service industries in 2004

RMB billion

Region Sector	Heilongjiang			Jilin			Liaoning		
	Added value	Increasing rate	Proportion (%)	Added value	Increasing rate	Proportion (%)	Added value	Increasing rate	Proportion (%)
GDP	5303.0	19.7	100	2958.2	17.3	100	6872.7	14.5	100
Service	1559.9	11.7	29.4	1017.9	14.1	34.4	2823.9	11.7	41.1
Transportation, Warehousing and Post	306.2	10.0	5.8	180.2	18.3	6.1	613.0	23.7	8.9
Wholesale, Retail trade, Catering service	479.7	13.0	9.0	368.3	12.4	12.5	896.0	11.6	13.0
Finance, Insurance	38.96	4.0	0.7	21.5	5.5	0.7	159.7	9.9	2.3
Real estate development	134.6	9.2	2.5	67.3	1.8	2.2	206.1	9.4	3.1
Other service	600.4	12.6	11.4	380.6	16.8	12.9	949.0	11.0	13.8

Source: China statistical yearbook-2005

a: Increasing rate and growth rate of GDP are calculated on the basis of the last year

But we can also see from Table 2, the internal services of Heilongjiang province, especially the development of modern service, knowledge-and-technology-intensive service sector, falls behind the other internal sectors. However the proportion of traditional service is on the high side. Heilongjiang's growth rate of transportation, warehousing, post and telecommunications is 10% in 2004, which is lower than Jilin's 18.3% and Liaoning's 23.7 %; The growth rate of wholesale and retail trade, catering service is 13%, which is equivalent to Jilin's and higher than Liaoning's 11.6%, but the total added value of wholesale and retail trade in Heilongjiang province is RMB 47.97 billion, and RMB 36.83 billion in Jilin, both of them are lower than Liaoning's RMB 89.6 billion. And the indices of finance, insurance, education are all below Liaoning province. Whether in the field of total output, economic growth rate or contribution to GDP, Liaoning province is better than Heilongjiang and Jilin province.

### III. The economic efficiency of service industry on the old industrial bases in China northeast

#### III.1. The employment growth

Petty-Clark's law pointed out that, with the continuously increased in per capita national income, social labor force distributing in tertiary industry shows that labor force of service industry will increase. In other words, the development of service industry can promote employment. In regard to the number of service industry employees in the northeast three provinces, from 1996 to 2004, the number of service employees in the northeast three provinces increased from 3.684 million to 3.896 million, the proportion of employment rose from 29.3% to 34.9%. Although the total number of service industry employees has increased continuously, the number of added quantity is low, promotion effect on employment is not enough. In recent ten years, the proportion of service industry employees to the province employees rose only by 0.7 point, but the proportion of Jilin and Liaoning province rose by 5.6 point and 7.1 point respectively.

In order to measure how much an industry contributes to the region's economy, we regard the number of employment brought by this industry as an important index. Seen from the comparison, Heilongjiang service industry contribution to employment increase is lacking of efficiency.

Table 3. Distribution of employed person in 2004 (%)

Region \ Industry	Primary industry	Second industry	Tertiary industry
Heilongjiang	49.1	20.4	30.5
Jilin	46.5	18.6	34.9
Liaoning	36.8	24.8	38.4

Source: China statistical yearbook-2005

#### III.2. The tourism development

In recent years, tourism of Heilongjiang, Liaoning, and Jilin province developed fast. For example in Heilongjiang province, the total income of tourism was RMB 28.03 billion in 2005, made up 5.1% of the GDP. On the other hand, the characteristic tourism formed scale gradually, Ice Snow tourism kept rapid

development. It also paid attention to exploit forest tour resources, frontier tour resources and humanity travel resources. The province has successfully hold "Haerbin Ice Snow Festival, Wudalianchi Water-drinking Festival, Jingpo Lake Golden Autumn Festival, Zhalong Crane Festival, Jiamusi Three Rivers Festival, and Yichun Forest Festival".

Heilongjiang foreign exchange earnings from tourism has increased from \$1.89 hundred million in 2000 to \$3.02 hundred million in 2004, rose by 59.79%, Jilin foreign exchange earnings in tourism has increased from \$0.58 hundred million in 2000 to \$0.96 hundred million in 2004, rose by 65.52%, Liaoning foreign exchange earnings in tourism has increased from \$3.83 hundred million in 2000 to \$6.13 hundred million in 2004, rose by 60.05%. Although the increased range of Heilongjiang province was smaller than Jilin province, the foreign exchange earnings in Jilin province hasn't exceed \$100 million all along. Tourism of Liaoning province found itself both the foreign exchange earnings and the proportion of the nation tourism earnings in an advantageous position. There are two main reasons result in the tourism differences among the three provinces: The first, whether there are special tour resources in the area or not. In Liaoning province, there are inshore tour resources, so the tourism earnings are big; the second reason, whether or not the government gives enough strong support, the enterprises exploit and create new tour resources, the successful holding of "Haerbin Ice Snow Festival" is

just an example. However Jilin province hasn't set up an advantage aspect. So the trend that tourism development in Jilin province went behind the other two provinces.

### III.3. The output capacity

In order to compare with the output capacity of the service in the northeastern three province, we computer the labor productivities, take the value of output per unit of labor as the index to consider the labor capacity, this index shows that per unit of labor can create the value in some distinct, and tells the true that the labor productivities. The results show the labor productivity belongs to different levels, the absolute number of each of them differs near RMB 5000 yuan. Considering the output capacity, Heilongjiang is 20.7% higher than Jilin, but it is below the Liaoning, it stands in the middle, Liaoning output capacity is highest, exceed 19.5% than Heilongjiang, and 44.3% than Jilin. It has absolute advantage on the top, but Jilin has absolute disadvantage. Therefore, we should improve the output capacity of the service of Heilongjiang and Jilin.

Table 4. International tourism foreign exchange earnings

		USD million					
Region \ Year	China	Heilongjiang	Heilongjiang/China	Jilin	Jilin/China	Liaoning	Liaoning/China
2000	16624	189	1.14%	58	0.35%	383	2.30%
2001	17792	250	1.41%	76	0.43%	463	2.60%
2002	20385	297	1.46%	86	0.42%	550	2.70%
2003	17406	244	1.40%	66	0.38%	454	2.61%
2004	25739	302	1.17%	96	0.37%	613	2.38%

Source: Calculate on China statistical yearbook

Table 5. 2004 tertiary industry value of output per unit of labor

Region	Employment (10000persons)	RMB	
		Value added of the tertiary industry (RMB100 millions)	Value of output per unit of labor (RMB/person)
Heilongjiang	494.5	1559.9	31545
Jilin	389.6	1017.9	26127
Liaoning	749.1	2823.9	37697

Source: Calculate on China statistical yearbook-2005

#### **IV. Suggestions for developing service industry on the old industrial bases in China's Northeast**

Seen from the development of service industry in China east coastal areas, some important elements have significant effects on the development of service industry. It includes labor force, capital, technology, advantage of region, sufficient degree of elements, perfect infrastructure and market opening level to the outside world. So the government should take proper political measures to speed up the development of service industry in the northeast three provinces, especially promote the development of modern service industry, and make great effort to narrow the gap between prosperous regions and impoverished regions. At the same time, we must seize the opportunity to vigorously developed the northeast old industry bases.

##### **1. Pay attention to the development of service industry, draw up a strategic development planning.**

We should change traditional concept that we attach much importance to primary industry and secondary industry more than tertiary industry, thus we should make development of service industry priority. That is the strategic issue to improve international competitive power, increase employment, adjust industrial structure and create new economic growth. It is the important role that modern service industry in the future international competition, we must place industry development on strategic height. It requires us to exert ourselves in developing modern service, lay a strong developing foundation and enhance the actual strength as a whole.

##### **2. Press ahead to optimize and upgrade the industrial structure of service sector**

We have the labor resources advantage in china's northeast, therefore we can make great effort to increase export of labor-intensive service in the process of developing service industries. Especially we should pay attention to develop professional services. And we should make use modern technology to transform traditional industries, encourage developing knowledge-and-technology-intensive industries and capital-intensive ones, press ahead to optimize and upgrade the industrial and export structure.

##### **3. Relax restrictions on market permission; speed up the opening of service industry**

There are some problems in service industries of the northeast three provinces, monopoly of management, excessive restrictions on entering to the market, low transparency, for instance telecommunications, bank, insurance. This not only undermines the order of fair competition, but also leads to the short of bringing forth new ideas, low efficiency, and competitive power deficiency. These service industries have received the highest voice calling for opening to the outside by the WTO member state. We should reduce market monopoly, and relax the approving standard for civil-funded enterprise, permit some capable enterprises to invest and operate these industries, encourage blazing new trails by full competition, and create favorable conditions for the northeast three provinces opening door.

**4. The government should give its coordinative functions to create fine external environment for the development of modern service industry.**

The governments should create fine external environment for their own province. Firstly, they should strengthen infrastructure constructions of the service sector and create a fine environment to absorb foreign capital. This will considerably increase the speed and efficiency opening door. Secondly, the governments should accelerate to foster the talent of service industry, establish new majors which are short of in the universities, increase post qualification training and set up qualification standardization system of the service sector. Besides, the governments ought to make the local laws and regulations perfect conform to the WTO rules and international practice, enhance the sense of law and risk defense to help enterprises resist huge attack from excessive competition; avoid undue turbulence in order to maintain the economy increasing.

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