Services in International Trade of Mongolia and Chinese Taipei: Factors Influence on the Share

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Abstract

This paper analyzes the factors impacting on the share of services in international trade of Mongolia and Chinese Taipei. In addition to the previous studies of East Asian countries, China, Hong Kong, Macao, Japan and Korea, services in international trade of these two regions are reviewed in order to determine the factors influence on the share. Although Mongolia has boosted its trade by joining WTO since 1997, its services in international trade has not shown any significant improvement until last year. Besides, Chinese Taipei has stayed as a part of East Asia region leading the services in international trade. Qualitative method is used to build a theoretical framework which can provide the boundaries for this study and its position within the context of services and perspective of international trade of the two regions. According to the analysis, the share of services is determined to be sensitive to the multiple factors: technological development, political affair and relations, liberalization of the processes, privatization and deregulation, and entrance of foreign investors to the service markets.

Keywords : Services, Service Sector, International Trade, Service Trade of Mongolia, Service Trade of Taiwan

1. Introduction

In addition to the previous studies on East Asia region, factors influencing on the share of services in international trade will be researched focusing on Mongolia and Chinese Taipei. According to the statistics of WTO in 2015, China (3rd), Japan (4th), Hong Kong (8th), South Korea (9th) and Chinese Taipei (12) were the leading exporters in the world [1]. Chinese Taipei is the name for the Republic of China which is known as Taiwan. The official web-site of the Republic of China, taiwan.gov.tw, provides the variety of channels to promote Taiwan’s

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trade, especially its Taiwan Services Trade Information Platform provides news from all around the world by categorizing them into medical service, cultural and creative, franchise industry, information service, energy, print, beauty industry, Chinese medicine, logistics, and general kinds.

On the other hand, Mongolia has just ratified Trade Facilitation Agreement (TFA) which started on February 4th, 2017 based on its ratification by two-thirds of the WTO membership [2]. This has emerged in order to simplify, modernize and harmonize export and import processes. Recently, as Mongolia and Japan just set up an Economic Partnership Agreement in June 2017, now all WTO members have a regional trade agreement (RTA) [3]. Mongolian Transport Minister Ganbat has shown his interest in expanding scheme of practical cooperation among the member countries of United Nations ESCAP (Economic and Social Commission for Asia and the Pacific) for trading in the Ministerial Conference on Transport in December 2016 [4]. The conference discussion was focused on the implementation of the ministerial declaration on transport development in Asia and Pacific and the regional strategic framework for the facilitation of international road transport.

In this study, the characteristics and development of services in international trade of Mongolia and Chinese Taipei will be reviewed. Special attention will be made on transportation, travel, trade-related services, finance, and insurance services since this phenomenon is often dominated by infrastructural services. In addition, a close observation will be made on each country’s relationship with partner countries in both import and export. Through the analysis based on the relative data, this research can reflect a comprehensive assessment of services in international trade and determine prospects of Mongolia and Chinese Taipei. Finally, this study can contribute to the understanding of positive and negative factors which influence on the share of services in international trade of both countries.

2. Methodology

Data in English, Chinese, Mongolian, and Korean languages are collected from articles, books, governmental web pages, analysis of the scholars, statistics, etc. The gathered and reviewed data are translated in English. Base on the fundamental agreement on the characteristics of service, especially on the intangible and simultaneous consumption of services, this study respects the GATS concept which contains the most of services possibly trade commercially in all modes of supply [5]. Based on the review of the literature data, both statistical and analytical references are used for analyzing both exports and imports of services in
international trade. In the analyzing process, comparison will be made between the goods and services in trade of Mongolia and Chinese Taipei.

3. Data Analysis

3.1 Chinese Taipei

Chinese Taipei stays close relations with its diplomatic allies in Africa, the Caribbean, Europe, Latin America and Oceania having cooperations in areas such as small and medium-sized enterprise (SME) development, agriculture, information technology, medical care, environmental protection and tourism. While Taiwan and US relations continue to keep a robust security and economic partnership, Taiwan and Japan also have significant historical, trade and investment ties although both countries have stayed a lack of diplomatic ties compared to the past [6]. While Twain is improving its relations to South Korea and ASEAN countries as the top investors in Indonesia, Malaysia, the Philippines, Thailand and Vietnam, there has been stagnated between China and Taiwan since the Economic Cooperation Framework Agreement (EFCA) has been signed and the trade surplus has plummeted in 2016 [6][7]. Overall, Taiwan participates in its trading towards the world staying very active.

[Fig. 1] Service export and import of Taiwan 2012-2016: Developed based on the statistical data by ITC
The Republic of China depends on the total of commercial services in import at 51.7 billion USD which is more than its export at 41.1 billion USD in 2016. The statistics has shown its dependency on services of import in 2016, especially on travel at 16.574 billion USD which has been gradually increased since 2012 from 10.630 billion USD; other business services at 12.344 USD which remained slightly less than the average amount of 12.55 billion USD since 1212; transport also went up to 10.793 billion USD compared to the previous year at 9.964 billion USD. The region's dependency on manufacturing services on physical inputs owned by others went down for 22%, and charges for the use of intellectual property n.i.e. has been reduced slightly. Most of all, Taiwan's travel in import takes about 32% of its total commercial services in import.

The commercial services in overall export has been increased than the previous year showing gradual improvement of the region's export since 2012 at 34.326 billion USD. Although the total commercial services in export has been improved, the statistics has shown deficit especially on travel at 13.383 billion USD which went down approximately for 1 billion USD compared to the previous year; and transport services at 8.899 billion USD which dropped approximately for 1 billion USD compared to 2015. On the other hand, some positive figures are determined: other business services at 7.94 billion USD which has been gradually increased since 2012 from 6.385 billion USD; its financial services has been also improved to 2.608 billion USD since 2012 at 1.75 billion USD; telecommunication, computer, and information services have shown a remarkable increase at 2.38 billion USD which is more than the double amount of 1.091 billion USD in 2012; manufacturing services on physical inputs owned by others are also increased to 2.035 billion USD which was 1.354 billion USD in 2012.

The other service sectors such as charges for the use of intellectual property n.i.e., construction, maintenance and repair services, government goods and services, and personal, cultural, and recreational services in export have all been improved in the region's export except for insurance and pension services. In its services in export, the region generates its profit from mostly from travel, transport, and other business services and shows its potentials in the sectors of financial services, telecommunication, computer and information services and manufacturing services the most.

3.2 Mongolia's Import and Export

Although Mongolia is known to be a country with economy dominated by services and agricultural products [8], there has not been much noticeable activity in services while the
country’s trade has primarily led by agriculture and livestock. The country has depended on import at about USD 1.9 billion while exporting USD 800 million in 2016 according to the statistics. For many decades, its trade was heavily relying on importing. Recently, Mongolia has steadily improved its exports and it is expected to be higher in 2017 in order to support the launch of new mining projects [9].

In the 16th meeting of the Mongolia-Vietnam intergovernmental commission in Ulaanbaatar, Mongolia’s Minster of Food, Agriculture and Light Industry, P. Sergelen and Vietnam’s Minister of Agriculture and Rural Development had a meeting focusing on issues of intensifying the bilateral cooperation in trade, economy, agriculture, health and education and developing the mutually beneficial collaboration in other spheres [10]. They have agreed on supplying meat and meat product to Vietnam which establishes a legal environment to supply following the terms of food hygiene. Apparently, Vietnam is one of the important partners of Mongolia in Southeast Asia. At the meeting with Member of National Assembly of South Korea Lee Hae-Chan on August in 2017, Prime Minister of Mongolia J. Erdenebat mentioned about presenting the proposed projects and programs for the soft loan South Korea provided [11]. Obviously, agriculture is one of Mongolia’s leading sectors in international trade.

In 2016, foreign trade of Mongolia marked 98% of its GDP [12] showing one of the most open economies in its region. As it was explained in the previous chapter, the country is making its effort on implementing market-oriented reforms and reducing its dependency on the mining sector. According to the analysis of the statistics and reviews, Mongolia’s main export trade partners are China, United Kingdom, Switzerland, Russia, and South Korea while its main import trade partners are China, Russia, Japan, South Korea, and Germany [13]. Main export services in international trade in 2015 are travel at 36.21%, transportation at 34.50%, other business services at 20.15%, and construction services at 4.86%. In its import services in trade are transportation at 31.53%, travel at 27.23%, other business services at 20.26%, and construction services at 6.41% [14].

In Mongolia, banking is highly concentrated with five banks controlling about 80% of financial assets in 2015 [15]. Twelve central banks from Mongolia and seven from China have participated in the seventh roundtable meeting in order to establish the economic cooperation of the two countries for further expanding [16]. According to the Deputy Governor of BoM, Mr B. Lkhagvasuren, legal reforms are in process and discussions on Law on Development Bank of Mongolia began since there is no regulations for foreign banks to open a branch in Mongolia [16]. Trade and Development Bank of Mongolia (TDBM) has made its cooperation with China Construction Bank in order to validate extensive trade financing opportunities to
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business entities trading between mongolia and china [17].

according to the external trade statistics which are based on data provided by the general customs office of mongolia, mongolia recorded a balance of payment (bop) of 268.1 million USD in 2015 [18]. its bop for the last four years has remained at minus since 2012 [18][19]. even thought the year books have listed and categorized the service sectors under the methodological notes, the services in import and export are not indicating each sector separately. its bop indicates minus amounts for the last four years until 2014 at the minus average balance amount of 1,224.5 million USD. a significant decrease in the capital and financial accounts recorded 61% compared to the previous year in 2015 due to decrease of 571.4 million USD in the other investment as the governmental effort. as a result, the total foreign trade turnover reached 8.5 billion USD which consists of 4.7 billion USD for exports and 3.8 billion USD for imports. under the trade and service section of the year books, wholesale and retail trade sector and hotel and restaurant industry are having attentions. the total sales of these sectors have shown increase at 4.2% for wholesale and retail trade and 9.6% for hotel industry while the restaurant industry has decreased for 2.1% in 2015 compared to the previous year.

[Fig. 2] Service export and import of Mongolia from 2012-2016: Developed based on the statistical data by ITC

Due to the limitation of the statistical information provided by the year books of mongolia, the most current data provided by International Trade Centre are used for analysis. The
country also depends on services in imports of the following service sectors: other business services, travel, transport, construction, financial services, and telecommunications, computer, and information services. The dependency has decreased since 2012 from 2.079 billion USD to 1.406 billion USD in 2015. However, it went up to 1.944 billion USD in 2016. On the other hand, Mongolia has improved the total services in exports last two years to 690 million USD in 2015 and 801 million USD in 2016 from 609 million USD in 2014. The three most contributed service sectors in 2016 are appeared to be travel at 316 million USD, transport at 248 million USD, and other business services at 157 million USD. A remarkable improvement was made in export of financial services from 6.9 million USD in 2015 to 21.2 million USD in 2016. A special attention can be made on construction services since it has decreased compared to the previous years. Overall, Mongolia depends on more import on both goods and services in international trade than its export.

4. Conclusion & Recommendation

In conclusion, the overall analysis shows potentials of both regions, Chinese Taipei and Mongolia. According to the analysis, factors influence on the share of the services in trade of Chinese Taipei are determined as follows: agreements and government support, investment, and economic relationship with foreign countries. Although Taiwan’s dependency in services in import is more than its export, most of the services in export have shown improvement since 2012. Mongolia appears to be boosting its overall trade by starting its financial relationship with China and maintaining its affairs with Russia based on the strategic location in between two countries. Besides being the competitive trade hub, the country should continuously establish and develop economic partnership and cooperation with foreign countries in order to expedite its international trade. While most of the East Asian countries are engaged actively in both export and import of services in international trade, Mongolia is far behind on the journey. However, the regions has attractive and potentials especially in constructions, transportation, and financial services.

References


