



VIA FACSIMILE

October 18, 2005

Mao Xiaoping
Chairman
Organizing Committee
China World Cities Service Industries Convention
Wuxi, People's Republic of China

Dear Mr. Chairman,

I am honored to serve as Honorary Chairman of the China World Cities Service Industries Convention. This Convention is a valuable forum to strengthen global services competition and trade liberalization at the local level, and I am very glad to be part of this effort.

It is very appropriate that China's local governments attach great importance to the development of urban services infrastructure through liberalized trade. The Wuxi Municipality's commitment to this Convention shows that local authorities understand the benefits of pro-competitive services trade and would like to be an active participant in globalization processes.

In recent years, China has become an important global trading power. However, its strength lies mostly in goods, not services. According to the latest estimates, services comprise only 35% of China's GDP, compared to developed countries where services are about 70% of GDP and employment.

To facilitate China's services growth and promote its cities' infrastructure development, it is in China's interest to continue its trade liberalization reforms. In 2001, the Chinese Government made a crucial decision to open China's services market to competition as part of its accession to the World Trade Organization (WTO). Now, the objective is to maintain this momentum and further liberalize at the ongoing Doha Development Round negotiations of the WTO.

Municipal and provincial governments play a pivotal role in facilitating full implementation of services reforms by ensuring uniform compliance with WTO commitments throughout China. Uniform administration of regulations remains a very

high priority, so I hope that the Convention will be a big step in promoting consultations between China's central and local governments. It is also important that the Central Government and local authorities honor the rule of law and make their policies completely transparent, especially in regulations and business licensing.

I hope that Convention participants will discuss the elements of the investment policies that spur economic growth and prosperity. One of the key components of such policies includes companies' ability to control their investments and establish a corporate entity that is most commercially advantageous.

A pro-free trade and investor-friendly environment will give a strong boost to the development of critical urban services such as telecommunication, transportation, logistics, financial, and utilities services. This will allow cities to take advantage of modern technologies and high quality services at competitive prices. Competing operators will also promote cities' infrastructure development.

To re-enforce the Convention's message on free trade, we hope Chinese service companies and associations will create a CSI counterpart services organization.

China's spectacular economic growth and development are a convincing illustration for other countries that liberal reforms and global trade work to the benefit of the economy. Therefore, it is important for China to assume an active leadership role among developing and transitional economies at the WTO services negotiations.

Thank you for the opportunity to share my thoughts on this important forum. I wish the Convention organizers and all of you a great success.

Sincerely,



Norman Sorensen
Chairman, U.S. Coalition of Service Industries
Washington, D.C., USA

President & CEO
Principal International, Inc.
Des Moines, Iowa, USA

Cc: Ambassador Zhou Wenzhong, Embassy of the People's Republic of China,
Washington, D.C.

Cc: Lord Vallance, Chairman, European Services Forum

Cc: Robert Vastine, President, U.S. Coalition of Service Industries, Washington, D.C.

Cc: Rex Auyeung, Chief Executive – Asia Region, Principal International, Inc., Hong Kong SAR

Cc: James Xu, Managing Director – China, Principal International, Inc., Beijing