Impact of COVID-19 Outbreak on Guangdong's Export Trade and Countermeasures

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Abstract
The outbreak of COVID-19 has had a huge impact on Guangdong's export trade, and the export trade volume has shown a cliff-like decline. The main reason is that the epidemic has delayed the resumption of work and production, making it difficult for foreign trade companies to produce and operate. Logistics was blocked during the epidemic, increasing the cost of trade and transportation. Trade restrictions and immigration controls affect normal trade transactions. The postponement or cancellation of domestic and foreign exhibitions has hindered the development of overseas markets. The recovery and development of Guangdong's export trade requires the government and enterprises to work together to cope with the severe overseas trade environment.

Keywords
Epidemic Shock; Export Trade; Innovation.

1. Introduction
Following the Sino-U.S. trade war, COVID-19 broke out in Wuhan, Hubei Province at the end of December 2019, and then quickly spread to the whole country, which has caused a widespread epidemic worldwide. The black swan incident had a serious impact on the Chinese economy. According to the National Bureau of Statistics, China’s GDP fell by 6.8% year-on-year in the first quarter of 2020. Exports in the "troika" that drive GDP growth have also been hit hard. Ping Zhao and Yun Ding (2020) believe that the spread of COVID-19 will lead to a decline in global consumption capacity, leading to the migration and restructuring of global production chains, and difficulties in coordinating international policies in the post-epidemic era. All these will lead to interference in the production and operation order of Chinese foreign trade companies. Chinese export trade is facing major challenges. Guobing Shen (2020) believes that the trade restrictions and ban on shipping caused by the global spread of the new crown pneumonia epidemic have directly undermined the international free trade system and produced severe trade destructive effects, resulting in a sharp decline in global trade in goods and services, and amplifying trade protectionism. This has caused an asymmetrical impact on the demand side of global trade, and will have a serious impact on the trade demand and international trade supply side under the first phase of the Sino-US economic and trade agreement. Yude Xu and Di Liu (2021) believe that in the early stage of the epidemic, domestic production and production were suspended, and the industrial chain of export enterprises was broken, and they fell into a dilemma of no goods. In the middle of the epidemic, the risk of virus proliferation increased, and export enterprises were facing the embarrassment of having nothing to do situation. Since 1986, Guangdong has consistently ranked first in the country's total foreign trade. The current analysis of the impact of COVID-19 on Guangdong’s export trade and response strategies will provide reference for other provinces and cities.

2. The impact of COVID-19 on Guangdong’s export trade
From Figure 1 Guangdong Province’s export volume statistics, it can be seen that Guangdong Province's export trade volume has shown an upward trend in 2019, rising from 925.242 billion
yuan in the first quarter of 2019 to 1202.255 billion yuan in the fourth quarter. The proportion of Guangdong’s exports in the country’s total exports also rose from 24.57% in the first quarter to 25.36% in the fourth quarter. Due to the outbreak of COVID-19 in December 2019, Guangdong’s export volume was affected. In the first quarter of 2020, it showed a cliff-like decline to 791.174 billion yuan, a decrease of 34.19% compared with the data in the fourth quarter of 2019.

According to the statistics of Guangdong Statistics Information Network, the total export volume of Guangdong Province from January to February 2020 was 490.368 billion yuan, a year-on-year increase of -17.5%. Among them, general trade decreased by 18.3% year-on-year, and processing trade decreased by 32% year-on-year. The export value of private enterprises with the largest share of exports fell by 6.9% year-on-year, and foreign-funded enterprises had the largest year-on-year decline, at -28.3%. The proportion of Guangdong’s exports in the country’s exports also began to decline in 2020, a decrease of 1.62% compared to the fourth quarter of 2019. In the second quarter of 2020, the proportion of Guangdong’s exports in the country’s exports began to slowly rise, and the overall fluctuation range was not large. Compared with the same period in 2019, Guangdong’s exports in the third quarter of 2020 accounted for a larger proportion of the country’s exports than the same period last year, with a year-on-year growth rate of positive and negative values in other quarters. In the first quarter of 2020, Guangdong’s export dependence rate dropped sharply, from 39.44% to 35.13%, a drop of 4.31%, indicating that Guangdong’s economy’s dependence on export trade significantly weakened in the first quarter of 2020.

According to Table 1, in 2020, the export value of Guangdong’s goods was 4,349.798 billion yuan, a year-on-year increase of 0.2%. In terms of trade methods, processing trade was the most affected, with a decrease of 13.5% from the previous year. In terms of export products, high-tech products were greatly affected, with a decrease of 0.6% from the previous year. In terms of types of enterprises, both state-owned enterprises and foreign-invested enterprises were greatly affected, with a decrease of 6.3% and 6.6% respectively from the previous year. According to statistics from Guangdong Information Statistics Network, among the main export commodities in 2020, the most affected commodities are shoes and boots, which decreased by 28.2% from the previous year, followed by mobile phones, which decreased by 20.2% from the previous year, followed by clothing and Clothing accessories, steel, liquid crystal display panels and automobiles (including chassis) all declined, respectively, 11.6%, 9.6%, 9.2% and 8.5%.
Table 1. Guangdong Province Export Trade Measurement Index Statistics Table

<table>
<thead>
<tr>
<th>Index</th>
<th>Amount (100 million yuan)</th>
<th>Increase over the previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export value of goods</td>
<td>43497.98</td>
<td>0.2</td>
</tr>
<tr>
<td>Of which: general trade</td>
<td>22896.88</td>
<td>5.4</td>
</tr>
<tr>
<td>Processing Trade</td>
<td>12924.71</td>
<td>-13.5</td>
</tr>
<tr>
<td>Of which: mechanical and electrical products</td>
<td>29760.54</td>
<td>0.8</td>
</tr>
<tr>
<td>High-tech products</td>
<td>15037.67</td>
<td>-0.6</td>
</tr>
<tr>
<td>Of which: state-owned enterprises</td>
<td>2263.73</td>
<td>-6.3</td>
</tr>
<tr>
<td>Foreign investment enterprise</td>
<td>16896.7</td>
<td>-6.6</td>
</tr>
<tr>
<td>Private Enterprise</td>
<td>24250.99</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Data source: Guangdong Statistics Information Network

As can be seen from Figure 2, the top three major exporting countries in Guangdong in 2020 are Hong Kong, the United States and the European Union. Compared with the same period last year, the country whose exports were most affected was South Korea, which fell by 14.6%; followed by Hong Kong, which fell by 8.8%; followed by Russia and Japan, which fell by 3.6% and 1.6%, respectively. In addition, compared with the same period last year, the other major exporting countries, the United States, the European Union, ASEAN and Taiwan, have not grown much faster, not exceeding 11%.

Figure 2. The total export volume and growth rate of major countries and regions in 2020

Data source: Guangdong Statistics Information Network

3. Analysis of the Causes of Guangdong Province’s Export Trade Affected by COVID-19

3.1. Delays the resumption of work and production, making it difficult for Guangdong foreign trade companies to produce and operate

Due to the highly contagious nature of COVID-19, the resumption of production and work of various enterprises in Guangdong Province shall not be earlier than February 9, which affects the progress of the business activities of foreign trade enterprises. Moreover, during the postponement period, companies must pay corresponding wages to employees in accordance with regulations, which will undoubtedly increase the cost of foreign trade companies. Guangdong Province is a large province for migrant workers. According to the New Express News, the total number of migrant workers in Guangdong is about 31 million, of which about 19 million are migrant workers from other provinces. Among them, migrant workers from...
other provinces in Guangdong are mainly from Hunan, Guangxi, Sichuan, Hubei, Jiangxi, Henan and other places, all of which are areas with more severe epidemics, increasing the difficulty of resuming work and production. After the resumption of work and production, traffic control has been implemented in many parts of the country. Reworked employees not only need to provide various certification materials, but also self-quarantine for 14 days. This results in a low actual resumption rate of enterprises and has a greater impact on labor-intensive foreign trade companies and small, medium and micro foreign trade companies. During the epidemic, companies need to apply for safety production permits, issue anti-epidemic materials such as masks, gloves, protective clothing, and disinfectant for employees, disinfect office premises daily, and pressure on rent, taxes and fees, resulting in higher operating costs for the company.

3.2. Logistics was blocked during the epidemic, increasing the cost of trade and transportation

During the epidemic, the country was quarantined and the movement of people was restricted; inspection and disinfection stations were set up in various places, which caused logistics to be blocked. These caused the shortage of raw materials for foreign trade companies, but the inventory was limited, the production of new goods was slow, and the supply was tight. As of February 25, 2020, a total of 11 countries and regions have temporarily closed and restricted customs clearance ports, and 59 countries and regions have suspended or partially suspended passenger and freight transportation with my country by air, sea, road, and railway. Foreign countries announced the "city closure" and "closure of the country" caused international transportation costs and warehousing costs to rise, leading to a break in the supply chain of Guangdong's foreign trade enterprises, and a tight capital flow or suspension. Delayed delivery or failure to deliver products will trigger a "domino" effect, leading to the stagnation and bankruptcy of the entire enterprise and the entire industry.

3.3. Trade restrictions and immigration controls affect normal trade transactions

After the outbreak in China, the World Health Organization recognized the epidemic as a Public Health Emergency of International Concern (PHEIC) on January 31. However, it is not recommended to impose travel and trade restrictions on China, but some countries still adopt immigration control measures for people from China. According to incomplete statistics, 130 countries and regions have issued bans restricting the entry of Chinese residents and imposed trade restrictions. Individual countries have also promulgated bans on Chinese goods, causing some foreign companies and consumers who do not know the truth to have unnecessary panic about Chinese goods, worrying about and resisting Chinese origin products, causing overseas buyers to transfer orders, and even cancel the order, or the goods in transit are rejected by overseas buyers. For example, the outbreak of the global epidemic has caused a great impact on the consumption and trade of the global ceramic market. 60%-70% of ceramic enterprises in Foshan, Guangdong are exported abroad, and there is no market after the resumption of work and production.

3.4. The postponement or cancellation of domestic and foreign exhibitions has hindered the development of overseas markets

In 2019, the exhibition area of Guangdong Province ranked second in the country, occupying an important position in the national exhibition industry. The convention and exhibition industry is playing an increasingly important role in promoting trade exchanges, technical exchanges, information communication, economic cooperation and employment increase. Guangdong Canton Fair is known for its longest history, the largest scale, the largest number of buyers and the widest distribution of countries. It is an important platform for Guangdong and even China's foreign trade and opening up. However, affected by the epidemic, the 127th Spring
Canton Fair in 2020 will not be held as scheduled, and all exhibition activities will be suspended. With the exception of the Canton Fair, major exhibitions in Guangdong Province have been postponed and cancelled indefinitely, and more than 120 exhibitions in Europe, Australia, and Southeast Asia have been cancelled or postponed. The way for export companies to explore overseas markets and win orders through overseas exhibitions has been blocked.

4. Countermeasures and suggestions to deal with the impact of COVID-19 on export trade

4.1. Optimize the business environment, broaden financing channels, and promote trade exchanges along the “Belt and Road” initiative

First, the Guangdong Provincial Government needs to increase support for foreign trade enterprises, and give preferential policies and fee reductions. For example, in terms of operating expenses, the government lowered the value-added tax of small and micro foreign trade enterprises and allowed enterprises to postpone their tax declarations; in terms of trade taxes and fees, the government can reduce or exempt port construction fees, cargo port fees, and ship pilotage fees; in terms of assistance, The government provides employment subsidies and job stabilization subsidies to enterprises that have temporary difficulties in production and operation but are expected to recover. Second, broaden financing channels to solve the financing difficulties of foreign trade enterprises. The Guangdong Provincial Government should provide certain loan assistance policies to foreign trade enterprises to ease the financial pressure on enterprises. In terms of loans, the government needs to guide financial institutions to increase credit support for small and micro enterprises, foreign-funded enterprises and private enterprises, relax customer access and guarantee conditions, lower loan interest rates, and increase credit loans and medium- and long-term loans. Third, the Guangdong Provincial Government should continue to accelerate the process of cooperation between Guangdong, Hong Kong and Macao, advance the construction of the Greater Bay Area city cluster, promote pragmatic cooperation with countries along the “Belt and Road”, explore emerging markets, and create more trade opportunities for foreign trade enterprises in Guangdong Province.

4.2. Let the Canton Fair go from offline to online, and innovate the exhibition mode

The epidemic is both a crisis and a turning point for the Canton Fair. The Canton Fair must break the traditional exhibition mode and adopt a new online exhibition mode. Holding exhibitions online will not only help foreign trade companies save money, but also enable them to find overseas target customers more conveniently and quickly. The biggest problem of the online Canton Fair is to ensure authenticity. In order to solve the trust problem, the official needs to provide a formal online communication platform, the authoritative organization provides authenticity guarantee, the chat content has legal effect, and the exhibition "black" is established against the overseas bad buyers who have maliciously infringed or defrauded the Canton Fair online or other exhibitions. The “list” database is published in real time and updated continuously, facilitating information sharing of domestic and foreign trade enterprises in Guangdong Province and precautions in advance.

4.3. Guangdong export companies should improve their competitiveness and deal with the severe overseas trade environment

First, in response to foreign trade restrictions, foreign trade companies must prepare corresponding customs clearance documents and plan transportation methods in advance according to the control measures and quarantine procedures of the country or region where the customer is located. Avoid the extra cost of transferring and exiting from the port caused by
the inability to park after arriving in the port. Reasonably arrange product production and delivery schedules, and deliver on time. In order to save costs, production can be transferred overseas to realize overseas procurement, overseas production and overseas warehousing. Second, make good use of the exemption from liability in the Maritime Law. For example, the epidemic situation is a force majeure factor, and corresponding remedial measures can be taken for force majeure events in accordance with the Maritime Law to ensure the normal performance of the contract. Third, foreign trade companies need to improve foreign trade contracts, prevent legal risks caused by regulatory measures, and negotiate and communicate to resolve trade disputes.

4.4. Open up a new marketing channel for overseas live broadcast and delivery, and create a foreigner version of "Jiaqi Li"

Compared with the increasingly mature domestic live broadcast marketing method, overseas live broadcast marketing is still in its infancy. Due to differences in consumption habits and culture, overseas consumers have not yet developed the habit of "watching while buying". But it also means opportunity. If the mode of bringing goods by domestic celebrities and online celebrities can be replicated abroad, overseas live broadcast of goods will bring new revenue-generating points to foreign trade companies. Take domestic Internet celebrity Jiaqi Li as an example. Jiaqi Li once set a record of selling 23,000 lipsticks in a live broadcast, with a turnover of 3.53 million. Drawing on his success in selling goods on live broadcast, foreign trade companies can create a foreigner version of "Jiaqi Li", starting with live broadcast hardware and software. In terms of live broadcast software, foreign trade companies need to increase the training of live broadcast salesmen. Not only do they need to be fluent in the target language, but they also need to master various marketing skills to be able to sell goods proficiently and freely. Combining the cultural characteristics and consumption habits of overseas target customers, live broadcast salesmen need to improve product recognition and memory points, seize the product selling points and accurately find the right customers, and achieve single-point breakthroughs. Regarding the hardware of the live broadcast, first of all, the construction of the live broadcast room should also be able to show the corporate image and have a good publicity effect on the company's products. Secondly, the live broadcast equipment pays attention to high-quality visual effects, with clear pictures and good sound effects. Let the live broadcast go overseas, the foreigner version of "Jiaqi Li" can make foreign customers love to watch the live broadcast and increase the order rate.

References