

Study on Import and Export Trade and Investment of Guangdong Enterprises in the Context of COVID-19

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Abstract: More than three years have passed since the outbreak of COVID-19. The sudden outbreak has had a huge impact on both the world economy and people's way of life, and as an important component of international trade and investment, the daily operations of enterprises and import and export trade have been affected to varying degrees. As an important province in China's foreign trade, Guangdong Province, where a large number of multinational companies have their headquarters and offices, has been affected by COVID-19, and many companies have contributed to the prevention and control of the epidemic, but have also suffered a huge impact on their economic performance. Based on the above, this paper examines the import and export trade and investment situation of multinational enterprises in Guangdong Province under COVID-19 and provides corresponding recommendations.

Keywords: COVID-19, Multinational enterprises, Foreign trade, International investment.

1. Introduction

The outbreak of COVID-19 at the end of 2019, an infectious public health event of this type, will not only result in a large number of deaths and reduce the work capacity of a large number of patients, but will also cost a great deal in terms of healthcare costs and various indirect costs. The most direct manifestation of the impact of an epidemic is the severe impact on the economy, not only in the short term, such as the closure of enterprises, lack of sales of products, layoffs of companies, serious disruption of import and export trade and lack of confidence in investment by economic agents, but also in the long term, when the economy has difficulty recovering, including a series of cascading effects in the financial markets. This was particularly strong when the epidemic got out of hand and the authorities had to take emergency measures such as shutting down work and schools. In other words, for the domestic economies of the countries, the epidemic not only dealt a huge blow to the various service sectors and led to a decline in people's confidence in consumption, but also discouraged investment, disrupted production and reduced output, thus causing the economy to decline.

The development of the epidemic in Europe and the United States, the world's largest consumer market and economic leader, will inevitably affect China profoundly as well. The total economic shutdown caused by the epidemic will have a great impact on us. The main manifestations of this are the reduction in overseas orders and the stagnation of foreign trade, which will have a very big impact on manufacturing enterprises exporting foreign trade from China's Guangdong province.

2. Overall Situation of Foreign Trade and Cross-Border Investment in Guangdong Province Under the Epidemic

The epidemic has fully exposed the strong interconnectedness of the current global production system, with fluctuations in any one major economy being enough to break the entire supply chain. The impact of the spread of the epidemic could result in massive delays in the resumption of

work, factory closures and logistics disruptions in various economies, which would have a significant negative impact on production, transportation and employment in the global manufacturing sector, and would be amplified through the global supply chain network, resulting in shrinking global trade and rising pressure on business orders and cash flow. Supply chain disruptions will have a more negative impact on the global economy than demand shocks.

Based on the perceived vulnerability of the global supply chains formed by this international division of labour, companies in many countries may take practical measures to shorten their manufacturing chains and take the initiative to move their production lines back to their own economies after the epidemic is over, in order to restructure their supply chains and reduce their dependence on other economies. This would also mean that the current process of global economic integration could be dealt a very serious blow, with manufacturing industries in many countries returning to their home countries, and Guangdong Province, as the number one province in China's import and export trade, such a situation would undoubtedly bring about changes to the pattern of foreign trade.

First, it is shown in the growth rate of import and export tends to fall. Data from the Guangdong Provincial Bureau of Statistics show that in December 2019, the province's total exports amounted to RMB 1,669,690 million, accounting for as much as 26.2% of the country's exports and occupying a quarter of the total import and export trade in China, making it the absolute number one foreign trade province in China. Affected by the epidemic, both in Europe and the United States, and in Southeast Asia, the economy is at a standstill or semi-stop, and this impact is far greater than the trade and tariff friction between China and the United States since 2018. 2019, although deeply affected by the trade and tariff friction between China and the United States, Guangdong actively responded to the challenges of the international market, with a more diversified foreign trade market and the European Union replacing the United States as Guangdong's third largest trading partner. However, at the moment, affected by the epidemic, not only the US, but also the EU and ASEAN, overall demand will show a significant decline, which will make the number of new orders received by enterprises in Guangdong Province fall in contraction. At the same time,

due to the lack of start-ups, it will also make the procurement volume of enterprises in the province subsequently reduced, which will in turn affect the import and export trade in general. And because of the large proportion, from the national situation, Guangdong's import and export trade will also inevitably decline at the front of the line. According to the Guangdong branch of the General Administration of Customs, the total value of Guangdong's foreign trade imports and exports in the half-year of 2020 was RMB 3.06 trillion, down 7.1% compared to the same period in 2019, a decline of 1.7 percentage points narrower than the previous five months and accounting for 21.5% of the total value of the country's foreign trade imports and exports.

Since China's accession to the WTO in 2001, Guangdong's economy and foreign trade have gained significant development, and the volume of Guangdong's economy and imports and exports has been very huge, with GDP reaching 2,388.677 billion yuan, 266.140 billion yuan, 266.905 billion yuan and 3,047.985 billion yuan in the four quarters of 2019, with growth rates of 6.6% respectively. The impact of this pneumonia epidemic on the economy has a very wide ripple effect and the amount of impact is expected to be measured in hundreds of billions of dollars. It is initially expected that this epidemic will affect the first quarter by about one percentage point. The Guangdong branch of the General Administration of Customs of China revealed that Guangdong's foreign trade imports and exports reached US\$7.14 trillion in 2019, continuing to rank first among mainland Chinese provinces and municipalities for 34 years, accounting for 22.6% of the country's total imports and exports. 69,900 private enterprises engaged in foreign trade in Guangdong Province in 2019, accounting for 48.9% of the total value of foreign trade in 2018, an increase of 2.9 percentage points to 51.8%, a proportion of more than half for the first time. It can be expected that this new crown pneumonia will be quite a heavy blow to private enterprises in foreign trade.

Secondly, it is manifested in the acceleration of industrial transfer. Due to Guangdong's well-established industrial manufacturing system and previously highly competitive factor costs, especially based on countries' perceptions of global supply chains under the international industrial division of labour that has developed in the wave of global integration, world trade has risen sharply over the past 20 years and Guangdong's foreign trade has also continued to rise. However, in the wake of the epidemic, if countries change their perceptions and restructure their own supply chains to reduce their dependence on other economies, this will mean that the process of global economic integration could be met with significant resistance. Specifically in Guangdong, this will manifest itself in the accelerated relocation of international industries, especially foreign investment.

In 2019, processing trade accounted for about 1/3 of Guangdong's total foreign trade. 2020 In the first half of the year, Guangdong's processing trade was greatly affected by the epidemic and fell by nearly 22%. Under this severe challenge, the overall decline in Guangdong's foreign trade imports and exports still narrowed month by month, with the second quarter ringing up 23% compared to the first quarter, and in June it even turned from a decline to an increase. Occupying half of the proportion of foreign trade in general trade gradually recovered, helping to stabilize the basic plate. In the first half of the year, the province's general trade import

and export 1.57 trillion yuan, down 4.7%, the rate of decline narrowed by 2.8 percentage points compared to the first five months. Although still down overall, but month by month, quarter by quarter accelerated recovery, stable foreign trade results are emerging. In the second quarter, the value of imports and exports increased by 23% compared with the first quarter, and in June, imports and exports turned positive from negative to positive year-on-year, returning to a stable situation.

Since 2021, the world under the impact of COVID-19 is undergoing profound changes: the world economy is in recession, international trade and investment is shrinking, and the impact of economic and trade frictions continues to emerge. The external environment for Guangdong's foreign trade development is severe and complex, and the more open it is and the more deeply it participates in the global economic competition, the greater the impact.

Under this impact, Guangdong's efforts to develop new markets overseas in recent years have paid off. The contribution of new markets has, to a certain extent, hedged the impact of the declining markets in Europe, America and Hong Kong, China, effectively stabilising the overall development of foreign trade. As China's top foreign trade province, Guangdong's imports and exports account for nearly a quarter of the country's total, a proportion that will continue to rise in 2022. 8.31 trillion yuan (RMB, same below) of Guangdong's foreign trade will be imported and exported in 2022, up 0.5% from 2021. Among them, exports will be 5.33 trillion yuan, up 5.5%; imports will be 2.98 trillion yuan, down 7.4%. Guangdong's total import and export value achieved positive growth on the basis of the high base of the previous year, hitting another record high and accounting for 19.8% of the country's total import and export value, steadily taking the position of China's top foreign trade province. In the face of the complex situation, Guangdong's foreign trade has shown the advantages and characteristics of resilience and room for manoeuvre.

3. Overall Business Situation of Enterprises in Guangdong Province During the Epidemic

(i) Intra-company operations

As an important vehicle for economic and trade relations, especially in the international economy, multinational enterprises play a vital role. As the frontline of the opening up of the coastal region, Guangdong province has a large number of local multinational enterprises and foreign multinational enterprises set up headquarters or offices, due to the impact of COVID-19, many multinational enterprises trade stagnation, orders shrink, companies even have to lay off staff or reduce the scale of production.

Lenin defines a multinational corporation as "an institution that engages in foreign direct investment and owns or controls an enterprise engaged in adding value in more than one country". The strategic objective of a multinational corporation is to maximise global profits by focusing on the international market, whereas a domestic enterprise is oriented towards the domestic market. Multinationals exercise control over foreign enterprises through holding, while domestic enterprises exercise control over their lesser foreign-related economic activities mostly by contractual means. Multinational companies are in all areas of the world, the full range of capital, commodities, talent, technology,

management and information and other trading activities, multinational companies to its branches are bound to implement a high degree of centralised unified management.

In 2021, the import and export of private enterprises in Guangdong turned from decline to increase, behind this is the continuous accumulation of Guangdong's foreign trade enterprises over the years in innovation and development, transformation and upgrading, branding and international market development. 2022, Guangdong's top 5 trading partners are ASEAN, Hong Kong, the United States, the European Union. In 2022, Guangdong's top 5 trading partners are ASEAN, Hong Kong, the United States, the European Union, and Taiwan, except for Hong Kong, China, where imports and exports fell by 9.7%, while the rest grew by 9.1%, 5.4%, 4.6% and 1.6% respectively. In addition, exports to countries along the "Belt and Road" grew by 10.3%, Latin America by 9.5% and the other BRIC countries (Brazil, Russia, India and the Republic of South Africa) by 9.3%. In this regard, private enterprises played a huge role. Guangdong's industry chain is complete, and private enterprises were able to respond to market demand keenly and quickly, and flexibly switch production to anti-epidemic materials, forming a large production capacity in a short period of time, and seizing the opportunity to grow against the trend in the global war against the epidemic.

Some private enterprises have seized the windfall of the "home economy" and launched innovative products according to the needs of the international market. Some cross-border e-commerce platforms are rapidly launching "home anti-epidemic" products, such as smart home appliances, kitchen and household, sports and fitness, etc., which on the one hand meet the new consumption needs of platform users under the home, and on the other hand pry huge traffic influx, driving the whole platform category sales continue to soar. Some private enterprises' foreign trade business is not greatly affected by the epidemic, with strong resistance to pressure. Among them, many leading foreign trade enterprises have complete industrial chains and core technologies, which can quickly respond to changes in global market demand and steadily receive global orders. Adhering to independent research and development, aggregating world-class talents and creating a global efficiency leading intelligent manufacturing whole industry chain have become the key to the growth of many private enterprises against the trend.

(ii) Outward investment by enterprises

Although the outbreak is a major public health event, the strict isolation controls triggered by the highly infectious nature of the new coronavirus will have a more severe exogenous impact on the economy, causing the already severely imbalanced endogenous structural problems of the economy and finance to begin to worsen, leading to a setback in market confidence and a decline in the efficiency of investment and financing. Accordingly, the likelihood of greater volatility in investment and financing efficiency in Guangdong Province as a result of the epidemic is elevated, which manifests itself in three ways in the short, medium and long term.

Short-term impact on aggregate demand, leading to a setback in investor confidence. Over the past three years, Guangdong's economy has been affected by the global spread of the epidemic and has suffered significant short-term shocks. Exports and investment, as important engines of Guangdong's economic growth, have increased uncertainty over the flow of

funds and increased investment and financing risks in the short term under the pressure of the foreign trade environment, and the persistence of the epidemic has led to a small contraction in investment and financing, which has weakened investor confidence.

Medium-term impact on stable investment and increased pressure on fiscal deficit. As an externally-oriented economy, Guangdong Province has been hit by the epidemic and the transformation of domestic demand for economic recovery urgently requires financial support; in addition, promoting the revitalisation and development of the north-east and north-west of Guangdong Province has been a priority for Guangdong Province to achieve a narrowing of the regional development gap and the need to adhere to industrial restructuring. This is also a key support area for investment and financing in Guangdong Province. Under the dual influence of the internal and external environment, the scale of investment and financing needs has been expanding, increasing the pressure on the local fiscal deficit.

Long-term impact on stable leverage and increased uncertainty in investment and financing. With the current downward pressure on China's overall economy, the issuance of special bonds to promote project construction will become a powerful tool for local governments in various provinces to stabilise growth. In the past few years, affected by the epidemic and the international situation, the scale of debt in Guangdong Province has soared under the slowdown in economic growth and may face the double risk of falling asset prices and climbing debt leverage, increasing uncertainty in the growth rate of investment and financing.

4. Suggestions for response measures in Guangdong Province

(i) Strive to maintain the strengths of Guangdong's traditional manufacturing sector.

With cost competition playing an increasingly influential role, it is important to effectively reduce the burden and costs for enterprises through tax cuts and stabilising house prices. Further reform the employment system, stabilise the workforce and improve the skills of workers, while reasonably guiding enterprises to improve their equipment levels as a means of improving labour efficiency and product quality. Strengthen vocational education and vigorously improve the quality and capabilities of workers, so as to maintain the province's traditional manufacturing strengths, slow down the trend of industrial relocation and make every effort to maintain the ecology of the established industrial chain. Adjust manufacturing development strategies and take measures to promote technological breakthroughs and value chain upgrades. Further reform efforts are needed to reduce market protection through "relaxing regulations and lowering thresholds", to create a market environment of equal competition for enterprises of multiple ownership, and to stimulate the vitality of market players. Deepen the reform of the innovation system, increase investment in research and development, and improve the efficiency of research and development. Cultivate a large number of internationally competitive multinational companies as the new mainstay of industrial structure upgrading in Guangdong Province. Vigorously introduce high-end technical talents and give full play to the role of technical leaders. Take the major strategic layout of the "new infrastructure" as an opportunity to increase investment in research on emerging technologies,

including 5G and new energy, and make full use of the huge advantage of the vast domestic market to foster the competitiveness of Guangdong enterprises in emerging industries, new industries, new models and new products that are becoming new engines of growth. New business models such as market sourcing, bonded logistics and cross-border e-commerce are developing rapidly, exports of epidemic prevention materials and other products have increased significantly, and new models such as "online Canton Fair" and live streaming with goods are emerging, injecting new momentum for stabilizing foreign trade.

(ii) Making the most of the domestic market

Guangdong is fully integrated with the prevention and control of the epidemic and economic and social development, the introduction and implementation of a series of policy measures to stabilize foreign trade, enterprises benefit a lot. With the continued release of policy effects, stabilizing the bottom of foreign trade fundamentals will be more adequate. The external environment for ASEAN trade continues to grow, a short period of time out of the large production capacity, to seize business opportunities against the trend of growth, the potential of domestic demand on the use of the "Chinese market", to create a "double cycle" new pattern.

The central government has put forward a number of specific measures to help, and various government departments in Guangdong have also issued implementation measures and details one after another. In the process of supporting exports to domestic sales, government departments should also guide foreign trade enterprises and the original domestic enterprises to build on their strengths and avoid their weaknesses, and compete in a staggered manner. In the first half of the year, Guangdong's imports resumed growth faster than exports, achieving a year-on-year increase of 4.9% in a single month in June. Among them, imports of consumer goods and some electromechanical products grew faster. On the one hand, this is due to Guangdong's high level of economic development and openness, high potential in the consumer market and good business environment. On the other hand, this also shows that after the epidemic prevention and control has entered the normal state, Guangdong has achieved significant results in resuming production and production, residents' life has returned to normal, and the potential of domestic demand has been further restored and stimulated. Now, more and more foreign trade enterprises are "switching" to the domestic market. However, domestic sales and foreign sales are very different, and there are still many bottlenecks to break, such as different product quality standards, lack of sales channels, different sales models, etc., to be explored and explored by enterprises. In the midst of economic globalisation, the domestic market should not be limited to export to domestic sales as a "safe haven" under the epidemic, but should make long-term strategic plans to actively cultivate new competitive advantages in domestic sales from quality, service, technology, brand, standards, marketing, talent and many other aspects, in order to truly create a "The new pattern of "double-cycle" development.

5. Leveraging Guangdong's Advantages in The Global Industrial Chain

While the epidemic has disrupted the normal rhythm and order of foreign trade enterprises, it has also given foreign

trade a huge strategic space for development. On the one hand, in China's new round of "re-industrialisation", the application of new technologies such as the Internet, big data, the Internet of Things, artificial intelligence and 5G communication will bring new channel changes for foreign trade enterprises, and the new round of industries in the direction of personalisation, fashion, branding and intelligence will face another opportunity for development, with COVID-19 accelerating market changes. 19 accelerates the market change, enterprises and brands have to actively comply with the major trend of the new industrial revolution. How to reshape new advantages in development, enhance core competitiveness and develop a digital strategy in line with the reality of enterprises from four dimensions, such as industrial chain, supply chain, capital chain and service chain, will be a major issue that foreign trade enterprises need to rethink in the resumption of work and production. On the other hand, although Guangdong's industrial chain has gradually shifted from low-technology level industries to medium- and high-technology level industries, it is still necessary to enhance economic resilience and risk resistance, address the problem of weak industrial foundation capacity, promote high-end and modernisation of the industrial chain, achieve high-quality development of Guangdong's industrial chain, and enhance Guangdong's advantages and position in the global industrial chain. Guiding enterprises to develop diversified products and businesses. First, encourage enterprises to participate in overseas exhibitions, drive them to develop diversified products and businesses, and develop corresponding products and businesses for markets with potential; second, promote the development of new modes of foreign trade, make good use of technologies such as the Internet of Things, big data and cloud computing, and improve the competitiveness of Guangdong's foreign trade enterprises in the international market.

6. Conclusion

While the epidemic has disrupted the normal rhythm and order of global foreign trade enterprises, it has also given the development of foreign trade a huge strategic space. On the one hand, the Internet, big data, Internet of Things, artificial intelligence, 5G communication and other new technology applications will bring new channel changes for foreign trade enterprises, and a new round of industry in the direction of personalization, fashion, branding and intelligence will face another opportunity for development. The new crown pneumonia epidemic has accelerated market changes, and enterprises and brands should actively comply with the major trend of the new industrial revolution. How to reshape new advantages of development, enhance core competitiveness and develop digital strategies that meet the actual enterprise from four dimensions, including industrial chain, supply chain, capital chain and service chain, will be an important guide for the development of foreign trade enterprises in Guangdong Province in the post-epidemic era.

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