

# The Impact of COVID-19 on China's International Trade and Development Policies Research

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## Abstract

**COVID - 19 global outbreak caused by trade restrictions and the flight embargo directly destroyed the international free trade system, developed severe trade destruction effect, causing global trade in goods, trade in services demand shrunk dramatically, enlarge the trade protectionism, to end the asymmetric impact of global trade demand, the demand for china-us trade under the first phase of economic and trade agreements, international trade, supply side caused serious impact. The United States, the European Union, Iran, the Republic of Korea and Japan have suffered from severe coVID-19, and ASEAN will become a major growth point for China's foreign trade in 2020. In light of this, we should actively promote consultation and cooperation among multilateral international organizations on the prevention and control of the spread of coVID-19 and mitigate its adverse impact on global trade. Strengthen regional epidemic coordination and cooperation, promote regional trade and investment facilitation, and ease trade demand and supply pressures; Focus on key covid-19 countries, promote bilateral trade and investment cooperation, and enhance the influence of the One Belt And One Road and the community with a Shared future for mankind. We will actively explore new growth points in international trade. In the short term, we will use a combination of measures to support domestic enterprises in exporting epidemic prevention products and living and production materials that are urgently needed in international trade, so as to turn China's international trade into a crisis and achieve high-quality and stable development.**

## Keywords

**Global spread of COVID-19, Trade demand, Trade supply.**

## 1. Introduction

In 2020 an extraordinary year, under the influence of "black swan" events, the global economy is headed downhill has become a foregone conclusion, in this international environment, in the face of the sudden outbreak of COVID-19, export trade in our country have also been affected, the strong leadership of the CPC Central Committee with comrade xi for the core, the epidemic prevention and control major strategic achievements, the CPC Central Committee and the State Council issued a series of measures of foreign trade, China's Ministry of Commerce jointly with the departments and local resolutely carry out foreign trade work deployment, in order to promote foreign trade enterprises to resume work and production, doing everything possible to help enterprises through one thousand. Against the backdrop of the global spread of COVID-19, a sharp drop in international market demand and increasing downward pressure on trade, China's foreign trade growth slowed down in the first five months. However, the decline in China's foreign trade has narrowed since March, and a full recovery gradually took place in August, thus achieving sustained progress in high-quality foreign trade development against the backdrop of the epidemic.

## 2. Current Situation of International Trade in the Context of the Epidemic

### 2.1. Imports and Exports Have Been Hit Hard, with the Decline Narrowing Somewhat Since March

From January to May in 2020, China's total imports and exports of goods totaled 11.54 trillion yuan, down 89 percent and 4.9 percent, the same as in the previous four months. Exports fell by 4.7% to 6.20 trillion yuan. Imports were 5.34 trillion yuan, down 5.2%. The trade surplus was 8.59.81 billion yuan, down 1.2%. In US dollar terms, imports and exports totaled US \$1.65 trillion in the first five months, down 8.0%. Exports totaled us \$884.99 billion, down 7.7%; Imports of US \$763.63 billion, down 8.2%; The trade surplus was us \$121.36 billion, down 4.5%. On a monthly basis, the decline in imports and exports has narrowed since March as China's resumption of work and production has accelerated and foreign trade enterprises have stepped up production of orders before the Spring Festival and scrambled for compliance. Imports and exports fell by 9.5 per cent in January and February, 0.8 per cent in March, 0.7 per cent in April and 4.9 per cent in May. In the first two months of this year, exports and imports fell by 15.8 percent and 2.3 percent, respectively, resulting in a trade deficit of 41.51 billion yuan. In March, exports fell 3.4 percent and imports rose 2.5 percent, resulting in trade surplus of 139.31 billion yuan. Exports rose 8.1 percent in April, while imports fell 10.2 percent, leaving a trade surplus of 318.1 billion yuan. Exports rose 1.4% in May, while imports dropped 12.7%, resulting in a trade surplus of 442.75 billion yuan, up 58.6%.

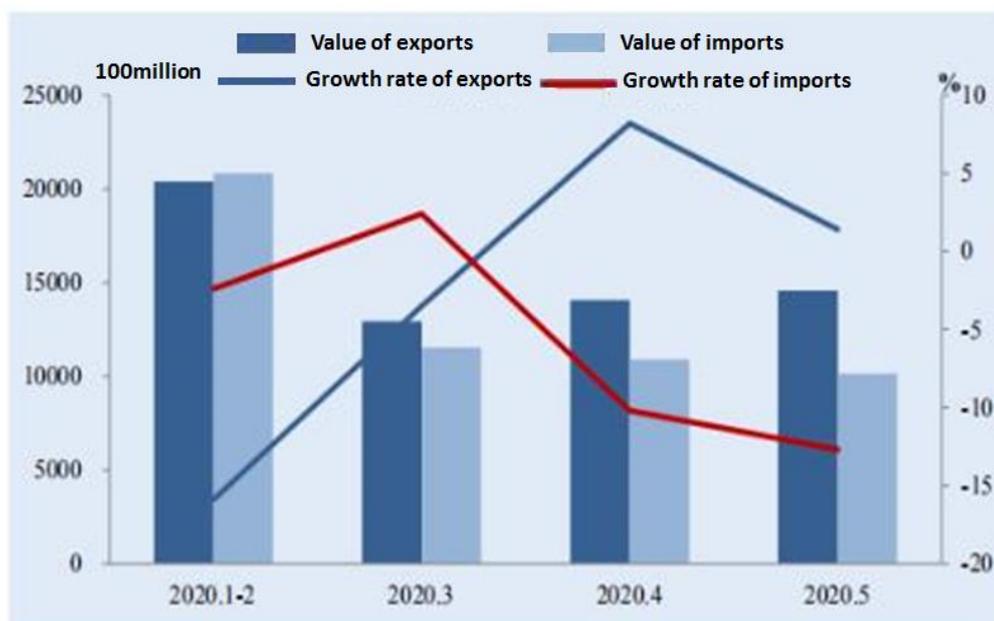


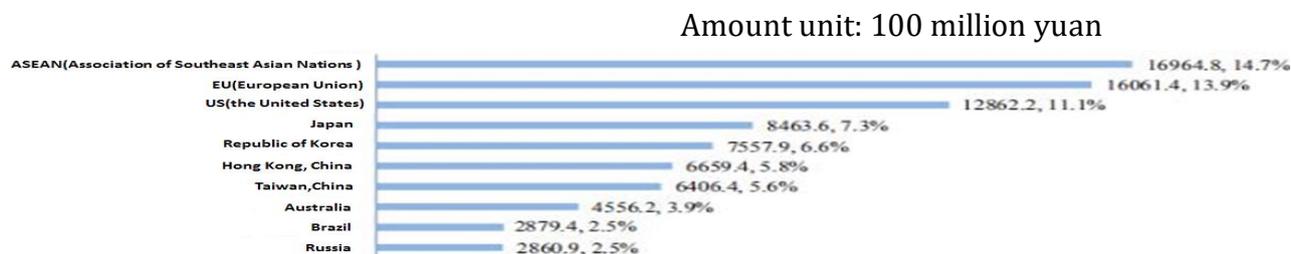
Fig 1. China's monthly import and export scale and growth rate since 2020

### 2.2. The Growth of Imports and Exports to ASEAN Was Better Than the Overall Growth, While Imports and Exports to Traditional Markets Declined

China has achieved remarkable results in optimizing the distribution of its international market. From January to May in 2020, China's top four trading partners were ASEAN, EU, US and Japan, accounting for 14.7 percent, 13.9 percent, 11.1 percent and 7.3 percent of total imports and exports in the same period, respectively.

Imports and exports to ASEAN increased by 4.2%, 2.8% and 6.0%, 9.1, 7.5 and 11.2 percentage points higher than the overall growth rates of imports and exports. Imports and exports to the EU fell by 4.4%, 1.0% and 9.0%, respectively. Imports and exports to the United States fell by 9.8 percent, 11.4 percent and 4.5 percent, respectively. Imports and exports to Japan fell 0.3%,

exports grew 1.6%, and imports fell 1.8%. The import and export trade with countries along the "one belt and one road" has become an important factor for the stable development of China's foreign trade. The co-construction of "One Belt and One Road" is of great significance for promoting market diversification and stabilizing the basic plate of China's foreign trade.



**Fig 2.** Import and export amount and proportion between China and the top ten trading partners in the first five months of 2020

### 2.3. The Import and Export of Private Enterprises Rose Against the Trend, While the Import and Export of Foreign-Funded Enterprises Declined

From January to May 2020, the import and export of private enterprises reached 5.11 trillion yuan, an increase of 1.8%, accounting for 44.3% of the total and 2.9 percentage points higher than that of the same period last year, demonstrating strong resilience and resilience. Among them, exports reached 3.27 trillion yuan, down 0.1 percent, accounting for 52.7 percent of the total, up 2.3 percentage points over the same period last year. Imports reached 1.84 trillion yuan, up 5.4%, accounting for 34.5% of the total and 3.5 percentage points higher than the same period last year. The import and export of foreign-invested enterprises was 4.54 trillion yuan, down 7.3% and accounting for 39.4% of the total. Exports totaled 2.33 trillion yuan, down 9.4%. Imports were 2.21 trillion yuan, down 5.0%. The import and export of state-owned enterprises was 1.85 trillion yuan, down 14.1% and accounting for 16.0% of the total. Among them, exports amounted to 583.89 billion yuan, down 8.4%; Imports totaled 1.26 trillion yuan, down 16.5 percent.

### 2.4. The Export of Labor-Intensive Products Declined, While the Export of Epidemic Prevention Materials Increased Rapidly

From January to May in 2020, China's export of mechanical and electrical products was 3.64 trillion yuan, down 4.0% and better than the overall 0.7 percentage points, accounting for 58.7% of the total export and 0.3 percentage points higher than the same period of the previous year. The export of automatic data processing equipment and its parts reached 508.61 billion yuan, up 1.8%; Mobile phone exports totaled 275.65 billion yuan, down 5.6%. Exports of seven categories of labor-intensive products, including clothing and toys, fell 2.6 percent. Footwear, luggage, clothing, furniture and toys dropped by 28.5 percent, 27.6 percent, 20.3 percent, 14.0 percent and 11.8 percent, respectively. Exports of masks, protective clothing and other epidemic prevention materials have grown rapidly. In addition, steel exports 2.502 million tons, a decrease of 14.0%; 377,000 cars (including chassis), a decrease of 16.9%.

### 2.5. General Trade Is Better Than the Overall, Processing Trade Decline Narrowed

From January to May in 2020, general trade imports and exports totaled 6.91 trillion yuan, down 4.7 percent and accounting for 59.9 percent of the total, 0.1 percentage point higher than the same period last year. Exports totaled 3.65 trillion yuan, down 4.3% and accounting for 58.9% of the total. Imports totaled 3.26 trillion yuan, down 5.1% and accounting for 61.1% of the total. Imports and exports of processing trade totaled 2.77 trillion yuan, down 8.1 percent or 0.3

percentage points less than in the previous four months. Of this export totaled 1.74 trillion yuan, down 9.3%; Imports totaled 103 million yuan, down 6.1%.

**Table 1.** Mode of China's import and export trade in the first five months of 2020

project		Export			import		
		Amount (100 million yuan)	Year-on-year growth (%)	Percentage (%)	Amount (100 million yuan)	Year-on-year growth (%)	Percentage (%)
Total value		61989.4	-4.7	100	53391.3	-5.2	100
Trade method	General trade	36482.5	-4.3	58.9	32648.6	-5.1	61.1
	Processing Trade	17391.6	-9.3	28.1	10303.8	-6.1	19.3
	Other trade	8115.3	4.7	13.1	10438.9	-4.6	19.6

China's total import and export volume from January to August 2020 reached 20 trillion yuan, a slight decrease of 0.6 percent, according to the latest data released by the customs on Sept 7. Among them, exports reached 11 trillion yuan, up 0.8%; Imports reached 9 trillion yuan, down 2.3%, and the trade surplus exceeded 2 trillion yuan, up 17% year on year. It has come to the second half of the year. China's GDP grew by 3.2% in the second quarter of the year, and China is on the road to economic recovery, while the United States, Japan and European countries have all seen economic sharp drops. Coupled with the continued spread of the epidemic abroad, international trade continues to be affected.

From January to August 2020, China's exports of mechanical and electrical products and textiles will continue to grow. Among them, the export of mechanical and electrical products reached 6.4 trillion yuan, an increase of 2% year-on-year, accounting for nearly 60% of the total export volume. Second, textile exports totaled 0.7 trillion yuan, up 37%, including masks and other materials. In addition, exports of clothing, furniture and toys declined.

Our trade volume with ASEAN, EU and Japan. According to the data released by the Customs, ASEAN remained China's largest trading partner from January to August 2020, with China's trade volume with ASEAN reaching 2.93 trillion yuan. Among them, China exported 1.64 trillion yuan to ASEAN and imported 1.29 trillion yuan from ASEAN, and China's trade surplus with ASEAN was 344.3 billion yuan.

From January to August 2020, China's trade with the EU reached 2.8 trillion yuan, making the EU China's second largest trading partner. Among them, China exported 1.72 trillion yuan to the EU, and imported 1.09 trillion yuan from the EU. China's trade surplus with the EU was 628.9 billion yuan, up 27% on a year-on-year basis. From January to August, the trade volume between China and Japan reached 1.4 trillion yuan, making Japan China's fourth largest trading partner. Among them, China exported 638.7 billion yuan to Japan and imported 766 billion yuan from Japan, and China's trade deficit with Japan was 127.3 billion yuan. According to statistics, in the first eight months of this year, China's trade with ASEAN accounted for about 14.6 percent of China's total import and export of goods, china-eu trade accounted for about 14 percent and China-Japan trade accounted for 7 percent. Meanwhile, China has a trade deficit with Japan, and a trade surplus with ASEAN, the European Union and the United States.

According to the data released by China's customs, from January to August 2020, China's trade volume with the United States reached 2.42 trillion yuan, making the United States China's third largest trading partner, accounting for about 12 percent of China's total import and export of goods. Among them, China's exports to the United States reached 1.87 trillion yuan, down 0.5%; China imported 549.3 billion yuan from the United States, up 0.2%, and its trade surplus with the United States reached 1.32 trillion yuan.

According to statistics, from January to August, China's import of soybeans reached 64.74 million tons, with an increase of nearly 15%. The specific import data from which countries has not been released yet, but according to the data released by the US Department of Agriculture, the amount of soybeans imported from the US was relatively high in August, and more than 70% of the total export of Brazilian soybeans were shipped to China. Another set of data shows that China's soybean imports in the first seven months of this year reached 55.14 million tons, which calculated that China's soybean imports in August reached 9.6 million tons, nearly 10 million tons. China's soybean imports may reach 96 million tons this year, a record high, according to analysts. In addition to soybeans, China's import of mechanical and electrical products is also in the state of growth. In the first eight months of this year, China's imports of integrated circuits reached 1.5 trillion yuan, up 15 percent year on year, accounting for 37.5 percent of the import of mechanical and electrical products, and 16.6 percent of China's total imports.

### **3. The Impact on China's International Trade in the Context of the Epidemic**

#### **3.1. Export Orders Fell**

At present, almost all of China's trading partners have been affected by the epidemic, and the demand in the international market has shrunk seriously. Foreign trade enterprises are generally facing problems such as cancellations or delays of orders in hand and difficulties in signing new orders. From the perspective of business entities, small and medium-sized foreign trade enterprises are more affected. From the perspective of trade mode, processing trade is more directly affected by the epidemic, facing a "two-way squeeze" between the demand side and the supply side. From the perspective of major export commodities, labor-intensive products have been greatly impacted in the short term, but the export of epidemic prevention materials such as masks and protective suits has grown rapidly.

#### **3.2. Industrial and Supply Chains Are Blocked**

On the one hand, due to the spread of the global epidemic, production in major economies has been suspended on a large scale, and the upstream supply chain of Chinese enterprises has been blocked or fractured. Among them, automobile, electronics and other industrial sectors were most impacted by the supply of intermediate goods and capital goods. Some imported raw materials, key equipment and spare parts encountered difficulties in supply and prices continued to rise. On the other hand, as the overseas impact of the epidemic continues, China's foreign trade enterprises are also facing the situation of decreasing demand from overseas enterprises, which poses a dilemma for foreign trade enterprises to effectively resume production and trade supply.

#### **3.3. Trade Costs Are Rising**

Many countries have taken measures to restrict the flow of people, logistics and trade, and many countries have entered into a state of emergency. This has had a great impact on the smooth flow of international logistics such as sea and air transportation, and a great impact on the free flow of world economy and trade. The WTO conservatively estimates that the cost of moving goods from a factory or farm to the other side of the border increases by 25 per cent. The above problems have brought many impacts to China's foreign trade, such as international transport delays, increased logistics costs, and blocked business negotiations. As a result, it is more difficult for enterprises to fulfill and obtain orders, which further increases the downside risks of foreign trade.

### **3.4. Enterprise Capital Chain Pressure**

Affected by the spread of the epidemic abroad, a large number of overseas customers delayed orders, reduced orders or even cancelled orders, causing the risk of default to rise rapidly, and the risk of foreign exchange collection to increase as the payment for foreign trade was prolonged. Chinese foreign trade enterprises are also faced with a large amount of capital crowding out from inventory, tight supply of raw materials, rigid artificial expenditure on water, electricity and rent, etc., which further increases the capital chain pressure and cash flow burden of foreign trade enterprises. In the short term, China's foreign trade development faces unprecedented risks and challenges. The long term, China has abundant industrial foundation and global matching the most complete industrial system, trade cooperation between China and the relevant countries solid foundation and potential, Chinese products high quality and low price, good reputation, during the outbreak and epidemic prevention rapid export growth, cross-border thriving new forms such as electricity, to fully demonstrate the great toughness and potential of China's foreign trade, the characteristics of the competitive.

## **4. The Chinese Government's Response Policies and Measures**

Since 2020, China's international trade has faced unprecedented challenges due to the global COVID-19 pandemic, increasing international economic and trade frictions, and the rising risk of global economic recession. The Chinese government has introduced a series of timely policies and measures to stabilize foreign trade. With a combination of policies, the Chinese government has made every effort to stabilize the basic disk of foreign trade and achieve v-shaped growth of international trade.

### **4.1. We Will Provide More Targeted Assistance to Enterprises**

We will further improve export tax rebate policies to reduce the burden on enterprises. We will further expand the coverage of short-term export credit insurance and promote a reasonable reduction in premium rates. We will guide financial institutions to increase the supply of foreign trade credit to meet the financing needs of international trade. A variety of channels, a variety of ways in a timely manner to understand the foreign trade enterprises, the change of the order, not only focus on leading problems of foreign trade enterprises, at the same time, closely track the performance of small and medium-sized foreign trade enterprise in the micro and financial demand, timely research push for a series of targeted policies and measures to promote the policy financial institutions increase the intensity of support, help foreign trade enterprises to cope with the impact.

### **4.2. We Will Improve the Distribution of the International Market**

China is hosting an international trade and services Conference and is actively preparing to host the 127th Canton Fair online. We will encourage the holding of online exhibitions and encourage government-sponsored offline exhibitions to take the lead in conducting online exhibitions, so as to explore a new mode of holding exhibitions featuring simultaneous interaction and organic integration between online and offline activities. By holding "Cloud exhibition", modern information technology is fully used to improve the display, publicity, negotiation and other effects, helping enterprises to catch orders, protect customers and expand the market. We will actively expand imports while expanding exports, and make good preparations for the third China International Import Expo to meet the needs of domestic production and livelihood.

### **4.3. Foster New Forms and Models of Trade**

China has set up 46 new comprehensive pilot zones for cross-border e-commerce, giving a head start in taxation, regulation and facilitation, giving full play to the unique advantages of cross-

border e-commerce, conducting online marketing, realizing online transactions, and helping foreign trade overcome difficulties with new forms and models of business. We will encourage enterprises to build high-quality overseas warehouses in relevant countries, especially in key markets, and improve the international marketing network system.

#### **4.4. Support the Development of Processing Trade**

The tax deferred interest on domestic sales of processing trade enterprises will be temporarily exempted until the end of 2020. We will expand the trial of selective taxation on domestic sales to all comprehensive bonded zones. We will improve the structure of processing trade, speed up the revision of the catalogue of industries encouraging foreign investment, and reduce the catalogue of prohibited goods.

#### **4.5. We Will Promote the Transfer of Foreign Trade Products to Domestic Sales**

We will further expand the scope of the implementation of "the same line, the same standard and the same quality" for domestic and foreign products, accelerate the improvement of relevant information services, and enhance the influence and popularity of the public brand "the same line, the same standard and the same quality". Further optimize government public services, help foreign trade enterprises to solve domestic sales problems, guide foreign trade enterprises to increase cooperation with large domestic e-commerce platforms, develop domestic sales channels, improve domestic sales capacity, break through the "blocking points" of domestic and foreign trade, accelerate the entry of foreign trade products into the domestic market.

#### **4.6. Stable and Smooth International Logistics Supply Chain**

Using the China-Europe freight train to help foreign trade enterprises that have been affected by the epidemic resume their import and export business; Give full play to the role of china-EUROPE freight train export channel to ensure the smooth flow of china-Europe industrial and supply chains; We will guide enterprises to make full use of the facilitation policies for freight trains and customs clearance between China and Europe. We will build an information platform to achieve efficient connection between international logistics supply and demand, and continue to optimize and improve international air cargo capacity.

#### **4.7. We Will Strengthen Trade Promotion Services**

We will timely update and release market information such as country-specific trade and investment environment information and country guidelines for outbound investment and cooperation, support local governments, industry organizations and trade promotion agencies in building public service platforms, and help enterprises participate in trade promotion activities at home and abroad. Strengthening legal services helps enterprises reduce risks. We will further improve the efficiency of customs clearance and provide more convenience in inspection, quarantine and customs clearance. Study and build a digital foreign trade service platform as soon as possible.

#### **4.8. We Will Create A Favorable External Environment**

Strengthen international cooperation in epidemic prevention and control, jointly promote the smooth flow of international industrial, supply and logistics chains, timely inform the WTO of trade measures related to the response to the epidemic, and work with other countries to ensure an open, stable and secure global supply chain, thus contributing to the stability of global economy and trade.

## 5. Conclusion

To sum up, coVID-19 has had a serious impact on China's international trade. In the short term, it has had a negative impact on the operation of China's foreign trade enterprises in terms of supply and demand, and in the long term, it has threatened China's manufacturing industry's position in the global value chain.

In response to the above, but the Chinese government take timely effective policies, grasped the nettle and, for those routes into crisis, rapidly improve national trade service quality and level, Suggestions on the one hand, should be at the enterprise level precision ShiCe, use fiscal, tax, financial services, such as the various preferential policies to support small and medium-sized foreign trade enterprises, the escort to return to work for the enterprise and production;

On the other hand, should from the government level to encourage technological innovation and industry upgrading, strengthening the overseas strategic investment, and turn the crisis into an opportunity for comprehensive development of our country's international trade industry chain service system, and the organic integration of the world economy development, grab the outbreak period the commanding heights of international trade, further stability and consolidate the Chinese manufacturing industry and the real economy in an important position in the global value chain and value chain, for the outbreak era China to a new level of international trade to lay a solid foundation.

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