

Export Challenges for Chinese Companies in the Current Global Economic Crisis (COVID-19)

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Abstract – The coronavirus threat has activated a number of factors, each of which affects foreign economic operations in its own way. Against the background of a decline in business and consumer activity, foreign trade was under threat. Closed borders not only contain the spread of infection, but also stop freight flows.

The population in such conditions has to seriously think about the possible shortage of food and other goods. For the economies of states and regions, this means a lack of money in the budget from export operations.

Most Chinese companies in such conditions have begun to use digital tools and approaches - for example, telecommuting and online communication channels. During the crisis, large companies were able to demonstrate resilience and the ability to continue to innovate. Such leading companies get out of the crisis faster and are able to achieve higher financial results in the future. The introduction of digital solutions in the company will allow achieving a high degree of integration, which will speed up the ability to respond to external factors.

The purpose of the study is to identify problematic export issues for Chinese companies during a pandemic.

Keywords – information technologies, digitalization, export, pandemic, coronavirus, chinese companies, foreign economic relations, world economic crisis.

1 INTRODUCTION

In 2020, the coronavirus pandemic has dealt a severe blow to the global economy. Never before has the world faced such a global problem. The rapid spread of the epidemic has become a factor that countries must take into account. As the number of victims increased and the infection spread, quarantine measures began to be introduced. In the affected states and regions, borders were closed, people were forbidden to go out.

The usual rhythm of life was fading away, and this inevitably affected all aspects of trade and economic activity. Experts gave disappointing forecasts, some researchers predicted impending poverty and hunger. Everyone watched with dismay as the situation changed.

The coronavirus pandemic has severely affected foreign economic relations. The influence is exerted by the partial or complete closure of borders between states, which entails a reduction in cargo flows, disruption of transactions, failure to fulfill obligations and agreements. The pandemic has become the reason for the inoperability of a huge part of the population. China was the first to turn the tide, factories and factories are gradually returning to normal operation, internal borders are opening, and transport links are being established. This gives hope to the

entire global economy. However, the problem is that China has coped with it and is again open, while all other countries, including Russia, are still closed, because of this. New obstacles await the Celestial Empire. Due to quarantine, businessmen from Russia are unable to travel to factories and factories in China, negotiate and conclude contracts. If the spread of the virus continues further, it will put before the authorities the question of helping domestic companies so that they can compensate for the losses of this force majeure.

China turned out to be the only significant economy in the world in which in 2020 there was not a recession, but only a slowdown in GDP growth to 2.3%. China's economy is now showing a V-shaped recovery to its natural growth. The IMF and Reuters forecast China's economy to grow 8.1% in 2021 and 5.6% in 2022. China itself, according to Prime Minister Li Keqian, is modestly expecting a GDP growth of just over 6% this year.

2 METHODOLOGY

A combination of various widely used methods forms the methodological basis of the research. The authors focus on the principle of scientific objectivity when carrying out the research. The theme of this research allows to use classical scientific research methods such as: comparative method, statistical, system approach and others.

The main research methods are the search, systematization, evaluation and structural and dynamic analysis of export challenges for Chinese companies in the current global economic crisis.

Content analysis and synthesis methods were applied to identify the ideological content and essence of China's export policy implementation in COVID-19 pandemic. The combination of these methods, as well as regulatory analysis and forecast, allows us to analyze possible contradictions and establish correlations in China's foreign economic processes.

3 ANALYSIS

3.1 EXPORT CONCEPT

One of the forms of entering international markets is the form of export.

In the form of exit, the production of goods or services takes place in the national market of the company. The sale of these products or services is carried out on the international market. If a company has chosen the form of export when entering the international market, then it must determine for itself the functions that it will perform in the foreign market and which it will be able to transfer to intermediaries who perform almost all export activities. Export is a fairly quick entry into the international market. Here the company does not spend funds on production facilities, costs for offices and warehouses, employees. The company pays only for marketing services, promoting the product on the international market.

The disadvantage of export is the least penetration of goods into the external market. Since the export takes place through an intermediary, it is impossible to track the prices of the goods, the activities of the intermediary. The intermediary can sell similar goods together with the

company's goods, so the company's profit will not grow. Also, the company will not be able to track the costs that the intermediary will charge for their services. The exporter does not know about the competitiveness of the product in the international market, he does not have sales analytics, since he is not immersed in this market. Thus, the company has no control over the actions of the intermediary and over the sales of its goods [2].

Also, the disadvantages of exports can be attributed to the cost of transport to another country. These rates can be high and may not be beneficial for the company. It is worthwhile to analyze in great detail the market to which the company is going to export its goods. Some countries are pursuing protectionist policies and raising tariffs on imported goods.

If an exporter knows the market, has full control over the export of goods and enters the market himself, then he saves money, speeds up the sales process and knows his consumer.

Companies mainly consider exporting to neighboring countries. It can be seen here that transport costs are much lower and consumers living in the neighborhood can be more loyal to the exporter's product.

Internet sales have also become very popular today. The internet has made it easier to export. On the Internet, a company can offer a large selection of goods, offers and promotions for its goods, great offers and convenient delivery. Moreover, communicating with customers directly, the company knows the consumer's desire and understands the target market.

And here we can see the difference. In classic export, there are a large number of intermediaries between the exporter and the buyer, such a business needs managers who will accompany the export.

On the contrary, in cross-border exports, the client communicates directly with the seller, here the batch size is not limited, it can be both small retail and large wholesale supplies, the exporting company can offer favorable discounts. And most importantly, the company does not need wholesale export sales in the foreign market.

It is also worth mentioning here that in the context of the global financial crisis, which was caused by the pandemic and the borders between the countries were closed, many companies remained afloat and even increased their profits several times, thanks to the placement of their goods on Internet sites. And after the opening of the borders, many sellers switched to online trading [3].

And yet, since the cost of exports is much lower than other forms of market entry, companies will still use exports to enter international markets by shipping their goods around the world.

3.2 EXPORT TO CHINA

In 2020, China exported goods worth US \$ 2.591 trillion. This is 22.3% more compared to 2016 and 3.7% more compared to 2019.

Consider China's exports over the past 2 years.

Mobile phones and other telephone system devices are China's largest exports.

The latest available country data show that 60.7% of the products exported from China were bought by importers (Table 1).

TABLE 1. Exports from China for March 2020 [4]

N	Countries	% of the world total
1	USA	17,5%
2	Hong Kong	10,5%
3	Japan	5,5%
4	Vietnam	4,4%
5	South Korea	4,3%
6	Germany	3,4%
7	Netherlands	3%
8	Great Britain	2,8%
9	India	2,6%
10	Taiwan	2,3%
11	Singapore	2,2%
12	Malaysia	2,2%

Chinese exports of goods from China to Asian countries accounted for 47.6%, 20.8% of goods were exported to the North American continent, and exports to Europe accounted for 20.7%. Least of all, in terms of percentage, China exported goods to Africa - 4.4%.

With China's 1.4 billion people, its total of \$ 2.591 trillion in 2020 exported products is cited at about \$ 1,850 for each resident in East Asia's economic powerhouse.

3.3 Export problems for Chinese companies in a pandemic

Consider the difficulties China faced in the last months of the pandemic.

Large players in China in the chemical raw materials market note a slight decrease in import purchases, about 5-7% of the usual monthly volume. Manufacturers in China were placing orders for products at the time.

In the equipment segment, the situation is similar, large Chinese players suffer the least damage, small and medium-sized businesses, starting from mid-April, suspend purchases of imported goods from China, existing products are in warehouses without a foreseeable prospect of being sold.

In the segment of electronics, auto components and spare parts, the situation is more depressing, in Hubei and Wuhan, where the pandemic was at a critical level, there are many electrical and automotive industries, and they still stand. Many customers reported the postponement of production within the framework of their orders for an indefinite period, and a drop in demand for these products is added to everything else, because the main consumers are citizens whose income has decreased.

Chinese clothing and footwear companies are also suffering losses. Orders for the new collection have decreased in volume. Stores in this segment are closed, and not all consumers are ready to shop online. Plus, the same decline in the population's income.

Retail chains selling building materials and gardening equipment are closed under the self-isolation regime, so we see the same drop in demand. Some businessmen were selling goods to nearby countries. But now there are a lot of transport barriers.

Tariffs from the ports of China to the ports of Vladivostok and Nakhodka remained unchanged, the market has been stable since January 2021, and the freight rail service from Vladivostok to Moscow also does not reflect the impact of the pandemic in tariffs.

There are fewer flights. Vessels cannot go empty - this is a loss. Therefore, some flights are canceled, combined, containers are transferred to other flights. Direct trains resumed their movement in March, at the present time, there are no queues, but there are periodically postponements of the schedule. The tariffs remained unchanged.

As for air travel, the situation is more complicated here. Passenger flights, which mainly carried small cargo, were canceled. There are only trucks, they are much more expensive. Air borders in some directions are closed, airlines have been reduced. This whole situation led to negative consequences in the form of tariff increases.

The Chinese authorities are currently setting separate tariffs for certain categories of goods, for example, medical (masks, protective equipment) and not less. Space tariffs, moreover, there are certain requirements for documents for the transportation of such goods.

The national Chinese airline Air China, together with the Russian company Aeroflot, has launched charter cargo flights from Beijing and Shanghai to Moscow. Here the cost is rather big, but lower than what other airlines offer.

3.4 Restoring Chinese economy and export with pandemic background

Exports from China rose 32.3% year on year to \$ 263.92 billion in April 2021, accelerating from 30.6% growth in March and easily surpassing the market consensus of 24.1%. It was the tenth consecutive month of increased exports amid improved global demand and higher commodity prices (Figure 1).

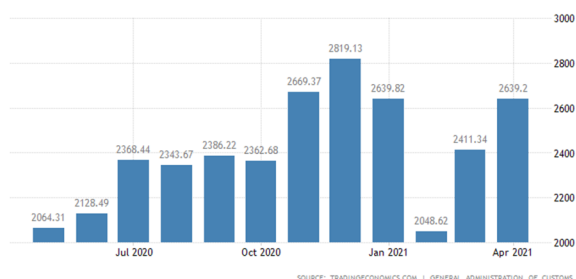


Figure 1. Exports from China May 2020 - April 2021 [7]

Among the main trading partners, exports increased sharply (Table 2).

TABLE 2. Exports from China for April 2021 [7]

N	Countries	% of the world total
1	USA	31,2%
2	Australia	19,7%
3	Japan	0,4%
4	Vietnam	4,4%

5	South Korea	23,1%
6	ASEN countries	42,1%
7	The EU	23,8%
8	Taiwan	30,1%

At the same time, against the backdrop of the pandemic, a positive factor for Chinese exports was the fact that many firms in the PRC in 2021, unlike in previous years, continued production on the Chinese New Year holidays, as many workers refused to take vacations due to the pandemic [7].

The Chinese authorities have repeatedly noted that the pandemic has dealt a blow to Chinese small and medium-sized businesses. Companies and entrepreneurs involved in the hotel and restaurant business, filming and screening of films, and holding mass cultural and entertainment events have suffered. During the pandemic, many shops, primarily clothing and footwear, as well as cafes and eateries went bankrupt, unable to withstand several months of strict quarantine.

The State Council, the Central Bank and the Ministry of Finance of China have launched a program to support small and medium-sized businesses by freezing bank debts, concessional lending and tax exemptions.

China in 2020 became the only major economy in the world to achieve growth amid a pandemic, albeit not high by Chinese standards. GDP growth in the past 2020 was 2.3% (a record low since 1976) as a result of relatively quickly taken tough measures to avoid a major second wave of infections.

It can be noted that the key to the rapid recovery of the Chinese economy was a successful strategy to combat the coronavirus. The Chinese government is pursuing a consistent policy of creating extremely tight control zones in places where coronavirus infected are installed. If the number of infections in the territory of a district, county, city or whole province turns out to be too high, the central authorities introduce a regime of complete isolation of these territorial and administrative units.

China was able to stop the spread of the virus primarily thanks to measures to "targeted control" of local outbreaks.

China was able to defeat the pandemic primarily due to the authority of the authorities. Today, the Chinese government is actively implementing projects to rebuild the economy after the pandemic, exploring new options and formats for international cooperation to address a number of complex global problems.

Analysts attribute the rapid growth of industrial production in China since the beginning of 2021 (by more than 30% in annual terms) to several market factors. First, the deferred demand accumulated during the pandemic domestically and in foreign markets is quickly saturated. Second, Chinese manufacturers are trying to fill the niches left by external competitors that have weakened or dropped during the pandemic. And thirdly, a new, pandemic demand has arisen in the world: for drugs, protective accessories and medical equipment, for systems for remote computer communication, etc.

Chinese exports at the beginning of this year have recovered from the crisis caused by the coronavirus pandemic at a record pace. In January - February 2021, exports from the second largest economy in the world unexpectedly grew immediately by 60.6% year on year. This is evidenced by the data of the PRC customs department.

The rapid recovery in Chinese exports has been boosted by the fact that it is China that produces many of the goods that are in global demand amid the pandemic - medical equipment, such as face masks, or laptops and home monitors.

Experts expected a large increase in Chinese exports, but not so high: they predicted a plus at 38.9%. In February 2021 alone, exports from the PRC jumped 154.95. The customs department of the PRC service noted that the rapid growth of Chinese exports was also facilitated by the economic recovery in the EU and the United States against the background of measures being implemented in these countries to revive the conjuncture.

As a result, exports from China and the trade surplus reached record levels in the current 2021.

4 CONCLUSION

Today, the Chinese economy is breaking records despite the worldwide pandemic. China adheres to a flexible long-term strategy aimed at building up trade and economic cooperation with other countries. As many Chinese companies have grown stronger and more competitive during the reforms, the government has gradually eased restrictions, and in recent years have become particularly ardent supporters of free trade.

To release financial and economic potential, back in 2012, the President of the People's Republic of China, Secretary General Xi Jinping proposed the "One Belt - One Road" project. The main task of this project is to form a system of mutually beneficial relations between countries, in accordance with which Beijing would act as an "economic pole of attraction." Thus, China has created a "saving buffer" for itself, a kind of "partner club", which, as the country's top leadership has repeatedly stressed, any state has the opportunity to join [5].

The Chinese economy continues to recover at a strong pace, despite the novel coronavirus pandemic and a notable decline in GDP in other countries.

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