

Research on the Development Strategy of China's Service Trade under the Background of the COVID-19 Pandemic

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Abstract: Service Trade is one of the key topics of current research. With the impact and changes brought about by the out break of COVID-19 pandemic on China's service trade, China is facing a series of challenges such as changing consumer demands, insufficient openness, cross-border cooperation, and sustainable development. Based on literature review and analysis, this paper sorts out the traditional field of China's service trade from its initial stage. It explores the transition from a marginal role to a prominent position in the period from 1978 to 2001. It further investigates the increasing internationalization of China's service trade from 2001 to 2012. Since 2013, China's service trade has entered a new phase of development. China's trade in services has continued to go up, especially in emerging areas such as digitalization, the Internet, and cross-border e-commerce. To obtain comprehensive information and data, this research examines relevant literature and policy documents on China's service trade, focusing on strategic adjustments and development in response to the influence of the pandemic. The study indicates that in the context of the pandemic, China's service trade strategy is characterized by diversification and flexibility, which will help reinforce the competitiveness of China's service trade and boost the recovery and development of the global economy.

Keywords: COVID-19, China's service trade, strategic discussion

1. Introduction

At the beginning of 2020, the COVID-19 pandemic rapidly spread around the world, causing a significant impact on the economy, and the global trade landscape has also changed. During this period, various measures were taken and these restrictions had a severe impact on trade activities. Service trade, playing an increasingly vital role in the global economy, brings numerous opportunities for employment, cooperation, and exchanges to various countries, possessing undeniable influence. At the same time, the epidemic has also presented new opportunities and challenges for China's service trade sector.

In this context, the existing research directions indicate that with remarkable progress in epidemic prevention and control, China's service trade has experienced rapid development [1]. The overall trade scale has increased, the trade composite index has improved, making China the only major economy in the world to achieve positive growth under the impact of the pandemic [2]. Nonetheless, China still faces many problems, such as insufficient openness, serious trade deficit, poor business

environment, unreasonable service trade structure and so on. It should pay attention to the cultivation of talents with professional knowledge reserves to reverse China's trade deficit in the international market, optimize the business environment, and improve the structure of China's service trade[1,3]. However, there are still many uncertainties in global epidemic prevention and control, and the recovery of the world economy is full of variables. Therefore, China should correctly handle the “three pairs” of international trade policy and industrial development, regional development, and international trade rules. China needs to accelerate the construction of a modern industrial system, optimize the pattern of regional opening up, enhance the right to speak in global economic governance, expand the field of foreign trade cooperation, and build new advantages for China's international competitiveness in foreign trade[2].

This article aims to explore and analyze the current situation and prospects of China's service trade strategy based on the background of the COVID-19 pandemic. It also provides corresponding suggestions and outlooks to promote the sustainable development of China's service trade and further enhance its position in the global service trade. The article will first analyze the development process of service trade before the outbreak of the pandemic, then examine the impact of the COVID-19 pandemic on China's service trade and discuss the response strategies and measures for China's service trade in the post-pandemic era. The goal is to provide certain references and insights for its development.

2. The Development History of China's Service Trade Before the Epidemic

The period from 1949 to 1978 was the period before China's economic reform and opening. Its economic development was heavily influenced by the Soviet Union's centralized planning model. This tightly controlled foreign trade system and highly centralized planned economic system seriously constrained the growth of economic trade. During this stage, China's economic focus was primarily on industrialization and agricultural modernization, while the development of the service industry was relatively weak. However, the development of China's service trade was mainly concentrated in traditional service fields, such as tourism, transportation, catering and entertainment, with relatively small scale and limited scope. According to the *Research Report on the Development of China's Service Trade Industry (2020)* released by China Chamber of International Commerce and China Association of Trade in Services, although the volume of China's service trade continued to grow from 2014 to 2019, its share in international trade is only 14.64%, which is far below the global average of 24%[4]. Meanwhile, due to international trade restrictions and insufficient openness, the competitiveness of China's service trade in the international market is relatively weak.

Since the reform and opening up 40 years ago, the opening of China's service industry has been gradually carried out on the premise of the continuous advancement of the country's opening-up strategy. The period from 1978 to 2001 was a crucial stage of China's economic reform and opening up, during which China's service trade gradually moved from the edge to the stage. This led to rapid development in fields such as tourism, transportation, information technology, and telecommunications. The period from 2001 to 2012 was a critical stage of the increasing internationalization of China's trade in service. Multilateral trade cooperation, market opening and the development of information technology have all contributed to its internationalization, further expanding the scale and the scope of service trade. Since 2013, China's service trade has entered a new phase of development, characterized by greater dynamism and diversification. China's service trade was initially concentrated in traditional fields such as tourism, transportation and commerce. With the rapid development of the economy and the advancement of technology, it now covers more fields, including information technology, financial services, consulting and management, cultural creativity, education and training, health care, etc. During this period, the Sino-US trade war brought new challenges and changes to it. The trade dispute between the world's two largest economies has

escalated. High tariffs have been imposed on more than US\$500 billions of goods between China and the United States. The average bilateral tariff has exceeded 20% [5]. This had profound implications, including promoting the structural adjustment, transformation and upgrading of China's service trade, making it transform from traditional labor-intensive to knowledge-intensive and technology-intensive, and improving the industrial value-added and competitiveness of China's service trade. With the continuous development of China's service trade, the status of China's service trade in the world has been continuously improving. In 2012, China's total import and export volume of services ranked third in the world, just behind the United States and Germany [6]. In 2014, China surpassed Germany and rose to the second place in the world, which has continued to this day, becoming a well-deserved world service trade powerhouse [7].

3. Performance of China's Trade in Services under the Impact of the Epidemic

3.1. The Impact of the Epidemic on China's Service Trade

The outbreak of the COVID-19 pandemic has had extensive and far-reaching impacts on global trade. In 2020, global trade volume decreased by 9%, with a 6% decline in merchandise trade and a 16.5% drop in service trade. The first half of 2020 was the period most severely affected, with a trade volume drop by more than 20% in the second quarter [8]. As a significant participant and major exporter of global service trade, the epidemic has brought pressure and challenges to China's service trade in many ways. It has experienced direct negative impacts in the short term and will be influenced in the long term through the adjustment of industrial policies in different countries, affecting China's service trade and its position in the global value chain [9].

First, the COVID-19 pandemic has exacerbated the imbalance in export structure. The impact of the epidemic on China's trade in services has been more serious than trade in goods, and the impact on traditional service trade was most obvious. Knowledge-intensive service trade was relatively less affected by the epidemic because of its anti-crisis characteristics, but it has not been able to offset the traditional downward trend in trade in services.

Second, the epidemic has magnified the negative impact of the Sino-US trade war. The bilateral service trade between China and the United States has suffered a significant decline, and the United States has noticeably strengthened its service trade links with Singapore, Japan, the United Kingdom, and Saudi Arabia, intending to replace the original service trade links with China with other countries [9].

Thirdly, China lacks macro-policy guidance, and the market environment is not sound yet. The legal framework and intellectual property protection system associated with service trade in our country cannot meet the new development needs of global service trade under the pandemic. The high-quality development of service trade lacks sufficient basic institutional guarantees, and the incomplete market mechanism has become a major factor inhibiting the high level of service trade in China [10]. For example, in the field of technological innovation and digital economy, the protection and enforcement of intellectual property rights are still relatively weak. This brings uncertainties and risks to the investment and cooperation of knowledge-intensive service providers and multinational enterprises in service trade.

3.2. New Situation for the Development of China's Service Trade in the Post-Epidemic Era

Due to the spread of the pandemic, the Chinese government has strengthened epidemic prevention and security measures, including strengthening border control, implementing nucleic acid testing, and quarantine measures, to ensure the safety and controllability of population movement. As a result, it has led to the emergence of new growth areas:

Firstly, online education has enormous development potential. Due to the closure of schools and

educational institutions, distance learning and online education have become essential teaching methods. China's online education platforms have ushered in tremendous development, offering online courses, remote training, and other services to guarantee the learning and training needs of people from all walks of life. According to online statistics, the number of registrations for live courses offered by just one educational institution, *Zuoyebang*, exceeded 20 million, a figure that was unimaginable before [11].

Secondly, the rapid development of online healthcare has experienced in the peak growth of online consultation. Ali Health data shows that the light consultation service provided by the online medical platform has been online for 24 hours, and the cumulative number of visiting users has reached nearly 400,000. Due to the highly contagious nature of the epidemic, people's attention to health and medical treatment has increased significantly, and the demand for online medical treatment and health management has increased rapidly. Chinese medical institutions and medical service providers responded positively, launching services such as remote medical consultation and health monitoring, providing people with convenient medical and health support. The pandemic has brought a peak in visits to online healthcare platforms, and technologies such as online consultations and remote image diagnosis have made medical resources more efficiently utilized. In the future, internet-based healthcare will become an important complementary force in China's healthcare industry chain [12].

Thirdly, cross-border e-commerce has a brighter prospect. During home isolation, consumer habits have shifted further online, relying more on online channels for consumption. E-commerce platforms have become indispensable touchpoints for marketing, strengthening the dependence on online consumption and increasing the enthusiasm to explore the marketing value of platform users. This allows for the utilization of e-commerce marketing principles to establish efficient services and precise marketing strategies [13]. Data show that in 2020, China's cross-border e-commerce import and export volume reached 1.69 trillion yuan, an increase of 31.1%. New foreign trade formats such as cross-border e-commerce have effectively promoted smooth trade under the epidemic situation [14].

4. Coping Strategies and Measures for China's Service Trade in the Post-Epidemic Era

In the post-epidemic era, although the epidemic has caused a certain impact on China's service trade, its scale continues to expand. The Chinese government has taken active measures to promote recovery and development, insisting on opening up to the outside world, and advancing economic globalization as a long-term development strategy. This has enabled China's service trade to make significant progress in emerging areas such as cross-border e-commerce, cloud computing, and artificial intelligence.

Digital transformation will become a crucial driving force for China's trade in services. With the rapid development of the digital economy, the proportion of digital services in service trade will further increase. Emerging technologies such as artificial intelligence, cloud computing, and big data will be widely used to promote the development of service trade in the direction of intelligence and automation. At the same time, digital technology helps to use various factor resources more effectively, and can better eliminate excess and backward production capacity, thereby enhancing China's international competitiveness [1].

Moreover, cross-border e-commerce and online services will encounter new development opportunities. With the diversification of global consumer demands, cross-border e-commerce is expected to become a vital growth point of China's service trade, fostering innovation and promoting business development such as digital finance, supply chain finance, cross-border payment, smart logistics and digital marketing [1]. In addition, with the advent of the post-epidemic era, various industry giants have begun to seize new opportunities in the industry under the great recovery of the real economy, trying to change the original single-product, service systems and business models,

relying on modern technologies such as the Internet of Things and big data computing. By constructing a more flexible business plan centered on customers, and further enhancing marketing and service capabilities, the aim is to promote the thriving development of the industries[15].

Furthermore, multilateral trade cooperation will become an important direction for the development of China's service trade. China will continue to actively participate in global trade cooperation, promote the signing of free trade agreements, and advance regional economic integration to achieve a situation of mutual benefit, cooperation, and win-win outcomes. Moreover, according to the actual situation of our country, according to the current international economic and trade regionalization development trend, actively participate in the G20 and APEC consultations on service trade, and introduce higher service trade standards in China's future free trade agreement negotiations, and continuously improve China's The level of openness in the service sector [16].

Lastly, China should actively participate in the formulation of global digital trade rules to meet the new needs of the current development of service trade and improve legal and policy protection. In addition to speeding up the reform of domestic service trade and realizing the docking with international rules, China can also actively promote the negotiation of relevant free trade agreements. Moreover, in the process of negotiation, it is necessary to combine China's current situation in many aspects and the needs of service trade to fundamentally improve the standards and coverage of the free trade agreement signed by China [16].

In conclusion, in the post-epidemic era, China's trade in services has ushered in new opportunities and challenges, while also demonstrating broad prospects for development. Through efforts in digital transformation, cross-border e-commerce, and multilateral trade cooperation, it is expected to achieve a more open, innovative, and diversified service trade pattern.

5. Conclusion

China's service trade has undergone continuous deepening and upgrading in the course of its development. However, the COVID-19 pandemic has had a huge impact on China's service trade, but it has also created new opportunities and positive effects. Driven by global economic recovery and the tide of digitalization, China has actively adjusted its development strategy, strengthened digital transformation, promoted innovative development, and through international cooperation, maintained the global economic recovery, creating a favorable environment and conditions for the future development of China's service trade. In the post-pandemic era, China should continue to firmly support the multilateral trading system, strengthen economic and trade cooperation with other countries, and promote the establishment of more open, transparent, and fair-trade rules to promote the multilateral development of service trade. Through these measures, China can better adapt to the economic situation of the post-pandemic era, build up the development of service trade, and make positive contributions to economic recovery and sustainable development. However, China still needs to further intensify policy coordination and cooperation, promote the innovative development of trade in services, and achieve more comprehensive, high-quality, and sustainable progress in service trade.

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