

Research on the Path of High-quality Development of Processing Trade in Guangdong Province under the New Development Concept

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Abstract

Since the reform and opening up, Guangdong Province has given full play to its own advantages and processing trade has developed rapidly. At present, the processing trade in Guangdong Province has entered a new period of High-quality development. This article analyzes the status quo and problems of the processing trade development in Guangdong Province, and proposes ways to promote the High-quality development of processing trade in Guangdong Province.

Keywords

Guangdong Province; Processing Trade; High-quality Development; Path.

1. The Development Status of Guangdong's Processing Trade

Since the reform and opening up, Guangdong has given full play to its economic advantages in neighboring Hong Kong, Macau, and overseas Chinese. The government has formulated preferential policies and measures for processing trade, and processing trade has developed rapidly. In October 2020, the "14th Five-Year Plan" pointed out: "It must be emphasized that the development of the new era and new stage must implement the new development concept and must be High-quality development." At present, the processing trade in Guangdong Province has reached a high level. In the new era of quality development, implementing new development concepts and realizing the High-quality development of Guangdong's processing trade is a major task facing Guangdong's foreign trade in the new era and new stage.

1.1. Processing Trade is One of the Main Methods of Guangdong's Foreign Trade

In 2020, Guangdong's processing trade import and export amounted to 1997.288 billion US dollars, accounting for 31% of Guangdong's total foreign trade import and export. Since August 1978, the first wool textile processing contract was signed in Zhuhai City, Guangdong Province, and Guangdong's processing trade has developed rapidly.

In 2010, processing trade accounted for 56.85% of total imports and exports. From 2010 to 2012, Guangdong's processing trade accounted for more than 50% of total imports and exports. From 2013 to 2015, Guangdong's processing trade accounted for more than 50% of total imports and exports. The proportion of total exports is more than 40%. From 2016 to 2020, the proportion of Guangdong's processing trade in total imports and exports will be about 30%, accounting for about one-third of Guangdong's total foreign trade imports and exports. It is foreign trade. One of the main ways. See Table 1.

Table 1. The proportion of Guangdong's processing trade in total imports and exports from 2010 to 2020

Years	Total import and export (100 million US dollars)	Total import and export of processing trade (100 million US dollars)	Proportion of processing trade in total import and export (%)
2010	7848.96	4462.36	56.85
2011	9133.34	5077.35	55.59
2012	9839.47	5299.13	53.86
2013	10918.22	5267.19	48.00
2014	10765.85	5202.62	48.33
2015	10227.96	4403.31	43.00
2016	9552.9	3705.81	38.79
2017	10066.8	3731.84	37.07
2018	10851.0	3973.25	36.69
2019	10359.00	3352.389	31.00
2020	10236.3	2885.86	28.19

Data source: "Guangdong Statistical Yearbook" (2010-2020)

1.2. The Proportion of Processing Trade in Imports and Exports Continues to Decline

With the diversified and rapid development of Guangdong's economy, the transformation and upgrading of the industrial structure and the optimization and adjustment of the foreign trade structure, the proportion of Guangdong's processing trade began to continue to decline. From 56.85% in 2010 to 28.19% in 2020, from 2010 to 2012, Guangdong's processing trade accounted for more than 50% of total imports and exports. From 2013 to 2015, Guangdong's processing trade accounted for more than 40% of total imports and exports. Both are above 40%. From 2016 to 2019, processing trade in Guangdong Province accounted for more than 30% of total imports and exports. In 2020, processing trade in Guangdong Province accounted for 28.19% of total imports and exports. Steps, see Table 1.

1.3. Processing Trade is Concentrated in the Pearl River Delta

Most of the processing trade in Guangdong is in the Pearl River Delta, while the processing trade in eastern, western and northern Guangdong is only a small part. This is mainly due to the fact that the Pearl River Delta region provides favorable conditions such as abundant labor, convenient transportation and relatively advanced technical facilities for the development of processing trade. In addition, the active economy of the Pearl River Delta region has obvious advantages in attracting foreign investment.

Table 2. The proportion of total imports and exports of various regions in Guangdong in 2018

2018	The Pearl River Delta accounts for the province's share	Eastern Guangdong accounts for the province's proportion	Western Guangdong accounts for the province's proportion	Northern Guangdong accounts for the province's proportion
Total import	96.78	1.0	0.8	1.4
Total export	95.09	2.32	1	1.6
Foreign direct investment	93.27	1.2	3.9	1.6
GDP	80.2	6.6	7.4	5.8

Data source: "Guangdong Information Statistics Network"

In 2018, whether in terms of total imports, total exports, or foreign investment, the Pearl River Delta region accounted for more than 93% of Guangdong Province, while the eastern, western and northern regions of Guangdong Province accounted for the remaining minority. In addition, the Pearl River Delta region has attracted 80.2% of the actual foreign direct investment of Guangdong Province, and there is ample foreign investment available. From the customs data, it can be concluded that the development of Guangdong's processing trade is too concentrated, mostly in the Pearl River Delta region. See Table 2.

1.4. Processing with Imported Materials Occupies a Major Position in the Current Processing Trade

In the processing trade, after long-term development, processing with supplied materials and processing with imported materials have successively occupied the main position in the processing trade. In the early stage of the development of Guangdong's processing trade, processing with imported materials was the main method of processing trade in Guangdong. In the 1980s, Guangdong's local enterprises received foreign orders, and the raw materials were provided by foreign countries. They mainly used incoming materials for production, processing and re-export. Therefore, the incoming materials had a huge influence on the production and processing trade at that time. Since the 90th century, the proportion of imported processing in the total processing trade has been increasing, gradually replacing the initial processing with imported materials and becoming the main processing trade.

Table 3. Proportion of processing and imported materials in processing trade in Guangdong Province from 2010 to 2020

Years	Total import and export of processing with supplied materials (US\$100 million)	Total import and export of imported materials processing (100 million US dollars)	Import and export of processed materials accounted for the proportion of total processing trade (%)	Import and export of processed materials accounted for the proportion of total processing trade (%)
2010	845.32	3615.04	18.95	81.05
2011	811.41	4265.94	15.98	84.02
2012	680.49	4618.64	12.84	87.16
2013	596.63	4670.56	11.33	88.67
2014	605.65	4596.97	11.64	88.36
2015	543.68	3869.63	12.35	87.65
2016	429.11	3276.70	11.58	88.42
2017	417.00	3314.84	11.17	88.83
2018	419.39	3553.86	10.56	89.44
2019	346.25	3006.15	8.84	91.16
2020	240.39	2645.23	9.90	90.10

Data source: "Guangdong Statistical Yearbook" (2000-2019)

From 2010 to 2020, the total import and export volume of processing with supplied materials has gradually decreased, from USD 84.532 billion in 2010 to USD 24.039 billion in 2020, a decrease of more than two-thirds. The proportion of import and export of imported materials in the total processing trade decreased from 18.95% in 2010 to 9.90% in 2020. Both the total amount and the proportion of processing trade with imported materials are showing a downward trend, and the impact on processing trade is getting lower and lower.

From 2010 to 2020, the total import and export volume of imported materials has been continuously reduced, from 361.504 billion US dollars in 2010 to 264.523 billion US dollars in 2020. However, the decline has been relatively slow relative to the rate of decrease in the total import and export volume of imported materials. The proportion of import and export of imported materials in the total processing trade has continued to rise, from 81.05% in 2010 to 90.10% in 2020. The main reason is that the total export volume and the proportion of processing with imported materials have declined rapidly, which has caused the import and export volume of processing with imported materials to account for the rising proportion of the total processing trade, and the impact on the processing trade has become greater and greater. See Table 3.

2. Problems in Guangdong's Processing Trade

2.1. Foreign-invested Enterprises Dominate

Most of the processing trade enterprises in Guangdong are foreign capital. From 2013 to 2018, the overall development of foreign-funded enterprises and the development of processing trade have consistently shown a downward trend. Although there was an increase in 2018, the overall decline has shown that the relationship between the two is closely related. In the three years from 2015 to 2017, foreign investment accounted for the highest proportion of Guangdong's processing trade, reaching 87%, indicating that local enterprises were suppressed by foreign-funded enterprises and only accounted for less than one-fifth of Guangdong's processing trade economy. , And most of the core links in the industry chain are in the hands of overseas companies. See Table 4.

Table 4. The proportion of foreign-funded enterprises in Guangdong's processing trade from 2013 to 2018

Years	Total import and export of processing trade	Total import and export volume of processing trade of foreign-funded enterprises (US\$100 million)	The proportion of the total processing trade of foreign-funded enterprises in the total processing trade (%)
2013	5267.19	4269.11	81
2014	5202.62	4210.27	81
2015	4403.31	3820.69	87
2016	3705.81	3190.63	86
2017	3731.84	3204.26	86
2018	3973.25	3229.11	81

Data source: "Guangdong Statistical Yearbook"

2.2. Processing Trade is Mostly Low-end Manufacturing

Low-end manufacturing occupies a large part of Guangdong's processing trade. Due to the lack of supporting capabilities of Domestic-funded enterprises, many high-tech parts and raw materials have to be obtained through imports. Compared with overseas multinational companies, Guangdong's production and processing strength and technology still have a lot of room for improvement.

Most of the products exported by Guangdong are low-end manufacturing, which can be exported abroad as long as they are simply processed by laborers, similar to products such as furniture. Due to the low level of human capital and lack of core technology and independent brands, many processing trade industries are at the end of the global value chain. Since developed countries have absolute control over the industry and firmly grasp the profits of the

production link, this situation is not conducive to the development of Guangdong's processing trade.

2.3. Domestic-funded Enterprises have Fewer Supporting Industries and Low Industrial Relevance

Processing trade is a form of trade that rarely participates in domestic trade. The raw materials in the processing trade mainly rely on imports, which squeezes the space of domestic raw material manufacturers, resulting in a low level of supporting development of domestic related industries and unable to drive upstream or downstream related companies.

In the process of undertaking international industries, Guangdong's processing trade is at the bottom of the global industrial chain. Due to the majority of processing modes with supplied materials and imported materials, the domestic procurement rate is low, there is little interaction with other industries in the province, and the industrial relevance is low, and it is impossible to form a mutually beneficial and win-win development relationship with related enterprises.

2.4. The Added Value of Processing Trade is Low

The main advantage of Guangdong's processing trade is low labor prices. Although labor prices have risen in recent years, the original advantage of abundant and cheap labor has been weakened. However, compared with other developed countries and regions, such as the United States and Japan, the price of labor in Guangdong is still relatively low. Therefore, Guangdong still has advantages in developing processing trade. Most companies undertake low-end production transferred from multinational companies. Link, engaged in the production and processing of labor-intensive products, gain profit.

The research on Guangdong Province's processing trade found that it itself has undergone major changes. The products of processing trade have gradually changed from labor-intensive to technology-intensive. However, even if there is progress, compared with the international market, it is still not small. In order to reach the international level, Guangdong's processing trade still needs continuous development.

The self-extension ability of the industrial chain of processing trade enterprises is relatively weak, and the supporting ability is insufficient, and the income cannot be controlled. Therefore, processing trade has been at the bottom of the industrial chain for a long time, with low added value.

2.5. Excessive Concentration of Processing Trade

Since the development of processing trade, most of the processing trade enterprises are concentrated in the Pearl River Delta region of Guangdong due to the relatively complete development of basic road facilities and high labor productivity. Other regions, the east, west and north of Guangdong, lack the comparative advantages possessed by the Pearl River Delta region, making development very difficult.

Because the Pearl River Delta region has great advantages in labor, technology, transportation, and attracting foreign investment, many processing trade companies are clustered in this area. The area is only this large, but the number of companies continues to increase, resulting in excessive concentration of processing trade and shortage of materials. According to customs data, in 2020, the Pearl River Delta region accounted for a very large proportion of Guangdong's processing trade, exceeding 95%. This shows that most of the processing trade in Guangdong is distributed in the Pearl River Delta, the development area is too concentrated, and the regional development is uneven.

3. The Path of High-quality Development of Guangdong's Processing Trade

3.1. Establish and Improve Innovative Systems and Mechanisms to Improve Independent Innovation Capabilities

The government accelerates the establishment and improvement of innovative systems and mechanisms, forms a system that encourages innovation, increases investment, and improves the efficiency of innovation. It should vigorously support the establishment of research centers and laboratories, provide technical support for enterprises, and promote the innovative development of Guangdong's processing trade.

Processing trade enterprises should increase their initiative in independent innovation, make full use of the government's support for enterprises, actively introduce foreign advanced core technologies, import related equipment, and independently research and develop the core technologies required by the company to improve their independent innovation capabilities.

3.2. Cultivate Brands and Enhance Corporate Brand Marketing Capabilities

The government and enterprises should attach importance to brand building, and the government should vigorously support processing trade enterprises to create and acquire brands in such aspects as finance, taxation, R&D investment, and export tax rebates, so as to create industry-wide internationally renowned brands.

Processing trade enterprises should strive to improve their technical level, focus on product quality, form their own brands, and increase product market share and benefits.

3.3. Vigorously Develop Related and Supporting Industries for Domestic-funded Enterprises, and Enhance Industry Relevance

Vigorously support the development of local enterprises, strengthen the correlation between processing trade enterprises and them, extend the domestic production value chain, keep more processing and production links in the country, provide employment opportunities for more workers, and promote the development of the national economy.

The government can support domestic local enterprises, give certain financial support and technical guidance, and introduce a testing standard system for related industries, and strive to provide processing trade enterprises with High-quality and cheap raw materials. Reduce production costs and enhance international competitiveness. The government can encourage and support the domestic purchase of raw materials needed for processing and production, increase the export tax rebate rate, attract more processing trade companies to purchase raw materials from the country, and reduce production costs while also enhancing industrial relevance.

Improve work efficiency and reduce the processing time for processing trade procedures, especially for export tax rebates. The capital of an enterprise is very important and vital to the development of the enterprise. Sometimes it may cause serious consequences because the capital cannot keep up. In terms of deep processing carryover, the procedures should also be optimized to reduce unnecessary wasted time.

3.4. Extend the Industrial Chain and Increase the Added Value of Products

Most of Guangdong's processing trade products are at the end of the industrial chain, with low added value, which is not conducive to the transformation and upgrading of processing trade. Only by extending the industrial chain and developing upstream of the industrial chain can the transformation and upgrading of processing trade enterprises in Guangdong Province be promoted.

In the industrial chain with parts and components as the core, companies should actively participate in the design and production of relevant parts and components, and cooperate with trading companies engaged in High-quality parts and components that meet the product industry standards to deepen the relationship between the two. Extend the industrial chain, increase the added value of products, and improve the international competitiveness of the processing trade industry.

Encourage and support Guangdong processing trade enterprises to undertake high-tech high-end processing links, gradually increase production and processing links, expand the industrial chain, and increase the added value of products. Gradually get rid of simple assembly links, upgrade from the initial stage of charging only a small processing fee to the higher stage, and develop to the upstream of the industrial chain to promote the transformation and upgrading of Guangdong's processing trade.

3.5. Optimizing the Regional Structure of Processing Trade

In the development of Guangdong's processing trade, more than 90% of the processing trade takes place in the Pearl River Delta region. This situation shows that Guangdong's processing trade area is too concentrated, which will cause resource tension and is not conducive to the High-quality development of Guangdong's processing trade.

The government should increase policy support for the eastern, western and northern regions of Guangdong and make full use of the local abundant labor and land resources. Support the Pearl River Delta region to retain key processing trade enterprises locally, accelerate the construction of infrastructure in eastern and western Guangdong and the mountainous areas of northern Guangdong, improve the investment environment, develop supporting industries and reduce logistics costs, and rely on "outward processing" to separate the manufacturing links in the Pearl River Delta And to shift to the east, west and north of Guangdong, to realize the processing trade pattern in which different regions of Guangdong Province have their own comparative advantages.

With coastal cities as the center, radiate to the mountainous land in the east, west and north of Guangdong, increase encouragement and support for the development of labor-intensive industries in these regions, and drive the economic development of all districts. Through the development of processing trade, the eastern and western regions of Guangdong Province and the mountainous areas of northern Guangdong will be transformed from resource advantages to economic advantages, and the processing trade of various regions will develop in a balanced manner.

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