

Wuhan's Service Trade under the Background of the COVID-19 Pandemic: Predicaments and Countermeasures

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ABSTRACT

The spread of COVID-19 pandemic had a widely impact on the economic development of Wuhan. Due to the mode of supply and delivery, service trade is vulnerable to the pandemic. With the help of information technology, this paper analyses the impact of the COVID-19 pandemic on the development of service trade in Wuhan by comparing the development of major industries in Wuhan before and after the pandemic. Data shows that COVID-19 pandemic had a greater negative impact on the traditional service trade in Wuhan, less negative impact on emerging areas, and less overall impact. In addition, computer and information technology services had become new growth forces. Accordingly, this paper puts forward suggestions for promoting the development of Wuhan's service trade.

Keywords: COVID-19; service trade; digital trade; information technology

1. INTRODUCTION

In recent years, China's service trade has made remarkable achievements, trade in goods increased from 3.95 trillion dollars to 4.65 trillion dollars, ranking first in the whole world, and trade in services ranked second in the whole world. Since 2016, Wuhan, as an inland city in China, has been approved to carry out three rounds of innovative development pilot work of service trade, which has a solid development foundation.

However, in the early 2020, COVID-19 outbreaked in the whole world, the import and export trade slowed down, especially manufacturing and service industries^[1]. China is one of the earliest countries suffered from the COVID-19, and Wuhan is the center city of the pandemic, as a result, Wuhan's service trade had been seriously affected.

With the great impact of COVID-19 pandemic, finding the current predicaments in the development of Wuhan's service trade and looking for solutions, which is of great significance. With the help of information technology, this paper analyzes the impact of COVID-19 pandemic on the service trade in Wuhan, finds out the problems existing in the development of Wuhan's service trade, and puts forward feasible countermeasures and

suggestions, which might be beneficial to the development of Wuhan's service trade.

2. THE CURRENT STATUS OF SERVICE TRADE IN WUHAN

According to the information published on Wuhan Trade in Services, service outsourcing, construction services, and transportation services are the three traditional service trade of Wuhan; technical services, computer and information services, financial services, and cultural services are the four emerging service trade; professional management and consulting services, education services, sports services, travel services and traditional Chinese medicine (TCM) services are the five potential service trade. Since the escalation of Sino-US trade frictions, Wuhan had faced difficulties and gone up against it. The overall situation of service trade was still stable and good.

According to the sample data of 17 cities and 2 national new districts from the Institute of International Trade and Economic Cooperation of the Ministry of Commerce of the People's Republic of China, the comprehensive environment index of Wuhan's urban service trade ranks sixth, which indicates that the comprehensive environment of Wuhan's service trade is

great. However, the development index of urban service trade only ranks 12th, the market position index of service trade ranks third from the bottom, the scale index of urban service trade ranks 12, the structure index of trade in services only ranks 15th, which is still room for improvement.

According to the data from of Foreign Exchange Management, from 2016 to 2019, the import and export of service trade in Wuhan increased from 10.7 billion dollars to 13.9 billion dollars, with an average annual growth rate of 9.14%. In 2020, due to the outbreak of COVID-19 pandemic, the service trade tourism industry in Wuhan had been greatly affected. Therefore, the import and export of Wuhan in 2020 only counted the import and export of service trade between enterprises and social organizations, excluding personal study and tourism. In 2020, the import and export of service trade in Wuhan (referring to the import and export of service trade of enterprises and social institutions, excluding individual study abroad and tourism) showed a growth trend, with a total import and export volume of 6.066 billion dollars, a year-on-year growth of 23.89%. Among them, the export was 1.683 billion dollars, up 32.90% year on year, and the import was 4.383 billion dollars, a year-on-year growth of 20.75% (Figure 1).

In 2020, thanks to the timely implementation of various control and work resumption measures, Wuhan's business economy had recovered rapidly. From January to June, Wuhan's total import and export of services had increased by 5.26% year on year, and the total import and export of the whole year was 6.066 billion dollars, with a year-on-year increase of 23.89%. Under the impact of the pandemic, Wuhan's service trade could still overcome many difficulties and develop against the trend, and finally presented a situation where the total trade in services does not decrease but increased.

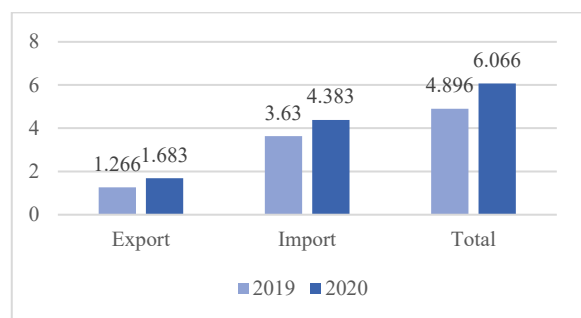


Figure 1 Service trade volume of Wuhan from 2019 to 2020. (Billion dollars)

3. THE IMPACTS OF COVID-19 PANDEMIC

The outbreak of COVID-19 has a great impact on the global economic development^[2]. The import and export of services in China both showed a downward trend in January 2020 and February^[3]. The total import and export

volume of services was 740.31 billion yuan, with a year-on-year decrease of 11.6%. Among them, exports were 275.07 billion yuan, with a year-on-year decrease of 6%; imports were 465.23 billion yuan, with a year-on-year decrease of 14.6%. Since March 2020, thanks to proper prevention and control, the spread of the pandemic had been gradually controlled, Wuhan's economy rebounded strongly in the second quarter. According to the data from Foreign Exchange Management, in 2020, the total import and export volume of service trade in Wuhan reached 6.066 billion dollars, with a year-on-year increase of 23.89%. Among them, the export was 1.683 billion dollars, with a year-on-year decrease of 32.90%, and the import was 4.383 billion dollars, with a year-on-year decrease of 20.75%. Among them, traditional industries were the most affected, while some emerging industries had become the new force in the development of service trade in Wuhan.

3.1. Impacts on Traditional Industries

Service outsourcing, construction services and transportation services, as the three traditional service trade industries in Wuhan, have played a leading and promoting role in the development of service trade since Wuhan was approved to carry out the pilot work of innovative development of service trade. However, in the era of the continuous development of the Internet economy, the continuous change of public consumption demand and the emergence of new consumption patterns due to the COVID-19 pandemic, traditional industries were relatively lagging the trend of economic development, and the advantages of advantageous industries are no longer obvious.

3.1.1. Service Outsourcing

Since Wuhan has become a pilot city of service outsourcing in China, the scale of service trade has shown a rapid growth trend. During the pilot period, Wuhan's total import and export of services increased by more than 30% annually, and the scale of service trade ranked first in Central China. In 2019, Wuhan's service outsourcing execution value reached 2.871 billion dollars, an increase of 28.17% year on year. In 2020, Wuhan's service outsourcing execution reached 3.257 billion dollars, a year-on-year increase of 12.44%, and the growth rate was significantly lower than that in 2019.

3.1.2. Construction Services and Transportation Services

As a traditional industry of service trade in Wuhan, construction services and transportation services have laid a solid foundation for the development of service trade in Wuhan. However, from the data in recent years, the import and export volume of them show a rapid downward trend. Although there is a small growth in

2020, the overall downward trend is significant.

3.2. Impacts on Emerging Industries

In order to comply with the development trend of the times, Wuhan's traditional labour-intensive service trade is gradually changing to the modern knowledge-and-technology-intensive service trade. According to the statistics of Wuhan's service trade, compared with the traditional service trade, the export volume of Wuhan's emerging service trade increased by 36.4% in the first two quarters of 2020, becoming a new force for the development of Wuhan's service trade.

From 2017 to 2020, the import and export volume of major emerging service trade in Wuhan shows an overall increasing trend. From 2019 to 2020, the growth rate of computer and information service trade is the fastest, while that of other service trade is slow. Computer and information services have maintained a relatively stable growth trend since 2017. In the context of COVID-19 pandemic, the demand of computer and information technology had reached the maximum in recent years, which further promoted the development of computer and information technology services.

Cultural and entertainment services maintain a steady growth. By the end of 2020, China Optical Valley creative industry had successfully gathered 70% of animation game production and related enterprises in Wuhan. In the context of COVID-19 pandemic, the public responded to the call of the state to stay at home. Enjoying entertainment works had become an important way of entertainment in home life, which promoted the development of culture and entertainment service trade.

3.3. Impacts on Potential Industries

Professional management and consulting services, education services, sports services, travel services and traditional Chinese medicine services are the 5 potential service trades in Wuhan. Data shows that travel services accounts for a large proportion of the total trade in services in Wuhan, and the development potential of other services industry is also great.

As an early dominant industry in Wuhan, travel services had a total number of 318.9831 million tourists and a total tourism revenue of 357.079 billion yuan in 2019^[4]. In the first two quarters of 2020, affected by the pandemic situation, in response to the call of the state to stay at home, the volume of trade in travel services in Wuhan declined to a large extent. The total number of tourists in the whole year was 25911.9 million, and the total tourism income was 290.629 billion yuan. Although the pandemic had brought a certain impact on the economic development of Wuhan, it was showed to world the strength and courage of Wuhan. In the future, Wuhan's travel services will step up to a new level.

4. PREDICAMENTS OF THE DEVELOPMENT OF WUHAN'S SERVICE TRADE

Considering the impact of COVID-19 pandemic on the main industries of Wuhan's service trade, the development of service trade in Wuhan may have the following problems:

4.1. Small Scale of Service Trade

According to the sample data of 17 cities and 2 national new districts from the Institute of International Trade and Economic Cooperation of the Ministry of Commerce of the People's Republic of China, the development index of urban service trade only ranks 12th, there is still room for improvement. However, the market position index of service trade ranks third from the bottom, the scale index of urban service trade ranks 12, the proportion of service trade in China is low. The main reason is that service trade in Wuhan has been greatly developed only since 2016. Compared with other first tier cities, the overall industrial scale of Wuhan is smaller, and there is a larger development space in the future.

4.2. Poor in Management System

The development of service trade in Wuhan started late, and the relevant management system was not perfect. With the rapid development of service industry and the rapid rise of emerging industries, this problem has been exposed. There are many loopholes in the service trade management system, which is not conducive to creating a good business environment.

4.3. Lack of Professionals

Talent is the first productive force of social and economic development^[5]. In Wuhan, the demand gap for talents in emerging industries such as big data, blockchain and industrial Internet is gradually expanding, and leading talents and compound talents are particularly scarce. Generally speaking, there are human resources limitations in many fields in Wuhan, and the talents of service trade are particularly scarce.

4.4. Outdated Development Mode

Wuhan has been actively exploring the innovation of service trade development mode. However, the main development mode is still to learn from other developed countries or cities. We should make adaptive changes in combination with the business environment and the development characteristics of service trade in Wuhan, and constantly explore better and suitable development mode for Wuhan characteristics, so as to find the mode that conforms to the situation of Wuhan and the development path of service trade in Wuhan.

5. COUNTERMEASURES AND SUGGESTIONS

5.1. Promoting Differentiated and Large-Scale Development

In the face of the different development speed and characteristics of various industries in the field of service trade in Wuhan, we should promote differentiated development and scientifically expand the scale of service trade industry in Wuhan^[6]. First, we should vigorously develop areas with relatively mature experience, such as finance, insurance, education, advertising, and movies, and increase services output capacity. Second, we should focus on the growth of service outsourcing, TCM and other emerging businesses, as well as computer and information, culture, entertainment and other promising areas.

5.2. Utilize the Pilot Policy to Facilitate the First-mover Advantage

In addition to service outsourcing, other industries with high technology and high-added-value should also be taken as the key development direction. In the pilot areas, we should launch opening-up and convenience measures in stages, comprehensively implement the innovation driven development strategy, and highlight institutional innovation, management innovation, and policy innovation. Promoting the development of software information technology, cloud computing, big data, engineering design, science and technology finance and other key services areas. And we can use preferential policies, such as tax relief and capital subsidies, to attract relevant talents, encourage enterprises to introduce talents in terms of policies, and attract talents to start businesses in Wuhan.

5.3. Ensure the Steady Development of Traditional Service Trade

In terms of service outsourcing, we should promote the transformation and upgrading of the service industry from natural resources or labour-intensive to capital or knowledge technology intensive, making service outsourcing from the expansion of scale to the quality improvement. In terms of architecture services, Wuhan should seize this opportunity of the "Belt and Road", give full play to its advantages in overseas engineering contracting and engineering design. In terms of transportation services, it is necessary to strengthen the Sino-European train, promote the diversified development of "Channel + Park + Trade".

6. CONCLUSIONS

The COVID-19 pandemic has a great impact on the service trade in Wuhan. Under such difficulties, Wuhan's

service trade had stabilized against the trend and achieved a small growth. In order to explore the COVID-19 pandemic's impact on Wuhan's service trade, this paper compares the changes in the development of service trade before and after the pandemic, then finds that: (1) the pandemic had a great negative impact on the traditional service trade such as service outsourcing, transportation services and construction services, and we should take corresponding measures to ensure the sound development of the field of traditional service trade; (2) it had less negative impact on emerging service trade, and these industries had become a new force of the development of Wuhan's service trade in the new market demand mode under the influence of the pandemic situation; (3) it had less impact on the potential service trade such as travel services and traditional Chinese medicine services. In the post-pandemic era, we should promulgate corresponding supporting policies, encourage differentiated development, absorb more professionals, and promote the development of potential service trade industry.

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