

Research on Guangdong's Economic Transformation and Development Direction under the Influence of International Situation

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Abstract: Against the background of increasingly complex evolution of the international situation and rising global economic uncertainty, this paper deeply analyzes the current economic situation in Guangdong, reveals its economic operation status and pressure it faces under the dual influence of adjustments in the international economic and trade environment and continuous rise of global economic uncertainty, and focuses on the transformation and future development direction faced by Guangdong's economy. The research shows that Guangdong needs to accelerate the optimization and upgrading of industrial structure, strengthen scientific and technological innovation capabilities, expand diversified international markets, and enhance regional collaborative cooperation, so as to achieve sustainable and high-quality economic development, and improve economic competitiveness and risk resistance in the complex international situation.

Keywords: International Situation; Guangdong Economy; Transformation and Reform; Development Direction

1. Introduction

In the process of global economic integration, the game between major powers has become increasingly fierce, regional dynamics have shown a long-term evolving trend, issues such as competition in digital sovereignty and the development of artificial intelligence have become increasingly prominent. In the post-pandemic era, global price levels have fluctuated sharply due to a combination of factors such as supply chain disruptions, rising labor costs, and energy transition [1]. In response to this situation, many countries have chosen to impose tariffs to protect their domestic economies, and this approach will undoubtedly

have a profound impact on major exporting countries like China.

As China's largest economic province, Guangdong has a high degree of dependence on foreign trade, making its economic development face more direct challenges. Guangdong's economic resilience is being tested. With its economic output accounting for over 10% of China's total GDP and hosting 6 trillion-level industrial clusters (including electronic information, automobiles, and home appliances), Guangdong's role as a "locomotive" in national economic development makes it urgent to explore a new development path through systematic transformation and reform to actively adapt to the complex and changing international situation and ultimately achieve high-quality and sustainable development.

2. The Impact of International Situation on Guangdong's Economy

2.1 The Impact of Adjustments in International Economic and Trade Environment

(1) Export Obstacles and Loss of Industrial Orders

By 2023, Guangdong Province had ranked first among China's 31 provinces in terms of total import and export volume for 38 consecutive years. As a major foreign trade province, Guangdong has been significantly affected by adjustments in the international economic and trade environment. Many enterprises focusing on traditional manufacturing industries such as furniture, toys, and textiles & garments have seen a noticeable decline in orders. According to data from the Department of Commerce of Guangdong Province, the total import and export volume of Guangdong in 2023 reached RMB1180.26 billion, a 5.0% decrease compared with 2022. Among them, exports stood at RMB773.105 billion, down 2.9% year-on-year;

imports reached RMB407.156 billion, a year-on-year decrease of 8.8%.

The impact has continued into 2024. For instance, Guangdong's furniture exports to Europe dropped 7.2% year-on-year in the first quarter of 2024, while exports to ASEAN grew 12.5% over the same period, reflecting a shift in market demand. In the toy industry, relying on cross-border e-commerce channels, order volume increased by 18% from January to May 2024, showing initial results in market diversification. However, overall, affected by exchange rate fluctuations and policy adjustments in some regions, a large number of orders in related industries in Guangdong have been lost, leading to a decline in corporate revenue and profits, and some enterprises even face survival crises.

(2) Rising Corporate Costs and Shrinking Profits
To cope with changes in the international economic and trade environment, some enterprises have tried to pass on increased costs to customers by raising product prices, which to some extent has weakened their market competitiveness and led to a drop in sales volume. Other enterprises have chosen to absorb the additional costs themselves, severely squeezing their profit margins and eventually causing operational difficulties.

Moreover, two-way fluctuations in exchange rates have added pressure. A study conducted an empirical analysis on the impact of exchange rate fluctuations on export stability based on China's customs import and export transaction data from 2010 to 2015. It found that the negative impact of exchange rate fluctuations on enterprises' exports is more pronounced in enterprises with fewer intermediate goods imports and small-scale export enterprises [2]. Although some small and medium-sized enterprises have adopted foreign exchange hedging tools to mitigate risks, the cost of such tools has further increased their operational burdens. Additionally, enterprises exploring new markets need substantial upfront investment in market research and marketing channel construction, which has further increased operating costs and squeezed profit margins.

2.2 The Impact of Increased Global Economic Uncertainty

(1) Shrinkage of International Market Demand
With the increase of global economic uncertainty, demand in the international market has shrunk.

Economic growth in major economies such as Europe and Japan has slowed down, consumer confidence has declined, and demand for foreign products has decreased. For example, in the auto parts sector, affected by the sluggish global auto market, the total export volume of automobiles (including chassis) from Guangdong in 2020 dropped by 8.5% year-on-year, and its sales volume decreased by 18.1% year-on-year.

This trend has persisted in subsequent years. In 2023, exports of mechanical and electrical products, a pillar of Guangdong's foreign trade, grew by only 1.2% year-on-year, significantly lower than the average growth rate of 5% in the past five years. The shrinkage of international market demand has led to overcapacity and severe inventory backlogs in Guangdong's export-oriented enterprises, forcing them to reduce or even stop production, which has affected their normal production and operation as well as industrial development.

(2) Risks of Global Industrial Chain Adjustment
As the international situation evolves, the global industrial chain is accelerating its adjustment. Considering factors such as risk reduction and cost control, some multinational corporations have shifted some industries from Guangdong to regions such as Southeast Asia and South Asia. Taking the electronic information industry as an example: some foreign-funded enterprises that originally set up factories in Dongguan and Huizhou of Guangdong have gradually moved their production lines to countries like Vietnam and Indonesia, exposing the manufacturing sector of Guangdong's electronic information industry to the risk of industrial chain relocation [3].

As emerging manufacturing hubs in Southeast Asia, Latin America, and other regions take shape, their cost advantages in labor-intensive and resource-intensive products will become more prominent, which may divert international orders that originally belonged to China. Meanwhile, some mid-to-high-end manufacturing links have begun to flow back to Europe and the United States [4]. The adjustment of the industrial chain not only affects the output value and employment of related industries in Guangdong but also may weaken Guangdong's position in the global industrial chain, posing greater challenges to its industrial upgrading and economic transformation.

3. Strategies for the Transformation and Reform of Guangdong's Economy

3.1 Adjustment and Upgrading of Traditional Industrial Structure

Guangdong boasts a solid foundation in traditional manufacturing, with a complete range of industries, integrated industrial chains, and prominent industrial cluster effects. However, under the impact of the international situation, it is necessary to accelerate the pace of transformation and upgrading. On one hand, increase investment in technological transformation of traditional industries to promote their digital and intelligent transformation. For instance, the home appliance manufacturing industry in Foshan has adopted industrial internet technologies to realize automated and intelligent control of the production process, thereby improving production efficiency and reducing product defect rates. On the other hand, guide traditional enterprises to strengthen brand building and enhance product added value. In the lighting industry of Zhongshan, many enterprises have built independent brands, carried out personalized design, increased product added value, and strengthened the competitiveness and visibility of their brands and products in the international market.

Actively cultivating and developing strategic emerging industries is crucial for Guangdong to optimize and upgrade its industrial structure. Especially in high-end fields such as new energy, biomedicine, and artificial intelligence, continuous efforts and breakthroughs are needed in three aspects: technology, carrier construction, and ecosystem development.

- **In terms of technology**, focus on breakthroughs in core links. In the new energy sector, efforts should be made to enhance the energy density of power batteries and research and develop key materials for hydrogen fuel cells. In biomedicine, strengthen independent R&D capabilities, and promote in-depth cooperation between universities, research institutions, and enterprises based on platforms such as Guangzhou International Bio Island and Shenzhen Guangming Science City. In the artificial intelligence and robotics industry, focus on breaking through "bottleneck" technologies such as algorithm chips and precision reducers, and support leading enterprises like DJI and UBTECH to take the lead in establishing

innovation consortia.

- **In carrier construction**, upgrade the functions of existing industrial parks. Taking Shenzhen Pingshan New Energy Vehicle Industrial Park and Dongguan Songshan Lake Robotics Industry Base as models, attract high-end projects by improving supporting facilities such as laboratories and testing centers. At the same time, promote cross-border flow of innovation factors among Guangdong, Hong-Kong and Macao, establish joint laboratories and achievement transformation bases, facilitate precise allocation of innovation resources in industries, and form a cross-regional collaborative industrial cultivation network.

- **In ecosystem development**, strengthen precise policy support. For example, establish guiding funds for emerging industries, provide land and tax incentives for high-end projects; promote leading enterprises to drive the development of supporting enterprises, forming an industrial network with close collaboration between upstream and downstream; strengthen intellectual property protection and the construction of standard systems, participate in the formulation of international rules, and enhance the global discourse power of industries.

3.2 Innovation-Driven Development

According to the Statistical Communique on National Expenditure on Science and Technology in 2023 released by the National Bureau of Statistics, Guangdong invested a total of 480.262 billion yuan in research and experimental development (R&D), an increase of 39.072 billion yuan from 2022, a year-on-year growth of 8.9%, ranking first in the country for eight consecutive years in terms of total volume. The intensity of funding input (ratio to regional GDP) achieved a new breakthrough, reaching 3.54%, exceeding the national average by 0.89%.

Guangdong needs to continue increasing investment in scientific and technological innovation and enhance independent innovation capabilities. The government can encourage enterprises to increase R&D investment through policies such as establishing special funds for scientific and technological innovation and tax incentives. For example, Huawei has invested heavily in 5G communication technology R&D in Guangdong, not only obtaining a large number of core patents but also maintaining a

leading position in the global 5G communication market. Its technological breakthroughs and industrial layout have formed a strong radiation effect, providing key technical support and ecological leadership for the upgrading and iteration of Guangdong's communication industry cluster [5].

Against the backdrop of increasingly fierce global technological competition, as a frontier of China's economic development, Guangdong's economic transformation and reform urgently need to be supported by a sound scientific and technological innovation system. Facing the challenges of global industrial chain adjustment and intensified technological barriers, Guangdong should focus on macro layout: build high-level scientific research platforms to attract top domestic and foreign scientific research talents; promote cooperation between universities, research institutions, and enterprises to accelerate the transformation of scientific and technological achievements into actual productivity. In addition, Guangdong should actively create a favorable environment for innovation and entrepreneurship, hold various innovation and entrepreneurship competitions, stimulate the innovation vitality of the whole society, and provide a continuous source of innovation momentum for economic transformation and development.

3.3 Diversification of Markets

In response to changes in the international situation, Guangdong is actively exploring emerging international markets to reduce its dependence on traditional European and American markets. It has strengthened economic and trade cooperation with countries and regions along the "Belt and Road" by holding economic and trade fairs and establishing overseas economic and trade representative offices to build platforms for enterprises to explore markets [6]. According to data from the General Administration of Customs, in 2024, the proportion of China's imports and exports with countries participating in the "Belt and Road" Initiative exceeded 50% for the first time. Among them, Guangdong's home appliances, building materials, and other products have continuously expanded their market share in Southeast Asia, the Middle East, and other regions, expanding new market space for enterprises and reducing trade risks.

With the improvement of domestic residents'

income levels and the upgrading of consumption structure, the domestic market's demand for high-quality products and services is increasing. In this context, Guangdong enterprises can adjust their market strategies and intensify efforts to explore the domestic market. For example, in the clothing industry, enterprises can adopt an online-offline integrated sales model to accurately meet the personalized needs of domestic consumers and build characteristic brands. At the same time, Guangdong should actively participate in the national regional coordinated development strategy, deepen industrial cooperation and market docking with other regions, and create more opportunities for enterprises to expand the domestic market.

4. Suggestions for Guangdong's Future Economic Development

4.1 Deepening Cooperation in the Guangdong-Hong Kong-Macau Greater Bay Area

The Guangdong-Hong Kong-Macau Greater Bay Area is not only an important support for Guangdong to integrate into the national development strategy and enhance international competitiveness but also provides a broad platform for Guangdong's industrial upgrading and optimal resource allocation, becoming a key engine driving high-quality economic development in Guangdong.

As an international financial, trade, and shipping center, Hong Kong has profound accumulation and global resource integration capabilities in financial services, international trade, and professional services. Macau, with its unique historical and cultural heritage and geographical advantages, has formed irreplaceable characteristic competitiveness in tourism, leisure, and convention services. Guangdong, relying on its large economic volume and complete industrial system, demonstrates strong production capacity and industrial chain supporting advantages in manufacturing, especially in leading industrial clusters such as electronic information and automobile manufacturing.

Strengthening infrastructure connectivity in the Guangdong-Hong Kong-Macau Greater Bay Area can shorten the temporal and spatial distance between cities in the Bay Area and promote the flow of regional factors. In the future, Guangdong will continue to advance the

integrated construction of transportation, energy, information, and other infrastructure in the Bay Area, achieve rapid commuting between cities, reduce enterprise logistics costs, thereby promoting the free flow of talents, technologies, funds, and other factors within the Bay Area, comprehensively improving regional transportation convenience and logistics operation efficiency, and accelerating the development of regional economic integration.

4.2 Development of Green and Low-Carbon Economy

Guangdong Province, a crucial pillar of China's manufacturing industry, is pursuing a green and low-carbon development model with industrial green transformation at its core. By strengthening the research, development, and application of green manufacturing technologies and promoting clean production processes, it has effectively reduced energy consumption and pollutant emissions. In the energy sector, Guangdong has vigorously developed new energy industries such as offshore wind power and solar photovoltaic power generation, increased the development and utilization of new energy, promoted the optimization and upgrading of energy structure, and boosted sustainable economic development [7].

The government has made great efforts to implement green consumption policies, strongly driving the consumption of new energy vehicles through measures such as subsidies for the purchase of new energy vehicles and trade-in programs; at the same time, it has strengthened green product certification and full-process supervision to improve product quality and market recognition. Guangdong has actively promoted the concept of green consumption, focused on cultivating the green consumption market, encouraged enterprises to increase investment in the research, development, and production of green products, launched more green products that meet consumers' needs, such as energy-saving home appliances and environmentally friendly household items, and guided consumers to form green consumption habits, so as to promote the development of green and low-carbon economy [8].

4.3 Development of Industrial Digital Economy

In the software and information technology services industry, Guangdong has nurtured a

number of software enterprises with international competitiveness, such as Tencent, DJI, and Kingdee. These enterprises continue to innovate in cloud computing, big data, artificial intelligence, and other fields, providing digital solutions for various industries. According to the *Guangdong Internet Development Report (2024)*, Guangdong has built a world-leading communication infrastructure system, with 402,000 5G base stations and 1.126 million mobile base stations, ranking first in the country for five consecutive years in both indicators. Guangdong should vigorously promote the digital transformation of manufacturing, systematically implement digital transformation projects for industrial clusters, focus on promoting digital transformation models for industrial supply chains, cultivate industrial internet platforms, and promote the digital transformation of industrial enterprises above designated size [9].

In addition, it should develop digital agriculture, use big data and other technologies to achieve precision agricultural production, and improve agricultural production efficiency and product quality [10]. It should also actively develop digital trade, cultivate digital service export providers, and promote the informatization of smart ports, smart waterways, and rural highways.

5. Conclusion

Against the backdrop of complex evolution of the international situation and rising global economic uncertainty, Guangdong's economy is facing numerous challenges such as hindered exports, shrinking international market demand, and adjustment of the global industrial chain. To address these predicaments, Guangdong needs to adopt strategies including accelerating the adjustment and upgrading of industrial structure, strengthening innovation-driven development, and expanding market diversification.

In the future, Guangdong's economy should deepen cooperation in the Guangdong-Hong Kong-Macau Greater Bay Area and enhance industrial synergy; vigorously develop a green and low-carbon economy, promoting industrial green transformation and the popularization of green consumption; lead development with the digital economy, accelerating the process of digital industrialization and the digital transformation of traditional industries. Through these measures, Guangdong can enhance its

economic competitiveness and risk resistance in the complex international situation, achieve high-quality economic development, continue to play a leading and exemplary role in the country's economic development, and make greater contributions to China's economic growth.

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