Global Imbalance, Economic Uncertainty and SME Trade Efficiency

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Financial Crisis: Black Swan Event?
Financial Crisis: Market or Government Failure?
In 1971, President Richard Nixon unilaterally ordered the cancellation of the direct convertibility of the United States dollar to gold.

Since 1971, the US Federal Reserve keeps extremely low interest rate as an economic stimulus;

Since 1971, the US only had two years (1973 and 1975) of trade surplus, trade deficit in 2007 is 702 billion, and 7506 billion to 2007;

the US has fiscal deficit of 161 billion in 2007, and 9229 billion to 2007 (14500 billion to 2011);

the US government implied and explicit guarantee for GSE;

Gamble and speculation, which take advantage of bad policies: Government Failure
Is the World Flat? No

The World Is Flat
A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY
Thomas L. Friedman
Root Causes of the Global Economic Crisis

- **Imbalanced Globalization**
  1. *Trade Surplus Countries Vs. Trade Deficit Countries*
  2. *MNCs Vs. SMEs*
  3. *99% Vs. 1% ?*

*Failure of trade of a country is due to the failure of SME trade of the country*
LOGO

Is the world CURVED! Yes!

“Eerily prescient.”
—David Ignatius, Washington Post

“Right on target.”
—Kristina Dell, Time

THE WORLD IS CURVED
HIDDEN DANGERS TO THE GLOBAL ECONOMY
DAVID M. SMICK
Only 25% of the Global trade is by SMEs which hire 75% of the employees of the world
SME Exportation

- USA
- EU27 extra trade only
- EU27 all export

Bar chart showing the percentage of SMEs by employee count with different color codes for different regions and export categories.
SME Exportation (EU)

- No import and no export: 61%
- Only export: 13%
- Import and export: 16%
- Only import: 10%
SME Exportation (EU)

- Import: 14%
- Export: 13%
- Sub-contracting: 2%

Legend: Blue = Active Extra Internal Market 2006-2008, Red = Not active
SME Exportation (US)
SMEs accounted for approximately 30 percent of known U.S. merchandise exports between 1997 and 2007. During this period, the value of SMEs’ merchandise exports increased from $152.9 billion to $306.6 billion (100.5 percent), and large firms’ merchandise exports increased from $385.1 billion to $719.2 billion (86.7 percent).
Exportation Process

Source: Commission staff.

Note: Export promotion, export credit, private finance, management consulting, express delivery services, and other organizations facilitate direct and indirect exports.
SME Exportation Process
who gets the money?

Manufacturer → Wholesaler → Regional Distributor → Import Agency → Country Distributor → District Distributor → Retailer → Consumer
External Barriers

- Lack of capital: 44%
- Lack of adequate public support: 40%
- Lack of adequate information: 44%
- Costs or difficult paper work for transport: 39%
- Other laws and regulations in foreign countries: 39%
- Tariffs or other trade barriers in foreign market: 35%
- Cultural differences (incl. business culture): 28%
- Tariffs or other trade barriers in home country: 29%
- Other external barriers: 18%
- No external barriers: 9%
Internal and External Barrier

1. Lack of entrepreneurial, managerial and marketing skills
2. *Bureaucracy and red tape*
3. Lack of accessibility to information and knowledge
4. Difficulties accessing financial resources/Lack of capital
5. Lack of accessibility to investment (technology equipment and know-how)
6. *Non-conformity of standardization, lack of quality awareness and lack of mutual recognition schemes*
7. Product and service range and usage differences
8. Language barriers and cultural differences
9. Risks in selling abroad
10. Competition of indigenous SMEs in foreign markets
11. Inadequate behaviors of multinational companies against domestic *SMEs/Lack of government supply-supporting programs*
12. *Complexity of trade documentation including packaging and labeling*
13. Lack of government incentives for internationalization of *SMEs/or too much government incentive to MNCs*
14. Inadequate intellectual property protection
Government Barrier (US experience)

Multiple agencies for export certification

USDA
FDA
State Government
Chamber of Commerce
US Chamber of Commerce
......
Supply Chain Evolution and Value Chain Revolution,

Government Support and Simplification &

eCommerce for International Trade

Supply Chain 4.0?
eCommerce for SME International Trade

who gets the money?

Manufacturer

↓

eCommerce (and more)

↓

Consumer

eCommerce 4.0
SME eCommerce (Europe)

- Information on firm online: 82% Micro, 85% Small, 88% Medium
- All products shown online: 59% Micro, 65% Small, 66% Medium
- Orders can be placed online: 27% Micro, 30% Small, 27% Medium
- Orders & payments online: 14% Micro, 15% Small, 15% Medium
- Only business online: 1% Micro, 1% Small, 1% Medium
- Other forms of e-commerce: 1% Micro, 2% Small, 1% Medium
- No e-commerce activities: 11% Micro, 8% Small, 7% Medium
Simplify, Harmonize and Implement Standards and Procedures

Facilitate Access to Actionable Information

Automate Government Systems

Continuing Customs Modernization Measures for Encouraging Legitimate eCommerce and SME International Trade
**Customs’ and Border Agency’s Role**

- Good practices of the Chinese government

财综[2011]104 waiving government user’s fees and other new government guidance for SMEs
SME Trade and Customs Compliance
物流运费

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Courtesy for information from:
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THANK YOU

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