

Trade, SMEs and development in China: Main findings

Geneva, 2015

Content Structure

- Chapter 1: Nature of enterprises in China
 - Size distribution of enterprises in China
 - Cooperation of different types of enterprises
- Chapter 2: Level of regional and global integration in China
 - Trade and FDI in China
 - Regional Trade
 - Regional integration with countries in Asia

Content Structure

Ch3: The role of cluster for facilitating internationalization of SMEs

The role of geographical proximity for clusters in China

Internationalization of Chinese SMEs and in the context of increased global use of e-communication

Ch 4: The role of foreign players in clusters and value chains in China

- The role of foreign players in clusters
- The role of foreign players in value chain

Chapter 5: Institutions supporting SMEs

- Business associations and regional organizations
- China Council for the Promotion of International Trade

Content structure

Ch 6: The contribution of internationalization to SMEs' sustainable development

- Contribution of internationalization to product competitiveness
- Contribution of internationalization to enterprise technological progress

- Chapter 7: Bottlenecks for SME creation and growth
 - China's economic system
 - Barriers to market
 - Tax
 - Financing

China's National Classification standard for SMES

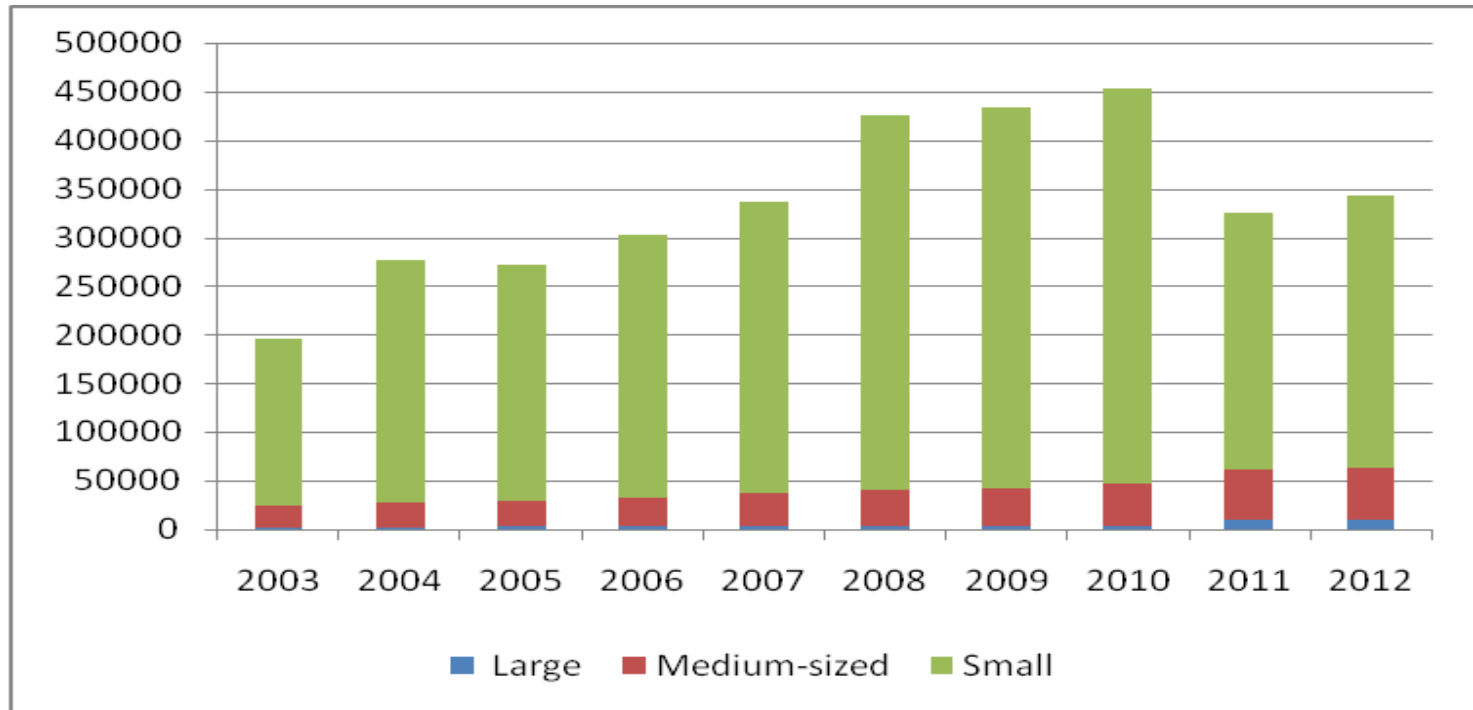
- June 18,2011
By the Ministry of industry and Information Technology,
Ministry of Finance, etc.
- Criteria: employees, operation revenue, total assets,
- 16 industries
- Small-sized(80%)/medium-sized(15%)/large(2-3%)

Table1.1 Division standard of different size industrial enterprises

Indicators	Unit of account	Large	Medium-sized	Small	Micro-sized
Employees(X)	unit	$X \geq 1000$	$300 \leq X < 1000$	$20 \leq X < 300$	$X < 20$
Annual Revenue(Y)	10 thousand Yuan	$Y \geq$	$2000 \leq Y < 40000$	$300 \leq Y < 2000$	$Y < 300$

Source: National Bureau of Statistics of China, <http://www.stats.gov.cn/>.

Numbers of SMES in China(*100)



Cooperation of different types of enterprises

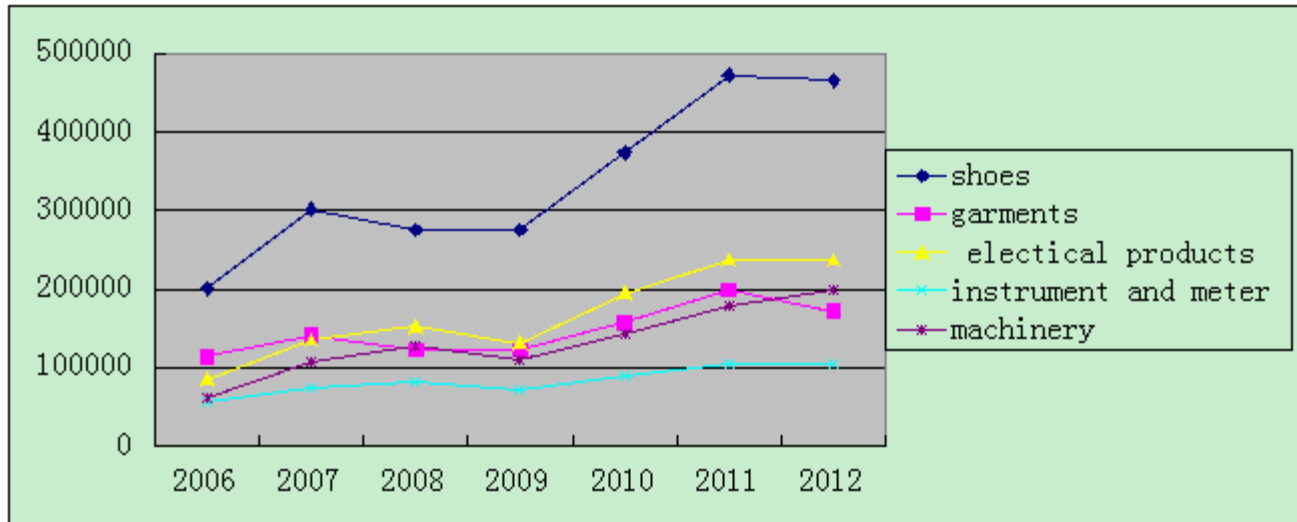
- The subcontracting (economic, professional and functional)
- Franchise
- Holding Share
- Joint Sales

The role of cluster

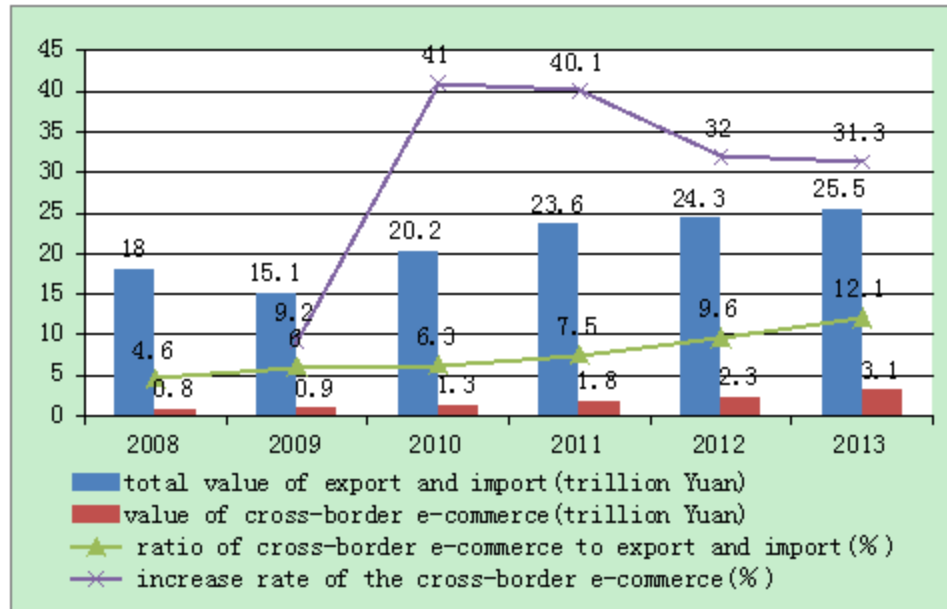
The market share of Wenzhou City in China (2012)

Low-voltage electrical appliance	Shoes	Metal lighters	Glasses
70%	70%	95%	80

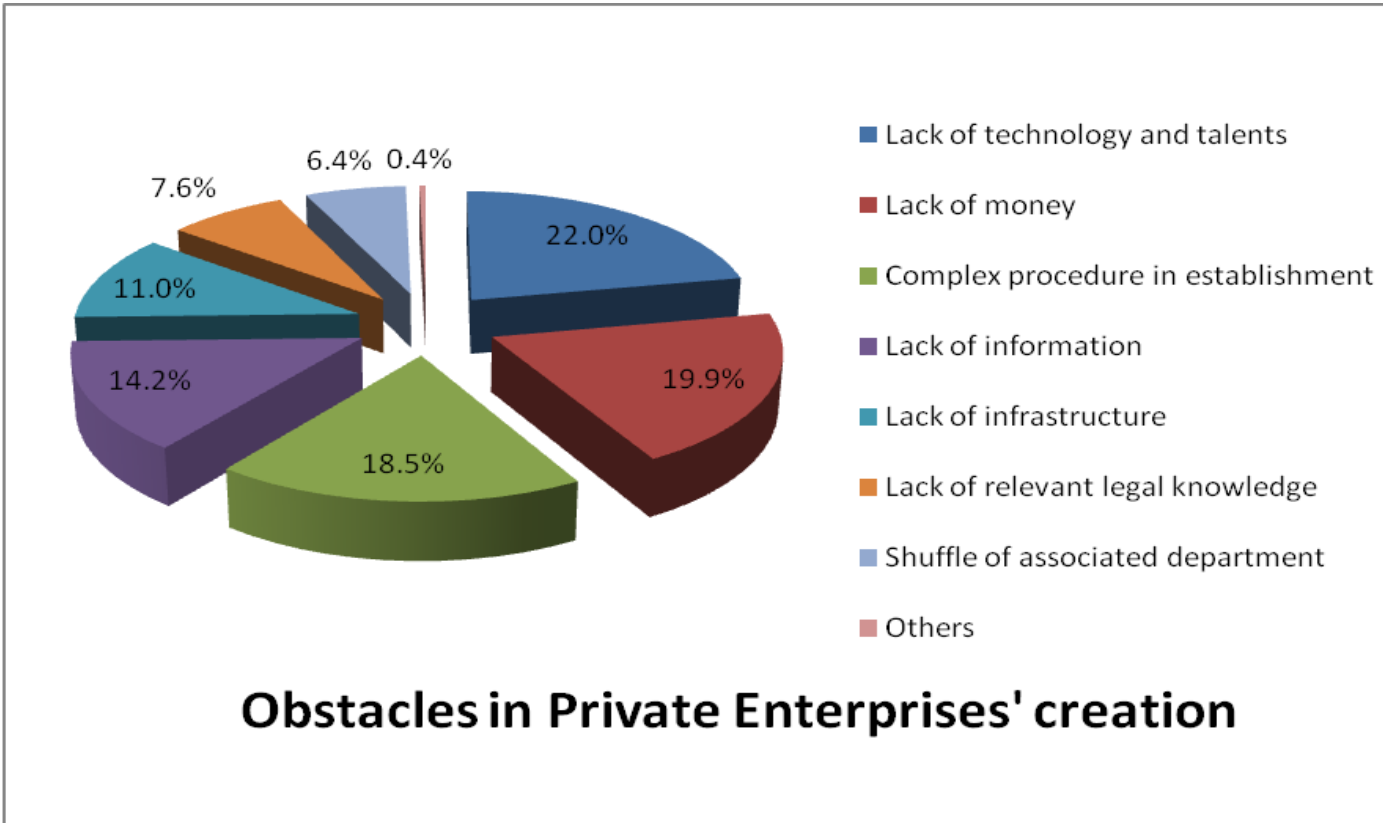
Exportation of Wenzhou clusters (70% lighters)



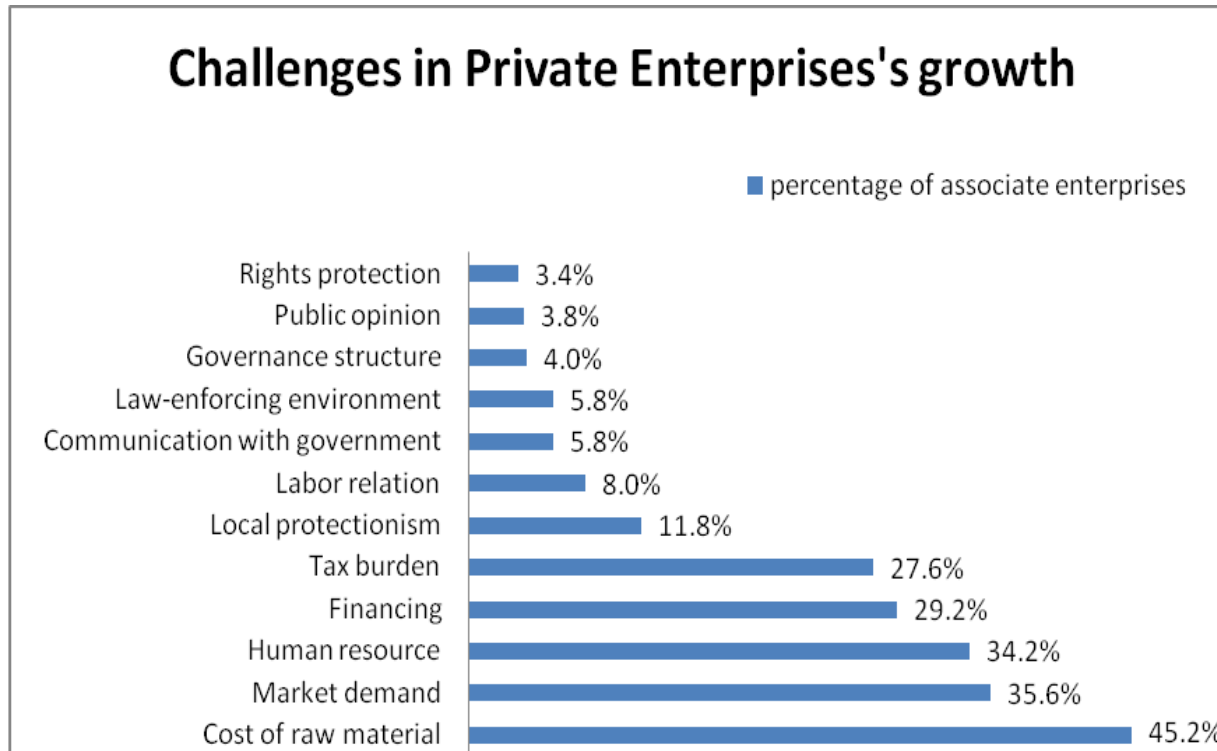
E-commerce :the new challenges and opportunities for SMS (



The missing middle-Challenges for establishment



The missing middle-challenges for growth (500 surveyed)



Comparison of Financing channels

- **Financing ability**

Comparison of enterprises' financing ability from different channels

based on their scale

	Sample ratio (%)	Mean of financing (10 thousand Yuan)
Small and micro enterprises		
Commercial banks	84.0%	547.99
Small financial institutions	76.5%	95.37
Private lending	79.4%	33.72
Large and medium-size enterprises		
Commercial banks	90.2%	5717.15
Small financial institutions	78.9%	669.75
Private lending	78.4%	107.96
Total		
Commercial banks	85.2%	1636.10
Small financial institutions	76.9%	219.40
Private lending	79.2%	48.33

Relevant Policies in last 10 years

Tax categories				
Income tax		General businesses	SME	Corporate Income
Years	Before 2008	33% (corporate income > 100,000 Yuan)	27%	30,000 and 10,000 Yuan
			18%	≡ 30,000 Yuan
	Since 2008	25%	20%	small profit business
	Since 2012	25%	20% after minus 50% of income	≡ 60,000 Yuan
	Since 2014	25%	20% after minus 50% of income	≡ 100,000 Yuan
VAT (value-added tax)		<p>17% (general tax payers), 6% (Small-scale taxpayers), 4% (Commercial enterprises)</p> <p>Tax rates for Small-scale taxpayers and Commercial enterprises lowered together to 3%.</p> <p>From Aug. 1st 2013, free VAT for small businesses with monthly revenue less than 20,000 Yuan.</p> <p>From Oct. 10th 2014, free VAT for small businesses with monthly revenue less than 30,000 Yuan.</p>		
Sales tax		5%	From Oct. 10 th 2014, free sales tax for small businesses with monthly revenue less than 30,000 Yuan.	
Other taxes		Property tax, Urban construction tax, Local education cost, Education Surcharge, Vehicle and vessel tax, Stamp duty, Individual income tax, Urban land use tax		