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Analysis on YIWU small commodities export development

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Abstract

Over the past 40 years of reform and opening up, YIWU has continuously expanded and grown. It has evolved from a traditional roadside market to a globally renowned supermarket, undergoing a transformation from obscurity to fame both at home and abroad. However, there are still many problems to be addressed for the sustainable development of YIWU small commodity exports. This article analyzes the structure, current situation, and problems YIWU small commodity export is facing and proposes relevant strategies to provide assistance for its development.

Keywords: YIWU small commodity export structure export development

Introduction

In recent years, YIWU small commodity exports have been affected by various factors such as international relations and the COVID-19 pandemic. However, international fluctuations present both challenges and opportunities. For instance, YIWU electric blankets have sold well overseas amidst the European energy crisis, and “Made in YIWU” products accounted for nearly 70% of the entire World Cup peripheral goods market in Qatar. This demonstrates the significant influence of YIWU’s small commodity exports internationally. To promote the sustainable development of YIWU’s small commodity exports, there are still many issues that need to be addressed. This article analyzes the structure, current situation, and problems of YIWU’s small commodity exports and proposes relevant strategies to provide assistance for YIWU’s development.

1 Introduction to YIWU Small Commodities Industry

The small commodity industry in YIWU began in the Qianlong period in old China, when the people of YIWU carried goods, played tambourines, and engaged in “chicken feathers for sugar” trade activities in the countryside. Zhejiang Province has the advantage of developing light industry, so cities like YIWU had to adopt the “workshop handicraft industry” to develop private economic production. As time flies, Zhejiang Province’s economic model of small commodity production and operation, due to its low investment and rapid returns, was able to quickly meet consumer demand even during the planned economy period, and formed a unique small commodity business style in Zhejiang.

As China’s first small commodity market, the operating area of YIWU small commodity market has enlarged to an area of over 6.4 million square meters, with over 75,000 commercial spaces and a wide variety of goods. This includes fine handcrafted needles, threads, buttons, keys, toothpicks, handicrafts, clothing accessories, stationery, and more, with over 1,900 categories and nearly 1.7 million products. Over 90% of these products are exported to overseas around the world. In YIWU, almost all daily consumer goods can be found in “small commodities,” covering almost all the necessary life and industrial products, making it a shopping paradise with a large number of consumers.

In terms of the categories of goods sold, the YIWU small commodity market mainly focuses on wholesale, retailing, and export of various types of labor-intensive products. The technical requirements are low, but YIWU merchants have not stopped there.

They continue to export Chinese goods and make “Made in YIWU” products go global. For example, with the China YIWU International Commodities Fair as the core, YIWU actively develops exhibition economy, establishing over 30 sub-venues in more than 20 locations in China and 5 overseas markets in countries such as South Africa, Ukraine, and Australia, making YIWU “buying globally and selling globally.”

2. Current Status of YIWU Small Commodity Exports

2.1 Analysis of YIWU Small Commodity Export Volume
YIWU, is the forefront of China’s foreign trade development. The figure below shows the total export volume and its growth in YIWU from 2016 to 2022, where the blue bar is about the export volume and the red line related to the growth rate. It can be seen that the total export volume of YIWU small commodities has been increasing year by year from 2016 to 2022. The export growth rate from 2016 to 2019 showed an upward trend too, with export volumes of 220.16 billion yuan, 230.45 billion yuan, 252.16 billion yuan, and

286.79 billion yuan respectively. The year 2017 was considered a critical year for China’s “13th Five-Year Plan” and marked further strengthening and deepening of the supply-side structural reform. The growth of YIWU total export volume increased significantly from 4.7% in 2017 to 9.4% in 2018, and 13.7% in 2019. Due to the impact of the COVID-19 pandemic, foreign trade in 2020 was severely affected, the growth rate decreased, although with a increasing volume. The total export volume in 2020 was 200.62 billion yuan, with a growth rate of 4.8%. In 2021, with the gradual stabilization produced by national pandemic prevention and control policies, the foreign trade export situation improved accordingly, with a significant increase in export volume to 365.91 billion yuan, and a growth rate of 21.7%. In year 2022, the total export volume reached 431.64 billion yuan, with a growth rate of 18.0%. According to the report by YIWU Statistics Bureau., the export volume was 107.09 billion yuan for the first quarter of 2023, showing an increase of 11.0% percentage compared to the same period last year.

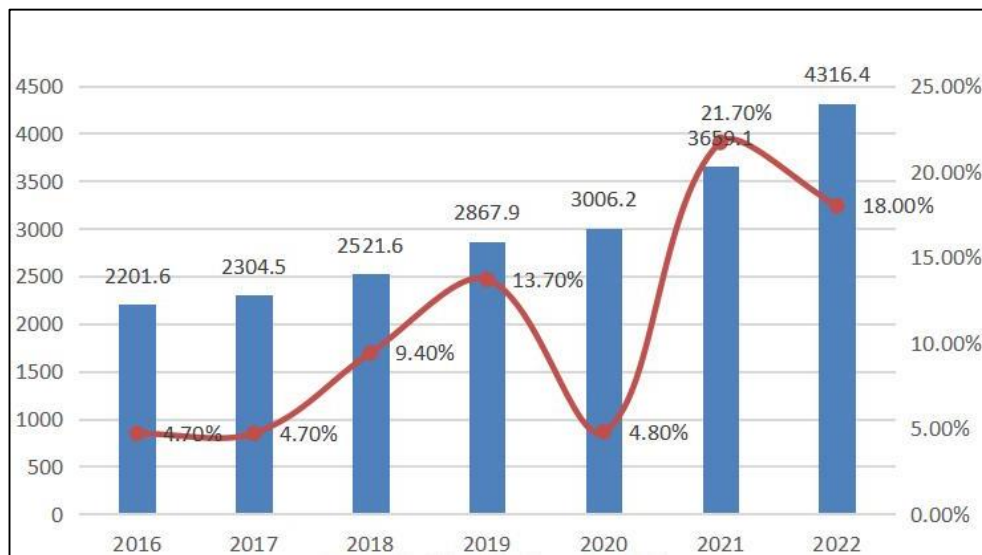


Fig 1: Export and its growth rate of YIWU small commodities

2.2. Analysis on the structure of YIWU small commodity export

The problem has always been existing in the export structure of YIWU small commodities. Exporters focus on the products with labor advantages and increase the export-oriented labor-intensive products, such as shoes and socks, clothing accessories, etc., without realizing the importance of

high value-added and high-tech commodities, and in some degree, fall into the "trap" of "comparative advantage". In YIWU small commodity export, the proportion of clothing export is the highest. It contains textiles, shoes and socks, plastic manufactured products, zippers, etc., with no core competitiveness, and high product homogeneity, and is easy to be replaced by similar products.

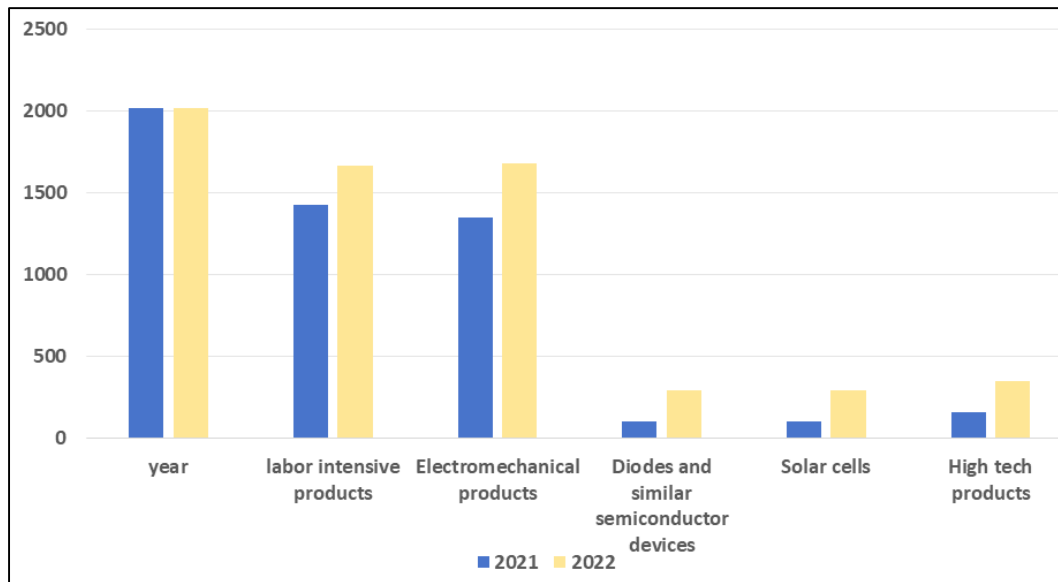
Table 1: YIWU small commodity export 2018-2020 (Billion yuan)

| Year | 2018 | | 2019 | | 2020 | |
|------------------------------|------|-----|------|-----|------|-----|
| | 出口额 | 比重 | 出口额 | 比重 | 出口额 | 比重 |
| Exported Goods | | | | | | |
| Apparel | 283 | 11% | 310 | 11% | 286 | 10% |
| Plastics and its products | 265 | 11% | 295 | 10% | 301 | 10% |
| Electrical equipment | 188 | 7% | 234 | 8% | 291 | 10% |
| Iron and steel products | 167 | 7% | 193 | 7% | 210 | 7% |
| Toys and sports goods | 166 | 7% | 186 | 6% | 214 | 7% |
| Non-ferrous metal tools | 102 | 4% | 114 | 4% | 112 | 4% |
| Furniture and its components | 100 | 4% | 122 | 4% | 169 | 6% |
| Leather products | 100 | 4% | 108 | 4% | 80 | 4% |
| Machinery and tools | 98 | 4% | 132 | 5% | 171 | 6% |
| Glass and its products | 96 | 4% | 103 | 4% | 85 | 3% |

Data Source: From YIWU Citizen economic and social development statistical bulletins

Table 2.1 shows the top ten structures of YIWU's small commodity exports from 2018 to 2020. It can be seen that the export volume of clothing and clothing accessories, plastics and their products, electrical equipment and accessories has always been at the forefront, accounting for about 10%. The second largest part contains iron and steel products, toys and sports products, base metal tools, furniture, shoes and boot

products are also increasing, and its development is more stable. Although there are exports of heavy industrial products such as steel and electrical equipment, most of the commodities exported by YIWU rely generally on labor force and industrial scale to achieve success, the proportion of high-tech products is very low, the export of products with high additional and high-tech content is relatively small, too.



Data source: From YIWU Citizen economic and social development statistical bulletins

Fig 2: Export of YIWU small commodity in 2021-2022 (billion yuan)

Figure 2.2 describes YIWU main export categories from 2021 to 2022. As shown in the figure, labor-intensive products are still the main category of YIWU small commodity exports in the past two years. Secondly, the export value of mechanical and electrical products has also increased greatly, surpassing the export of labor-intensive products in 2022, becoming the first largest category. YIWU has been working to transform and upgrade its small commodity industry, and the exports of products like diodes and similar semiconductor devices, etc. are increasing. According to YIWU Statistics Bureau, in the first quarter of 2023, YIWU exported 40.98 billion yuan of labor-intensive products, 43.02 billion yuan of mechanical and electrical products, 8.2 billion yuan of diodes and similar semiconductor devices, 8.18 billion yuan of solar cells, and 9.45 billion yuan of high-tech products. It shows that YIWU is striving to optimize the structure of export products and moving toward high value-added products.

2.3 Analysis of YIWU small commodity export market structure

On November 18, 2014, the "Yixin Europe" China-Europe freight train was officially launched, starting from YIWU, China, passing through Xinjiang, Alashankou port, through Kazakhstan, Russia, Belarus, Poland, Germany, and France etc, after 21 days of long-distance transportation, to the end Madrid, the capital of Spain. The implementation of the "One Belt, One Road" strategy has greatly improved the exchanges between China's eastern coastal areas, Central Asia and Europe, benefiting YIWU exports. Table 2.2 is a table about the major export markets of small commodities in YIWU from 2016 to 2021.

Table 2: The main export markets in year 2016-2020 (billion yuan)

| Year | American | India | Iraq | Saudi Arabia | Philippines |
|------|----------|-------|------|--------------|-------------|
| 2016 | 93 | 123 | 102 | 60 | 74 |
| 2017 | 104 | 148 | 109 | 63 | 83 |
| 2018 | 130 | 186 | 105 | 58 | 79 |
| 2019 | 172 | 199 | 118 | 91 | 64 |
| 2020 | 285 | 125 | 102 | 80 | 86 |
| 2021 | 404 | 168 | 91 | 93 | 92 |
| 2022 | 562 | 232 | 126 | 102 | 105 |

Data source: From YIWU Citizen economic and social development statistical bulletins

From Table 2.2, it can be seen that United States is the main export market, with the export value increasing from 9.3 billion yuan in 2016 to 56.2 billion yuan in 2022. Second, exports to India is larger too. With the promotion of "the Belt and Road" strategy, YIWU export to the Middle East, Africa, Latin America and other areas along the Belt and Road countries is inevitable, although it can not be compared with that to the United States.

2.4 Analysis of YIWU small commodity export trade mode "Market purchase trade" is the main export trade mode of YIWU small commodities. It is mainly used for market procurement, according to which, buyers purchase goods in the market and qualified local merchants complete the corresponding export procedures at the place of purchase. The difference is, in "market purchase trade", enterprises unilaterally import or export through the customs, and the goods bought and sold are the normal trade goods. Table 2.3 shows the details of YIWU small commodity export trade modes from 2017 to 2022.

Table 3: Trade modes of YIWU small commodities in 2017-2022 (ten thousands yuan)

| Year | General trade | Market purchase trade |
|------|---------------|-----------------------|
| 2017 | 401.97 | 1893.6 |
| 2018 | 478.9 | 2037.3 |
| 2019 | 509.4 | 2343.5 |
| 2020 | 748.6 | 2230.8 |
| 2021 | 735.6 | 2901.5 |
| 2022 | 1052.1 | 3264.3 |

Data source: YIWU Citizen economic and social development statistical bulletin

From Table 2.3, it can be seen that the export value of general trade increased from 4,019,700 yuan in 2017 to 10,521,000 yuan in 2022. The export value of general trade is on the rise all the time, but it can be seen from the table that the export value of market purchase trade greatly exceeds that of general trade, which is the main driving force for YIWU export development. In 2017, The export value of market purchase trade in 2017 and in 2022 were 18.936 million yuan, and 32.643 million yuan respectively. It is still the main export trade mode of YIWU small commodities.

Table 4: Trade mode proportion of small commodities in 2017-2022 (billion yuan)

| Year | General trade | Market purchase trade |
|------|---------------|-----------------------|
| 2017 | 16.3% | 82.2% |
| 2018 | 18.99% | 80.8% |
| 2019 | 17.8% | 81.7% |
| 2020 | 24.9% | 74.2% |
| 2021 | 20.1% | 79.3% |
| 2022 | 24.4% | 75.6% |

Data source: From YIWU Citizen economic and social development statistical bulletins

According to Table 2.4, the proportion of general trade increased from 16.2% to 24.4% in 2022, market purchase trade accounted for 82.2% in 2017, and then descends to 75.6% in 2022. Under the general trade, products need to be declared one by one with complex procedure. Small commodities export characterized by small and large quantity, if follow the export process of general trade, may has a great corresponding cost. Market procurement trade came into being for the development of small commodity exports, simplifying customs clearance procedures, allowing multi-commodity LCL, duty-free, etc., and providing convenience for the export of small commodities. That's why the export of small commodities in YIWU is still dominated by market purchase trade. The problem is, when market purchase trade is restricted, how to enhance export development needs in-depth discussion.

3. Problems existing in the development of YIWU small commodity export

3.1 The development of YIWU small commodity export is susceptible to the international situation.

Due to the properties of the product, such as a wide variety and large quantity, labor-intensive product features, low technological content, and high concentration in the international market, its export is easily affected by the international situation.

3.1.1 The high concentration in the international market and the policy changes in relevant countries and regions greatly increase the international risks of small commodity exports.

3.1.2 YIWU small commodities are characterized by a wide variety, low individual value, and large quantities. They are primarily focused on light industrial and daily necessities, with a majority being labor-intensive products with low technological content. This makes them susceptible to anti-dumping investigations. Additionally, the aging population has led to rising export costs for YIWU small commodities, resulting in a significant decline in international competitiveness. Furthermore, the trend of international industrial transfer has led to the continuous migration of labor-intensive industries to Southeast Asian or African countries, further exacerbating the international risks faced by small commodity exports.

3.1.3 The widespread distribution of export markets, covering almost the entire globe, greatly increases the difficulty of international trade coordination and the associated international risks, including exchange rate risks, economic risks, customs clearance, and transportation costs.

3.2 The reliance on traditional market procurement trade as the main trade mode poses urgent challenges that need to be addressed for YIWU small commodity exports.

4. Conclusions

Here are some strategies for YIWU small commodities export.

4.1 Keeping up with the trend of high-tech development such as artificial intelligence, it can accelerates industrial upgrading, through improving product technology content, utilizing scale and automation to reduce costs, and then reduces the dependence of low price , and enhance international competitiveness.

4.2. Develop independent brands and protect intellectual property: Actively build independent brands to increase product value and reduce reliance on OEM and ODM models. Strengthen intellectual property protection to maintain core competitiveness.

4.3. Adopt appropriate methods to enhance industrial resilience, such as transferring industries to central and western regions, strengthening the resilience and adaptability of industrial chains.

4.4. Build more suitable international trade methods to reduce trade risks, using which we can establish efficient and convenient trade service platforms, simplify import and export procedures, enhance information exchange among departments and trading entities to improve information transparency and sharing, strengthening mutual trust, eliminating misunderstandings, and enhance export risk resistance.

4.5. Improve trade policies and legal environment: Develop preferential policies that support exports, reduce trade barriers and costs. Strengthen intellectual property protection and trade arbitration mechanisms to safeguard the rights and legitimate interests of companies.

These strategies can help companies enhance international competitiveness and improve their resilience in small commodity exports. However, the specific strategies need to be adjusted and formulated based on each company's specific situation and market environment.

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