Trade Facilitation of MSMEs through Technology

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Challenges Faced by MSMEs in Trade

- Access to global market
- Incapability to address cross border difficulties
- Lack of trust from the consumers
- Financial Difficulties
- Lack of ability to innovate and upgrade products and services
- Insufficient infrastructures
- Others
## China’s Experience: Digital Technology Enables MSMEs

<table>
<thead>
<tr>
<th>Businesses: 10 million</th>
<th>Employment: 36.81 million</th>
<th>Women: 6 million</th>
<th>Disabled: 0.16 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alibaba platform accommodates 10+ million merchants, among which 97% employ less than 5 persons and 95% invest less than USD 4,500.</td>
<td>Alibaba retail ecosystem creates 36.81 million job opportunities in China, including 14.05 million transaction-related ones and 22.76 million indirect ones.</td>
<td>49.4% of active online stores owners in Alibaba retail ecosystem are female and contribute to 46.7% of the total sales.</td>
<td>There were more than 160,000 disabled sellers on the Taobao retail platform with total transaction volume of more than USD 1.9 billion.</td>
</tr>
</tbody>
</table>
China’s Cross-border E-commerce & Foreign Trade

Data Sources: Ministry of Commerce, Bureau of Statistics, AliResearch, etc.

Scale of Cross-border E-commerce
Gross value of foreign trade
Unit: Trillion RMB
Help MSMEs Access Global Market
Case: Wig Production and Sales in Juanchen County, China
Case: Lobsters from USA and Canada Exported to China

11/11/2016

Lobsters Sold: 97,000+

Fastest delivery: 33 hrs
Case: Live Selling of Kashmir Scarf to Chinese Consumers

Because the situation here is getting more tense.

He only weaves scarves of the highest quality.

Dayao's business has helped 400 families who are victims of Kashmir conflict.

She has become a cultural bridge in the disputed region, representing freedom, peace and legacy.
Some Findings in ITC-AliResearch Report

E-commerce Opportunities For Asian LDCS

- E-commerce focuses on processed products ready for consumption.
- Products from the large companies with well-established distribution and trade channels, do not feature prominently in online demand. Sectors populated by SMEs, such as gifts and crafts, textile and leather products, rank higher in online trade and offline trade.
- E-commerce provides opportunities to expand and diversify exports, notably into higher value added products.
- E-commerce could generate new demands. A notable example is beauty and personal care products, which features in the top three e-commerce product for both Cambodia and Myanmar, and is the fastest growing category for Bangladesh.
- Each country has its unique offerings in e-commerce. Even though the five LDCs are in the same region, more or less of the same level of income, and share similarities in their broad export categories, the star products in e-commerce vary significantly from country to country.
Integrated Cross-border Trade Services for MSMEs

- Consumer
- Buyer
- Local warehouse

- Retailers
- Wholesaler

- Supplier

- Direct-selling

Import & Export Integrated Services Platform for MSMEs

- Customs
- Taxation
- Foreign exchange
- Transportation
- Financing

- Data & Credit
China’s Cross-border E-commerce Comprehensive Pilot Zones

Hangzhou Experience: Six Systems and Two Platforms

- Policy and Rules Innovation
- Governmental Management Innovation
- Integrated Services Innovation

Online Comprehensive Services Platform
Help MSMEs Establish Global Trust

Trade Assurance
Free for buyers and suppliers

Order quality and on-time shipment safeguards with

100% * PAYMENT REFUND
up to the Trade Assurance Amount
Support MSMEs with Inclusive Finance

Mybank provides “310” Loan Service (3-min application, 1-sec approval & grant and 0 manual intervention) for MSMEs.

- **7 million**
  7 million MSMEs received the loans

- **USD 150 billion**
  Total loan amount of USD 150 billion

- **USD 4,500**
  Average loan balance below USD 4,500

Source: AliResearch
Help Rural Areas Leapfrog and Develop

“Smiling Taobao Village” leverages e-commerce platform and promotes rural sustainable development

- Urban Consumers
- Taobao Village Online Store
- E-commerce Platform
  Provides information, transaction, payment, logistics, finance infrastructure

Demand for rural products is fulfilled

Sell local produce on-line

2118
Taobao Villages
In 2017

¥ 10 mn
Min Sales per Taobao Village
Help MSMEs to Innovate and Upgrade (C2B)

Supportive Mechanism for C2B Model

- Real time data sharing
- Mass Customization/Personalization
- Large scale network collaboration
- Based on Internet and cloud platforms

Consumer Centric/Driven

Reversed Transformation

- Marketing, Distribution
- Design, Production
- Warehouse, Logistics
- Raw Materials Supply
Case: A Furniture Company

Discuss design plan

Consumer demand and data input

Data Center

Design based on cloud computing

Data accumulation and reuse

Mass Customization/Personalization

Assembl
## Paradigm Shift: Industry versus Digital Economy

<table>
<thead>
<tr>
<th>Industry Economy</th>
<th>Digital Economy</th>
</tr>
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<tbody>
<tr>
<td>B2C</td>
<td>C2B</td>
</tr>
<tr>
<td>Standardization</td>
<td>Customization</td>
</tr>
<tr>
<td>Mass production</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Low Cost</td>
<td>Value</td>
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<tr>
<td>Assembly Line</td>
<td>Network</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Social Collaboration</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>Self Organizing</td>
</tr>
</tbody>
</table>

**Linear • Mechanical • Control**

**Web • Ecological • Enable**
New Infrastructures for Digital Economy

Traditional Infrastructures for Industry Economy
Malaysia’s Digital Free Trade Zone (eHub)

- Regional Logistics Hub
- One Stop International Trading Services Platform
- Cloud Computing and Big Data
- E-payment and Inclusive Financial Service
- Global Digital Talent Training
Awareness Raising and Training for MSMES
A MSME cannot compete with a large company.

Technology and e-commerce empowers MSMEs with data, credit, trading rules, access to value chain, etc. and provides the level playing field with large companies.

Technology Empowers MSMEs To Compete with Large Companies