

Study on the Development Strategies of Foreign Trade SMEs in Ningbo Under the Background of RCEP

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Abstract: With the deepening of global economic integration, the development of Ningbo's foreign trade SMEs has been accelerating, and the implementation of the RCEP agreement has provided new opportunities for the development of foreign trade SMEs, and also brought more new challenges. The paper presents an in-depth analysis of the opportunities and challenges brought by RCEP to Ningbo's foreign trade SMEs based on the actual situation of the development of Ningbo's foreign trade SMEs, and makes suggestions in order to help Ningbo's foreign trade SMEs better realise internationalisation and contribute to the high-quality development of Ningbo's local economy.

1. Introduction

On 15 November 2020, the Regional Comprehensive Economic Partnership Agreement (RCEP) was officially signed after eight years of negotiations, marking the birth of the world's largest free trade area consisting of 15 countries, including 10 ASEAN countries, China, Japan, South Korea, Australia and New Zealand. As the largest and most significant free trade agreement in the Asia-Pacific region, RCEP covers nearly half of the world's population and nearly 30% of its trade volume, and has a significant impact on the development of international trade. The creation of this platform has greatly enhanced the support for the development of SMEs in the member countries of the agreement, enabling the practical results of RCEP to benefit SMEs.

As a coastal region with a highly developed private economy, Ningbo's foreign trade SMEs are developing at a rapid pace thanks to the natural transport advantages of Ningbo Zhoushan Port. As China's sixth "city of trillions", Ningbo's total foreign trade imports and exports will reach trillion yuan in 2021, of which Ningbo's total imports and exports to other RCEP member countries will reach 312.34 billion yuan, accounting for 26.2% of the total. After the signing of RCEP, Ningbo's foreign trade SMEs quickly seized the opportunity to strengthen their foreign trade with other RCEP member countries. The signing of RCEP has not only brought opportunities but also challenges to Ningbo's foreign trade SMEs. The paper starts from the new opportunities brought by the RCEP SME-related provisions to Ningbo's foreign trade SMEs, objectively analyses the new challenges brought by the changes in the trade pattern promoted by RCEP to the development of SMEs, and proposes targeted countermeasures to promote the high-quality development of Ningbo's foreign trade SMEs.

2. Opportunities for Ningbo's Foreign Trade SMEs in the Context of RCEP

2.1. RCEP Offers More Convenient Trading Conditions

In the process of development, Ningbo's SMEs have made great efforts to develop cross-border trade by taking advantage of the natural marine transportation conditions, and the region covered by the RCEP is the one with which Ningbo's SMEs have the closest trade ties. The RCEP has taken a series of measures to liberalise market access rules, including temporary duty-free entry for certain goods, further elimination of agricultural export subsidies, tariff liberalisation reforms to lower market entry barriers, and digital technology to improve the efficiency of customs clearance for

goods; and further liberalisation of trade in services, mainly by reducing restrictive measures affecting cross-border trade in services between member countries.

The trade facilitation measures in RCEP provide conditions for Ningbo's foreign trade SMEs to further develop overseas markets. Firstly, the relaxation of the market access system enables Ningbo's foreign trade SMEs to secure more partners in regional trade, continue to expand business channels within the trade region and deepen cooperation with trade member countries, which plays an important role in further enhancing the overseas trade influence of Ningbo's foreign trade SMEs. Secondly, as the overseas trade development of Ningbo's foreign trade SMEs is upgraded, their voice and influence in the regional value chain is also enhanced, and the trade structure of Ningbo's foreign trade SMEs in the international market continues to be optimised. At the same time, the implementation of preferential tariff policies within the trade region has helped Ningbo's foreign trade SMEs save on foreign export costs, enhanced the competitiveness of Ningbo's goods in overseas markets and boosted the confidence of Ningbo's foreign trade SMEs to go abroad.

2.2. RCEP Offers More International Investment Opportunities

RCEP is the first regional trade agreement to create a separate platform for cross-border cooperation among SMEs in the rule-making process. The agreement encourages SMEs to actively use the RCEP agreement to increase cross-border trade and commerce, helping to improve the efficiency of cross-border investment and trade for SMEs [1]. Since the agreement came into effect, the regional business environment has continued to improve. With the agreement, SMEs have been able to significantly reduce the cost of outward direct investment and enhance their risk resistance. At the same time, RCEP members have adopted a negative list approach to investment commitments in industries such as agriculture, manufacturing, forestry and mining, greatly enhancing policy transparency and promising that the level of future investment liberalisation will not be rolled back [2].

In the process of developing foreign trade and foreign investment, Ningbo's foreign trade SMEs are limited by the size and financial strength of their enterprises. In the development of overseas industries, the risk resistance and investment management capabilities of SMEs are generally weak compared to those of large enterprises. As a result, Ningbo's foreign trade SMEs mainly focus on exporting their products and providing supporting services, and have a weak voice in the global industrial chain. At a time when globalisation is in reverse, there is more resistance to overseas development and more uncertainties for SMEs. However, with the signing of the RCEP, the agreement has strengthened the synergy of regional economic development and provided a policy-backed cross-regional internationalisation platform for SMEs to extend outward, helping Ningbo's foreign trade SMEs to better integrate into regional development and enhance their position in the regional value chain.

2.3. RCEP Offers More Opportunities to Bring in Talent

The RCEP sets out separate rules for the movement of persons, committing to a category of natural persons that covers groups of persons who may need to move across borders, from those involved in cross-border transactions to those involved in cross-border investments, spouses and family members [3]. The RCEP facilitates the processing of cross-border documents for this group of people, and reduces restrictions on the movement of people within the member states of the region, making it possible for SMEs to bring in professionals across borders. Due to the geographical proximity of RCEP member countries, as well as the many similarities in social backgrounds and regional cultures, domestic SMEs can take advantage of the rules of the agreement to enhance the exchange of talents between domestic and foreign SMEs, and invite more universities and research institutes in the region to cooperate intensively with domestic SMEs in science and technology to expand the pool of first-class domestic talents.

Ningbo's foreign trade SMEs also suffer from talent limitations in the development process. Compared with the leading enterprises in the industry, SMEs mainly rely on the transfer of talents from local universities and the training of enterprises themselves in the process of developing their talent teams. When enterprises face technical bottlenecks and management difficulties in the process

of development, the external human resources they can bring in are extremely limited. The RCEP can provide a boost to the development of the talent pool of Ningbo's foreign trade SMEs. Enterprises can make use of the agreement to go abroad to enhance technical and management exchanges, as well as invite more overseas talents to settle in Ningbo, providing talent support for Ningbo's foreign trade SMEs on their road to "specialisation and innovation".

2.4. RCEP Provides Better International Security

RCEP is an open regional trade agreement that allows economies that still wish to join after the agreement has been signed to do so freely. As the number of RCEP members continues to grow, trade frictions within the region can become frequent [4]. Therefore, the RCEP takes into account the need for dispute settlement and sets up international security rules specifically for dispute settlement, specifying the mediation process between the two parties in the event of friction and the basis for dealing with friction, etc. In addition, the RCEP also sets out international and high standard trade rules, which clearly stipulate trade and investment, protection of knowledge industries and government procurement. At the same time, the agreement also sets out clear provisions for anti-dumping, countervailing and other trade safeguards, providing rules to safeguard the cross-border operations of SMEs.

Under the wave of counter-globalisation, the risks of international business continue to increase, especially for SMEs with weak risk resistance, which are under greater pressure in the current cross-border business. The main trade partners of Ningbo's foreign trade SMEs are in the ASEAN market, and changes in trade policies in the countries of their trading partners can bring great uncertainty to their operations [5]. The member countries of RCEP basically cover the majority of Ningbo's foreign trade SME partners, which reduces the impact of unstable factors on the international operation of Ningbo's foreign trade SMEs. In case of friction, Ningbo's foreign trade SMEs can handle disputes in accordance with the agreement, which saves time and reduces unnecessary conflicts and protects the safe and orderly operation of foreign trade SMEs.

3. Challenges Faced by Ningbo's Foreign Trade SMEs in the Context of RCEP

3.1. Further Increase in Market Competition

The signing of RCEP has brought development opportunities for Ningbo's foreign trade SMEs, but also challenges for enterprises. Other member countries' access to China's large market has also become smoother with the signing of the agreement. In particular, Japanese and Korean enterprises have entered the Chinese market, bringing with them a wide range of products with strong technology, stable performance and moderate prices, making the competition for domestic foreign trade SMEs even more intense. At the same time, the competition among foreign trade enterprises in the agreement area has also become more intense. With the reduction of tariffs and the facilitation of the flow of goods, domestic foreign trade SMEs face a stronger external environment, resulting in both internal and external pressure on their development.

As internet technology continues to grow, people's requirements for lifestyle products are becoming more personalised, while at the same time placing higher demands on products to be networked and connected. As a result, industrial development also requires more high-tech support [6]. Currently, Ningbo's foreign trade SMEs are striving to reform their traditional production and management models in an orderly and in-depth manner through digital technology and with the advantage of big data. However, the impact of the epidemic on large external markets has led to a weakening of economic development, the launch of RCEP has led to a reduction in the stability of neighbouring markets, and changes in demand for products in large domestic markets have led to increasing pressure on Ningbo's export-oriented SMEs to reform digitally, and business managers should seize the development opportunity and actively meet the challenges in order to keep Ningbo's foreign trade development dynamic.

3.2. More Urgent Management Model Reform

The way enterprises manage their business is constantly changing with the development of the economy and society. The emergence of the Internet has brought new ideas to the transformation of enterprise management models [7]. As there are a large number of manufacturing enterprises among Ningbo's foreign trade enterprises, these enterprises are plagued by factors such as capital, technology and talent reserves when faced with shifts in market demand and iterations of new technologies, and are not very risk-resistant, and are unwilling or unable to respond positively to changes in the external market and make effective reforms to their management models and operating methods. More often than not, companies are forced to reform and are unwilling to make large scale and drastic adjustments to their operational base.

At the same time, the awareness of intellectual property protection among Ningbo's foreign trade SMEs needs to be strengthened. For manufacturing enterprises, knowledge and technology are the basis for their long-term development. Ningbo's focus on building a group of "specialised and new" SMEs has resulted in a large number of SMEs accumulating a certain amount of intellectual property rights. However, the awareness of intellectual property protection at the decision-making level of enterprises has not been further strengthened. When a large number of foreign trading enterprises enter the Chinese market, some intellectual property rights are infringed in the process of competition in terms of technological content and innovative application of products. Especially after RCEP came into effect, SMEs are facing increasing pressure for IPR protection. Enterprise management should give more thought to how to enhance the international competitiveness of SMEs more effectively through a change in management and business practices.

3.3. Increased Product and Service Requirements

Ningbo's foreign trade SMEs mainly rely on the advantages of a wide range of products, affordable prices and the ability to produce small quantities and batches according to customer demand to obtain orders. However, in terms of the technical content of products and after-sales services, the R&D and service capabilities of SMEs are limited by the size of the enterprises, and they are unable to complete technical R&D work and after-sales services with high quality. The other RCEP member countries, especially Japan and Korea, are represented by foreign trade-oriented SMEs, which are stronger than Ningbo SMEs in terms of technical R&D capability, and the long-term reform of enterprise service capability has enabled Japanese and Korean enterprises to enjoy a good reputation in the global market. Under the influence of RCEP, Ningbo's foreign trade SMEs need to provide better services and products with higher technological content in order to gain a foothold in the international market. Therefore, Ningbo's foreign trade SMEs need to continue to absorb advanced foreign technology, bring in high-level talent, reform their management model and cultivate their service spirit in order to survive the increasingly fierce market competition.

3.4. The Ability to Perceive Market Changes Needs to Be Improved

With the rapid changes in the global economic environment, the global economic environment is becoming increasingly complex. With the implementation of RCEP, the regional trade environment is also changing at a very fast pace, which brings certain risks to the development of foreign trade SMEs. Ningbo's foreign trade SMEs are less able to judge regional economic dynamics than large enterprises, and their ability to judge and anticipate international trade transactions is more limited. The Western camp continues to be concerned about the Chinese economy and has introduced various measures to restrict the foreign trade and investment activities of Chinese enterprises. These restrictions are often sudden and have a direct impact on foreign trade SMEs. Therefore, in the context of the RCEP, the market analysis and judgement skills of Ningbo's foreign trade SMEs need to be constantly improved in order to grasp the initiative in the ever-changing international market.

4. Measures for the Development of Ningbo's Foreign Trade SMEs in the Context of RCEP

4.1. Mastering the Relevant Economic and Trade Rules and Following Up on the Implementation Provisions

After the RCEP landing, enterprises are not familiar with the new trade rules. Therefore, foreign trade SMEs, which are very closely linked to development, should take the lead and pay close attention to the implementation of the various provisions of the agreement by each member country, and should study carefully and master accurately the various provisions of the agreement that relate to the development of their own enterprises [8]. At the same time, we should also pay close attention to whether the member countries have introduced special requirements on the basis of the agreement, and whether they will have an impact on the business transactions of foreign trade SMEs. The relevant Ningbo government departments and business associations should organise regular training sessions on the interpretation of the agreement, and SMEs should send their professionals to actively participate, so as to keep track of and understand the changes in the specific content of the agreement. The use of the agreement should be based on full knowledge and mastery in order to better expand their international business.

4.2. Innovative International Business Models and Development of Cross-Border E-Commerce

At a time when business models are constantly innovating and developing, Ningbo's foreign trade SMEs should take advantage of the RCEP to transform their business models with the help of digital technology. By integrating digital technology into trade transactions and working with overseas partners to build a digital trade service cooperation platform, digital technology can facilitate the digitalisation, informationisation and intelligent management of foreign trade SMEs by bringing together order management processes, logistics and transport information, customs processing information, etc., adding to the ability of foreign trade SMEs to enhance their cross-border business services. Secondly, foreign trade SMEs should, according to the socio-economic and cultural backgrounds of the regions where their trading partners are located, try to achieve one service system for one country as far as possible, realise differentiated and personalised services for products and services, and sort out a good corporate image in the end market of the industrial chain [9]. Finally, China's entry and exit trade management departments should work together with foreign trade enterprises to further reform China's entry and exit trade management system, continuously improve the ability of entry and exit trade services, reduce the various transaction costs of foreign trade enterprises, and make maximum use of the rules of the agreement to protect enterprises from losses due to violations.

4.3. Expanding International Economic Cooperation and Deeper Integration into Global Value Chains

As global economic and trade integration continues to grow, the question of how foreign trade SMEs can actively integrate into the international trade circle and enhance their influence is an urgent one. In the context of RCEP, Ningbo's foreign trade SMEs should seize the development opportunities, actively understand the trade and industrial characteristics of each member country and strengthen international cooperation. Firstly, foreign trade SMEs should use RCEP to speed up the implementation of the "going out" strategy, actively liaise with the outside world, seek new opportunities for cooperation in the international arena, and actively participate in international competition so as to improve the level of enterprise development. Secondly, foreign trade SMEs should also actively get in touch with overseas industrial parks and make use of the construction and development of overseas industrial parks to extend their reach overseas. Finally, foreign trade SMEs should also actively learn from the leading enterprises in the industry, continuously accumulate international operating experience, and through improving their own strength, gain more market share and enhance their position in the industrial chain, so as to achieve better development.

4.4. Optimising Human Resource Management and Recruiting International Business Talents

The development of Ningbo's foreign trade SMEs needs the help of a large number of professional

talents. With the landing of the RCEP agreement, the demand for talents of foreign

Trade SMEs has become more complex and the competition for talents will further increase. Therefore, foreign trade SMEs should pay attention to talent development, constantly optimise their talent management mechanism, and strive to recruit talents who can cope with the internationalisation of their business in order to adapt to the new competitive environment, and constantly improve the quality of their talents [10]. Secondly, as the internationalisation of the talent team increases, enterprises should fully consider the development demands of talents of different nationalities in the process of talent management, and improve the level of international talent management of enterprises. Finally, competition is ultimately a competition for technology and services, so it is important to increase the introduction of technical talent, discover the shortcomings of the company's talent team and actively make up for them.

5. Conclusions

The signing of RCEP has promoted regional trade cooperation and has had a profound impact on the development of Ningbo's foreign trade-oriented SMEs. Therefore, in order to help Ningbo's foreign trade oriented enterprises seize the RCEP development opportunities, this paper proposes that the development process of Ningbo's foreign trade oriented enterprises needs to make up for the shortcomings through the adjustment of the enterprise management mode and the improvement of the enterprise technical capacity. The data on the development of Ningbo's foreign trade SMEs in the context of RCEP available in the course of this paper is not sufficient, and more research efforts are needed in subsequent studies to collect more actual data and make more effective suggestions to help Ningbo's foreign trade SMEs achieve high-quality development.

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