

A Study on the Factors Influencing the Competitiveness of Small Commodity Export Trade in Yiwu City and Development Strategies

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Abstract. Yiwu City, as the world's largest small commodity distribution center, has developed the world's most comprehensive small commodity production system based on China's vast industrial production system and high-quality cheap labor. However, with the continuous development of China's industrial upgrading and the constantly changing international situation, the small commodity industry in Yiwu City is also facing the contradiction of maintaining its current production positioning and industrial upgrading. Therefore, this article will establish an econometric model for the influencing factors of the small commodity industry in Yiwu City. Based on the research of previous scholars and the author of this article, four variables, namely GDP, exchange rate, annual average wage, and actual utilization of foreign investment in Yiwu City, will be selected for econometric simulation. Finally, it is concluded that, except for the actual amount of foreign capital, the other three variables can promote the export competitiveness of the small commodity industry.

Keywords: Small commodity industry; measurement analysis; influencing factor; competitiveness.

1. Introduction

As major global small commodities and industrial finished products, China's small commodity industry runs through all aspects of industrial production and social consumption with its rich categories, diverse functions, and efficient circulation. As a basic industrial product widely circulated throughout society, small commodities play a role in ensuring employment for the majority of labor, maintaining social stability, and promoting production and consumption. As the shadow of the global pandemic dissipates, many emerging developing countries continue to undertake industrial transfer from developed countries with advantages such as lower labor costs and more favorable policies, thereby continuously promoting industrialization. These have all created strong competitive pressure on China's small commodity industry. So analyzing and identifying the unique advantages of China's small commodity manufacturing industry, represented by Yiwu small commodities, has become a demand of China's times.

In terms of the current development status of the small commodity industry in Yiwu City, Li Xue and Li Yanyu, Wang Shiyao, and Chen Shuangsheng, Qian Lan affirmed the rapid development of the small commodity industry in Yiwu City and the wide range of production categories but also pointed out the problems of low product level and low management level [1-3]. Qian Yu and Xia Yue used the SWOT analysis method to analyze the development of small and medium-sized enterprises in Yiwu, pointing out the advantages, disadvantages, opportunities, and threats of Yiwu's small and medium-sized enterprise development. Niu Sihua, Niu Yan, and Wang Yuying divided the development process of Yiwu's small commodities into several stages, focusing on analyzing the path of transformation and upgrading of the small commodity industry and various influencing factors of transformation [5,6].

Ni Wanmin et al. indicate that innovation is fundamental for enterprises to leverage environmental changes and maintain competitive advantages, and the ability to obtain information and quickly utilize existing resources is a key driving force for innovation within the company [7-9]. Finally, Xu Jing and Huang Weiyong analyzed the impact of international events on the small commodity industry in Yiwu City by sorting out and judging the trade structure, evolution process, and trends between Yiwu and the United States. In addition, Yang Yuhao, Dong Jiaqi, Zhang Xinwen, and Meng

Jiali conducted impact analyses on manufacturing exports from the perspectives of exchange rates, FDI, and per capita wage levels [10-13].

Therefore, the research content of this article mainly focuses on the possible influencing factors of the product competitiveness of the small commodity industry in Yiwu City and proposes targeted suggestions for the difficulties faced by the small commodity industry in Yiwu City based on the analyzed influencing factors. According to the econometric model data and research in this article, it can be concluded that GDP, exchange rate, and annual per capita wage are sensitive influencing factors on the export volume of the small commodity industry in Yiwu City.

In summary, with the years of barbaric development since the reform and opening up and the sudden impact of a series of black swan events such as the epidemic, the weak links in Yiwu manufacturing have gradually emerged. Under the background goal and vision of becoming a manufacturing powerhouse in 2035, China must carefully study and solve the persistent problems in Yiwu's manufacturing industry. On the one hand, this can identify the truly sensitive influencing factors of the small commodity manufacturing industry, providing a reference for political formulation and solving the difficulties of the global small commodity manufacturing industry. On the other hand, it can also lay a solid theoretical foundation for the long-term development of the small commodity industry in Yiwu City and the transformation and upgrading of Chinese manufacturing in the future.

2. Suggesting a Hypothesis

GDP represents the core production capacity of a country or region, and changes in its GDP are inevitably closely related to changes in local product exports. In addition, Yang Yuhao proposed that: (1) the appreciation and intensification of fluctuations in the RMB exchange rate have both suppressed the growth of exports of Chinese manufacturing enterprises; (2) When the exchange rate changes, the export value of enterprises is less affected; Enterprises from different regions also exhibit strong regional heterogeneity when facing the risk of exchange rate fluctuations [11]. The actual amount of foreign investment utilized represents the ability of Yiwu City to absorb foreign capital. Continuous gathering of foreign funds in the small commodity industry in Yiwu City has also brought about a huge technological spillover effect, enabling the small commodity industry in Yiwu City to learn advanced production and management experience and achieve quality control and improvement.

As Dong Jiaqi and Zhang Xinwen have pointed out, FDI usually affects regional export trade through effects such as technology spillovers, foreign trade expansion, and industrial structure upgrading [12]. In addition, in a broad sense, the small commodity industry in Yiwu is still a labor-intensive industry, and its competitiveness cannot be derived from its high quality and low price. Therefore, the price fluctuation brought by the exchange rate is extremely critical to the export of small commodities in Yiwu.

Finally, high-quality and low-cost labor is also a highly competitive part of the small commodity industry in Yiwu. On the one hand, some scholars believe that the increase in annual per capita wages will lead to an increase in production costs, thereby weakening the industrial competitiveness of Yiwu's small commodities; On the other hand, some scholars believe that behind the increase in labor wages is the improvement of labor quality, which foreshadows the long-term development of the industry. As Meng Jiali pointed out, there is a time lag effect of wage increases on the total export value of China's manufacturing industry. In the short term, it will hurt manufacturing exports, but in the long run, it will not suppress manufacturing exports but rather promote the expansion of export scale.

Through the theoretical research mentioned above, it has been found that domestic and foreign scholars mainly consider factors such as exchange rate, GDP, and foreign direct investment when studying the influencing factors of export volume. Therefore, this article proposes the hypothesis that exchange rate, GDP, FDI, and average labor wages are the main influencing factors on the export of small commodities in Yiwu City.

3. Analysis of Factors Influencing the Export of Small Commodities in Yiwu City

3.1. Building the Model

Due to the wide range of small commodity categories in Yiwu City, including agricultural and sideline products, food, mechanical and electrical products, and industrial finished products, which almost cover all production categories in Yiwu City and account for the vast majority of Yiwu City's export volume, the "Yiwu City Small Commodity Export Volume" data of this model will be fitted with the "Yiwu City Export Value" data.

Therefore, this article selects four factors: the total export value of Yiwu City (in tens of thousands of US dollars), exchange rate, GDP (in tens of thousands of US dollars), actual utilization of foreign investment (in tens of thousands of US dollars), and annual average wage (in tens of thousands of yuan), and establishes the following multiple linear regression model to analyze how the total export value of small commodities in Yiwu City is affected

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu \quad (1)$$

Among them, Y represents the total export value of Yiwu City, X1 represents Yiwu City's GDP, X2 represents the exchange rate, X3 represents the annual average wage, and X4 represents the actual amount of foreign investment utilized. The specific variable descriptions are as follows:

Yiwu City's total export volume Y: refers to the total value of goods exported from Yiwu City to foreign countries during a certain period.

Yiwu City GDPX1: refers to the total final results of production activities of all resident units in Yiwu City during a certain period.

Exchange rate X2: The price of another country's currency represented by one country's currency, and exchange rate fluctuations have a direct regulatory effect on Yiwu's export trade.

Annual average salary X3: refers to the total final output of production activities of all permanent units in Yiwu City during a certain time.

Actual utilization of foreign investment amount X4: The actual investment amount executed by the Yiwu Municipal Government, departments, enterprises, and other economic organizations in the process of borrowing from abroad, absorbing foreign direct investment, and raising foreign exchange, equipment, technology, and other resources through other means according to the investment agreement (contract).

3.2. Data Specification

This article selects data from Yiwu City, Zhejiang Province, China from 2010 to 2022 for quantitative analysis. Among them, the GDP, total export value, FDI, and annual per capita wage of Yiwu City are sourced from the Yiwu Statistical Yearbook. The exchange rate between the Chinese yuan and the US dollar is based on the China Statistical Yearbook.

3.3. Estimating Parameter

Through the statistical Yearbook of Jinhua City and Yiwu City over the years, this paper has collected and compiled the measurement regression results summarized in Table 1.

Using Eviews for parameter estimation, the parameter estimation results are shown in formula 2 :

$$\hat{Y} = 17.1757 + 1.4770X_1 - 7.4326X_2 + 1.7643X_3 + 0.2476X_4 \quad (2)$$

(1.1366) (2.3629) (-3.2372) (2.0616) (1.3490)

$R^2 = 0.9472$ After adjustment $R^2 = 0.9209$ DW=1.6659 F=35.9055
Among them, the number in parentheses represents the value of t.

Table1. Parameter estimation results of the analysis of influencing factors on export volume in Yiwu city

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNFDI	0.2476	0.1835	1.3490	0.2143
LNGDP	1.4770	0.6251	2.3629	0.0458
LNRMB	-7.4326	2.2960	-3.2372	0.0119
LNSALRY	1.7643	0.8558	2.0616	0.0732
C	17.1757	15.1117	1.1366	0.2886
R-squared	0.9472	Mean dependent var		14.6286
Adjusted R-squared	0.9209	S.D. dependent var		1.0021
S.E. of regression	0.2819	Akaike info criterion		0.5894
Sum squared resid	0.6359	Schwarz criterion		0.8067
Log likelihood	1.1690	Hannan-Quinn criter.		0.5447
F-statistic	35.9055	Durbin-Watson stat		1.6659
Prob (F-statistic)	0.0000			

3.4. Model Testing

The t-statistic of $\hat{\beta}_0$ is 1.1366. The t-statistic of $\hat{\beta}_1$ is 2.3629. The t-statistic of $\hat{\beta}_2$ is -3.2372. All of them were significant at the level of 0.05. Moreover the t-statistic of $\hat{\beta}_3$ is 2.0616, Significant at the level of 0.1, but the t-statistic of $\hat{\beta}_4$ is 1.3490, with no significance. The intercept term exists, and the fluctuation of the RMB exchange rate has a significant impact on the export of small commodities in Yiwu City. The GDP of Yiwu City has a significant impact on the export of small commodities in Yiwu City, and the change in per capita annual wage has a significant impact on the export of small commodities in Yiwu City.

The adjusted goodness of fit is 0.9209, indicating that 92.09% of the changes in Yiwu's small commodity exports are explained by changes in the RMB exchange rate, Yiwu's GDP, and annual average wage, indicating that the overall goodness of fit of the model is good. The F-statistic is 35.9055, which is significant at the 0.05 level, indicating the existence of an overall linear relationship in the model and the significance of the regression model.

4. Strategies to Improve the Competitiveness of Small Commodity Export Trade in Yiwu City

4.1. Further Develop High-quality Products

One of the biggest advantages of Yiwu's small commodity industry is its wide and in-depth production categories, coupled with highly cost-effective prices and excellent quality, which has gained worldwide recognition. Even with a small button, you can find the Yiwu small commodity market and a lot of different replacements. So, for compulsory small commodities, an important means to maintain their competitive advantage is to continuously explore new product categories deepen and upgrade product structures, and incorporate more mid to high-end industrial finished products into the production categories and production system of Yiwu small commodities. And this also means that the government needs to increase R&D investment and incentives for Yiwu's small commodity industry.

4.2. Adhere to the Implementation of Branding and Intensive Development

Branding and intensification are necessary paths for an industrial system to move toward the high-end. From the development history of highly competitive industries in various countries, branding is an important means to enhance product-added value and brand awareness. At present, although Yiwu's small commodities are famous worldwide, they have not truly formed a large brand, and production is relatively scattered. In addition, during the pandemic, despite production shutdowns in various countries, the small commodity industry in Yiwu experienced a boom. However, this boom not only brought in a lot of foreign exchange income but also led to internal competition in Yiwu's small commodity production. Due to the scattered production of Yiwu's small commodity industry, when faced with a large number of external orders, it began to lower prices internally, resulting in low profits in the end. Therefore, the development of Yiwu should learn from the basic industries of other developed countries, establish industry associations and similar organizations, and coordinate the production and pricing of the entire industry.

4.3. Vigorously Promote Talent Training and Introduce High-quality Talents

For the healthy development of an industry, talent is always the most important resource. After a long period of compulsory education in China, high-quality and low-cost labor has become an important foundation to support the small commodity manufacturing industry in Yiwu. Faced with the pressure and demand for industrial transformation and upgrading, as well as the continuous rise in labor prices, the labor introduction policy in Yiwu City should not maintain the traditional "large quantity cheap" strategy, but should vigorously develop the employee training industry, introduce high-quality talents with higher treatment, and lay a talent foundation for the future development of the industry.

4.4. Vigorously Expand Markets along "the Belt and Road" to Mitigate the Impact of Turbulence

The small commodity industry in Yiwu is not only affected by its factors but also by a series of factors such as exchange rates and international turbulence. In recent years, the international environment has been deteriorating, regional conflicts have been ongoing, and the intensity of confrontation between countries has been increasing. These unfavorable factors have prompted the small commodity industry in Yiwu to make changes. With the continuous implementation and development of the "Belt and Road" strategy, Chinese goods are also increasingly favored by countries along the Belt and Road and Asian, African, and Latin American countries.

Therefore, on the one hand, Yiwu's small commodity industry needs to strive to maintain the European and American markets at the same time; China needs to continuously explore emerging country markets. In addition, the small commodity industry in Yiwu is still a labor-intensive industry, so to alleviate the impact of currency exchange rates on it, China should also be more cautious when adjusting the RMB exchange rate and gradually regulate it.

5. Conclusion

According to the measurement results, changes in the RMB exchange rate, GDP of Yiwu City, and per capita annual wage have a significant impact on the export of small commodities in Yiwu City. Among them, the changes in GDP and annual per capita wages have a strong positive correlation effect on the export of small commodities in Yiwu City. The growth of GDP represents a comprehensive improvement in the overall productivity of the region and also means an increase in the export potential of the region. On January 20, 2022, Yiwu's annual economic data was released: the city achieved a regional GDP of 183.554 billion yuan, a year-on-year increase of 4.6% at comparable prices, ranking first in Jinhua, 1.5 percentage points and 2.1 percentage points higher than the province (3.1%) and Jinhua (2.5%), respectively. Among them, the added value of the primary industry was 2.691 billion yuan, a year-on-year increase of 1.5%; The added value of the

secondary industry was 61.628 billion yuan, a year-on-year increase of 8.2%; The added value of the tertiary industry was 119.235 billion yuan, a year-on-year increase of 3.0%. So the corresponding foreign trade has achieved restorative growth, and the cumulative growth rate of imports and exports has turned from negative to positive. In the first half of the year, the total import and export value was 136.25 billion yuan, an increase of 1.6%, an increase of 14.9% compared to the first quarter, driving the steady recovery of Yiwu's economy. The total net export value was 130.9 billion yuan, an increase of 0.6%, with a growth rate of 15.3% compared to the first quarter, showing an overall stable and positive development.

For the growth of annual per capita wages, this to some extent represents an increase in production costs in Yiwu City or a negative effect on small commodity exports. However, the growth of per capita wages also means that the attractiveness of assembly line work increases, which to some extent alleviates the problem of labor shortage. Moreover, the growth of per capita wages benefits from the improvement of per capita quality, The improvement of per capita quality also provides talent reserves for the further industrial transformation and upgrading of Yiwu City, so it may be the long tail effect behind the annual per capita wage growth. Finally, the fluctuation of the RMB exchange rate shows a negative correlation with the export of small commodities in Yiwu City. As Yiwu's small commodity industry is still in a labor-intensive stage, a large part of its competitiveness comes from its relatively low prices, making it very sensitive to exchange rate fluctuations.

So, the author can roughly determine the current positioning and situation of Yiwu's small commodity industry, which is a semi-labor-intensive, all-category small commodity production system in the world factory environment of China. Its high quality and low price have won it the world market.

However, with the proposal of Made in China 2025 and the changes in domestic contradictions in China, labor-intensive industries alone cannot fully meet China's development needs. In addition, the emergence of a series of black swan and gray rhinoceros events in the world today has put new tests and requirements on the industrial system of small commodities in Yiwu.

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