

**The Role of
Small and Medium-Sized
Enterprises
in Exports to China:
A Statistical Profile**

Results from the 2001 Exporter Data Base



International Trade Administration
Trade Development
Office of Trade and Economic Analysis
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Preface

This report briefly outlines the export activities of U.S. small and medium-sized enterprises (SMEs) in the China market. Data presented here are for the year 2001—the latest available—and update 1999 figures previously made available by the International Trade Administration (ITA). All statistics contained in this report were generated from the Commerce Department's Exporter Data Base (EDB), which provides an annual statistical snapshot of U.S. exporters: their number, characteristics, and geographic distribution. The EDB is a joint ITA-Census Bureau project and is a cornerstone of ITA's Trade Data Enhancement Initiative, the goal of which is to develop and disseminate improved statistical information on U.S. international trade and its role in the U.S. economy.

A more detailed explanation of the EDB is contained in the technical notes appended to this report (see page 14). Additional information can be obtained by visiting the Census Bureau's Website at <http://www.census.gov/foreign-trade/aip/edbrel-0001.pdf>. Specific questions about the text, graphs, and tables in this paper should be directed to Kate_McCurdy@ita.doc.gov.

This report was prepared by staff of the Office of Trade and Economic Analysis, International Trade Administration. The information contained herein should not be construed as advocating or reflecting any policy position of the U.S. Department of Commerce or the International Trade Administration.

More Firms Are Exporting to China

A total of 15,054 U.S. firms are known to have exported merchandise to China in 2001—the last year for which data are available. This is a 25 percent increase from 1999 and more than triple the number in 1992, when 4,092 firms exported to China.

The number of known small and medium-sized enterprises (SMEs) that exported to China in 2001 totaled 12,880—up from 3,143 SMEs in 1992.

Eighty-six percent of all U.S. exporters to China in 2001 were SMEs. This is up from 1992, when 77 percent of exporters to the China market were SMEs.

Very small companies—i.e., those with fewer than 20 employees—made up 45 percent (nearly half) of all U.S. firms exporting to China in 2001. This is up from a 38 percent share in 1992.

Over the 1992–2001 period, the number of SMEs exporting to China rose faster than the number of SMEs exporting to any other major market.

The number of SMEs exporting to China has been rising much faster than the number of large companies. From 1992 to 2001 the number of SMEs exporting to China surged by 310 percent, compared to 129 percent for large-company exporters.

Wholesalers and other non-manufacturers constituted 56 percent of all SMEs exporting to China in 2001.

In all major product categories, SME exporters to China outnumber large firms. For example, SMEs made up 85 percent of all exporters of wood products to China in 2001. Other export sectors dominated by SMEs were apparel manufactures (80 percent of all exporters to China), computers & electronic products (79 percent), processed foods (79 percent), and machinery manufactures (78 percent).

SMEs exported merchandise to China from every state and the District of Columbia in 2001. More SMEs exported merchandise to China from California (4,387 firms) than from any other state. California was followed by New York (1,513 firms), Illinois (1,038 firms), Texas (997 firms), and New Jersey (701 firms).

China Is an Important Growth Market for SMEs

SMEs are known to have exported goods to China worth \$5.25 billion in 2001 (goods that can be linked to individual companies using information on U.S. export declarations). China was the seventh largest market for U.S. merchandise exports from SMEs.

SMEs are responsible for a significant share of U.S. exports to China. In 2001, SMEs generated 29.7 percent — more than one-fourth — of all known U.S. merchandise exports to China. This is roughly equal to the SME share of overall U.S. merchandise exports.

Small and Medium-Sized Enterprises Play a Key Role in Exports to China

From 1992 to 2001 the known value of SME exports to China rose 191 percent, making China the fourth fastest-growing major market for SMEs (behind Brazil, Switzerland, and Malaysia).

Measurable SME exports to China rose by more than \$3.4 billion during 1992–2001, the fourth largest dollar gain posted by SMEs to any major market.

Non-manufacturing companies dominate SME exports to China. In 2001, wholesalers and other non-manufacturing firms generated 69 percent of total SME exports to China.

SMEs Export a Wide Range of Goods to China

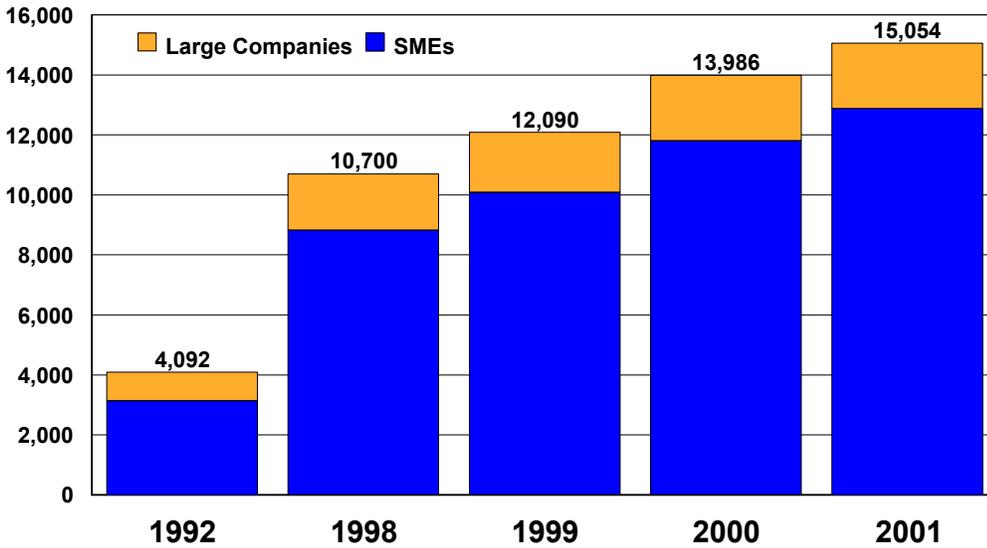
In 2001, computers & electronic products led SME exports to China with sales of \$1.0 billion, followed by machinery manufactures (\$722 million) and chemical manufactures (\$691 million). Other sizable SME exports to China included processed foods, transportation equipment, and electrical equipment, appliances, & parts.

SMEs account for a sizable share of exports to China in some product sectors. For example, SMEs were responsible for 93 percent of apparel manufactures exports to China in 2001. SMEs also accounted for a large share of U.S. exports to China of non-apparel textile products (62 percent) and petroleum & coal products (59 percent).

Small and Medium-Sized Enterprises Play a Key Role in Exports to China

Prepared by K. McCurdy
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THE NUMBER OF SMEs THAT EXPORT TO CHINA SURGED FROM 1992 TO 2001



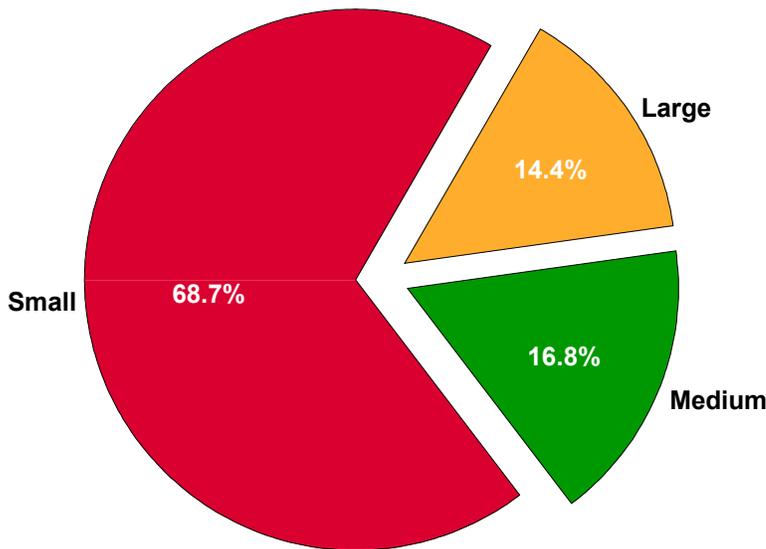
Notes: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large companies have 500 or more employees.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

86 PERCENT OF ALL U.S. FIRMS THAT EXPORTED TO CHINA IN 2001 WERE SMEs

15,054 U.S. Companies Exported Goods to China in 2001



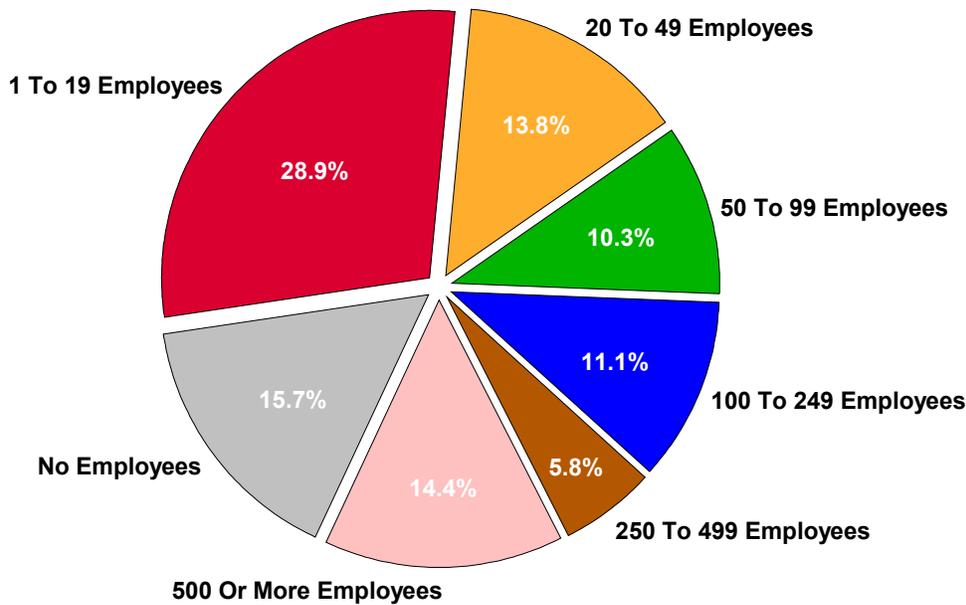
Definitions: Small = fewer than 100 employees; medium-sized = 100-499 employees; large = 500 or more employees.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

NEARLY HALF OF ALL U.S. FIRMS THAT EXPORTED TO CHINA IN 2001 HAD FEWER THAN 20 EMPLOYEES

15,054 U.S. Companies Exported Goods to China in 2001



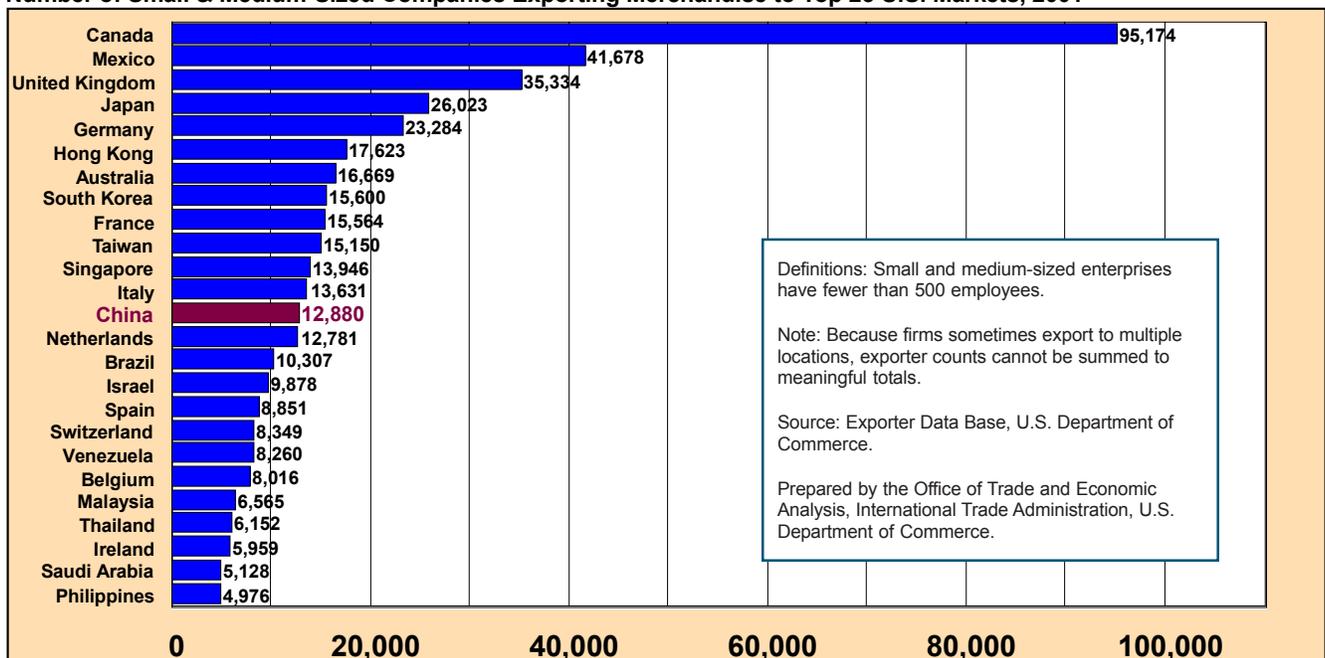
Note: "No Employees" includes sole proprietorships, start-ups, and firms that rely exclusively on temporary or seasonal help.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

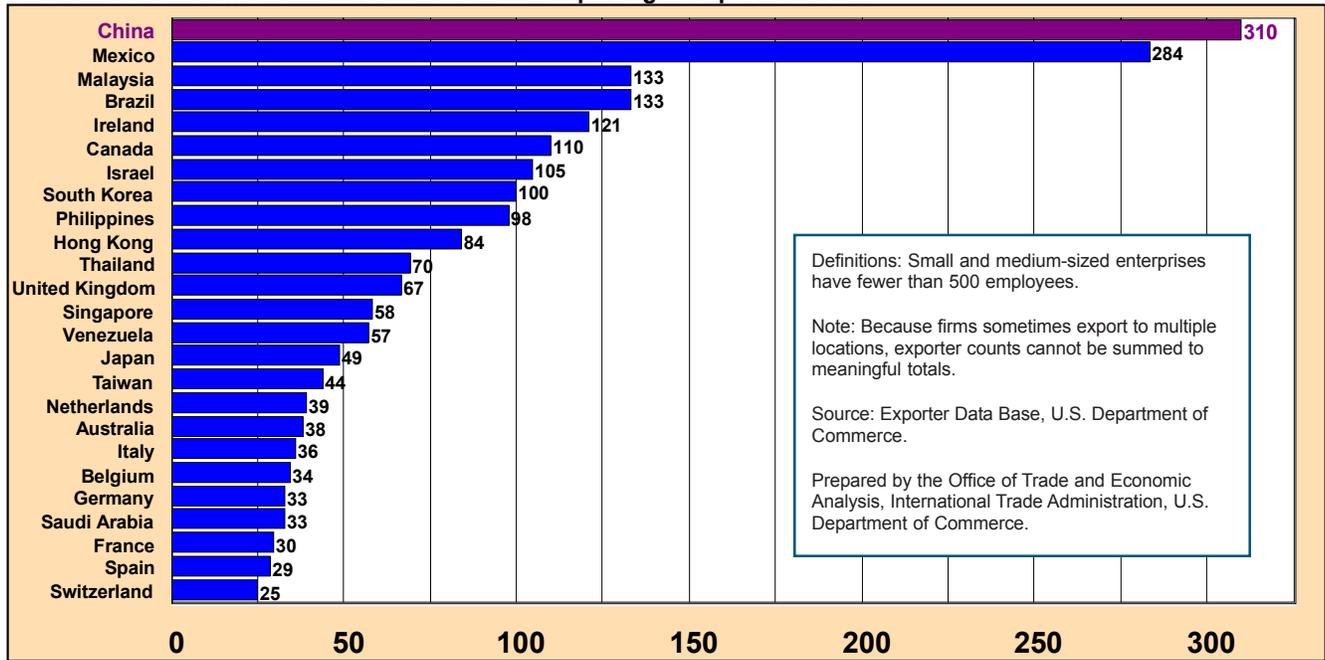
MORE THAN 12,000 SMEs EXPORTED GOODS TO CHINA IN 2001

Number of Small & Medium-Sized Companies Exporting Merchandise to Top 25 U.S. Markets, 2001



THE NUMBER OF SMEs EXPORTING TO CHINA IS SURGING

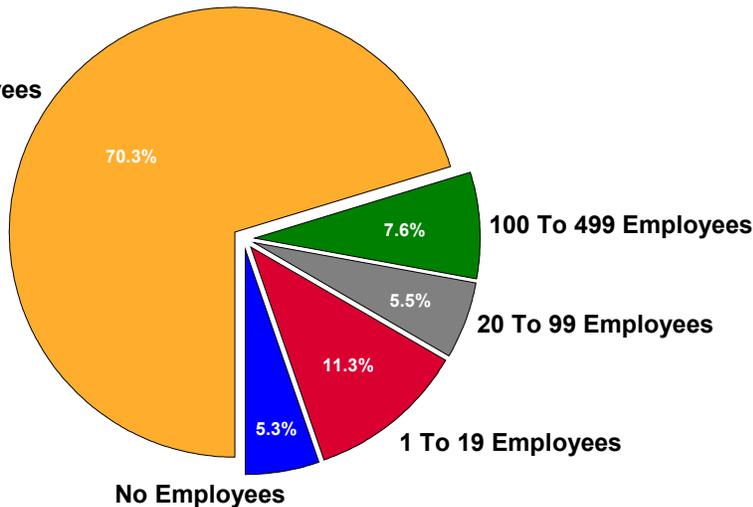
1992–2001 Percent Increases in Number of SMEs Exporting to Top U.S. Markets



SMEs GENERATED MORE THAN ONE-FOURTH OF U.S. EXPORTS TO CHINA IN 2001

Total Known Merchandise Exports to China from U.S. Companies in 2001 Were \$17.7 Billion

500 Or More Employees



Notes: "No Employees" includes sole proprietorships, start-ups, and firms that rely exclusively on temporary or seasonal help. Values include only identifiable or "known" exports—i.e., 2001 exports that can be linked to individual companies utilizing information on U.S. export declarations.

Source: Exporter Data Base, U.S. Department of Commerce.

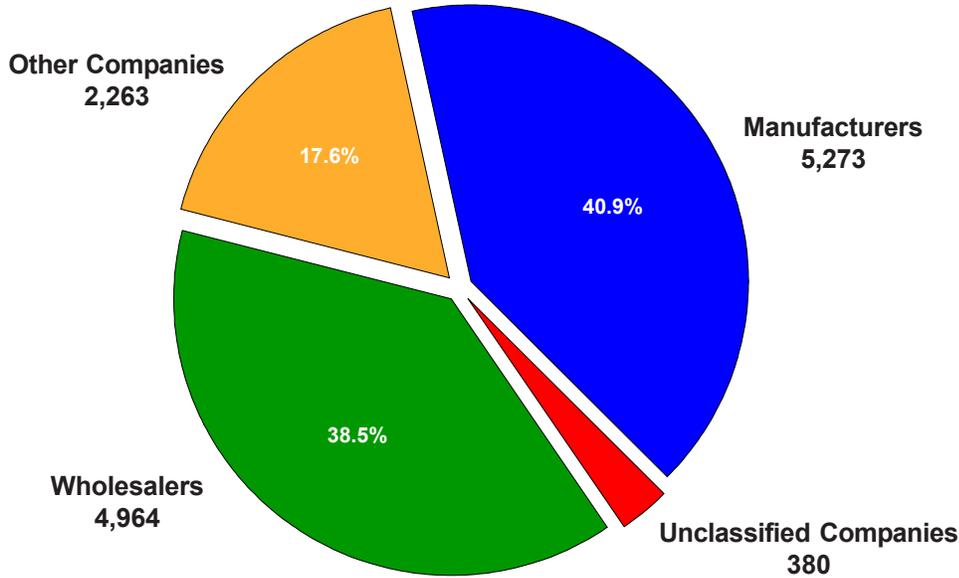
Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

56 PERCENT OF ALL SMEs EXPORTING TO CHINA ARE NON-MANUFACTURERS

12,880 SMEs Exported Goods to China in 2001

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

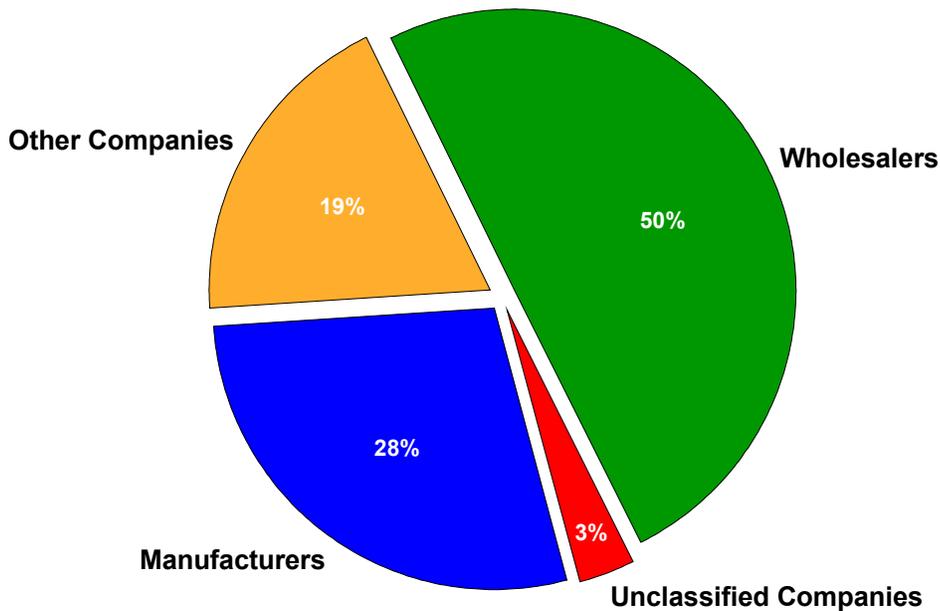


NON-MANUFACTURERS ACCOUNT FOR 69 PERCENT OF SME EXPORTS TO CHINA

The Known Value of SME Merchandise Exports to China in 2001 Was \$5.3Billion

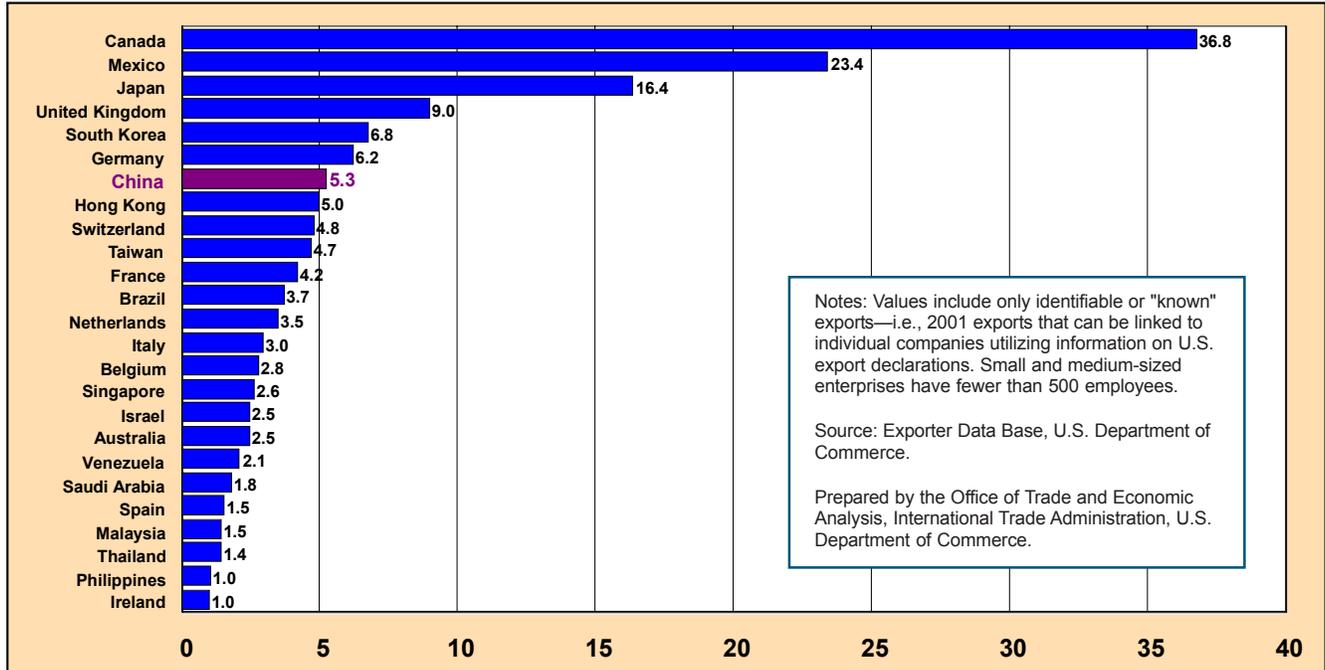
Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.



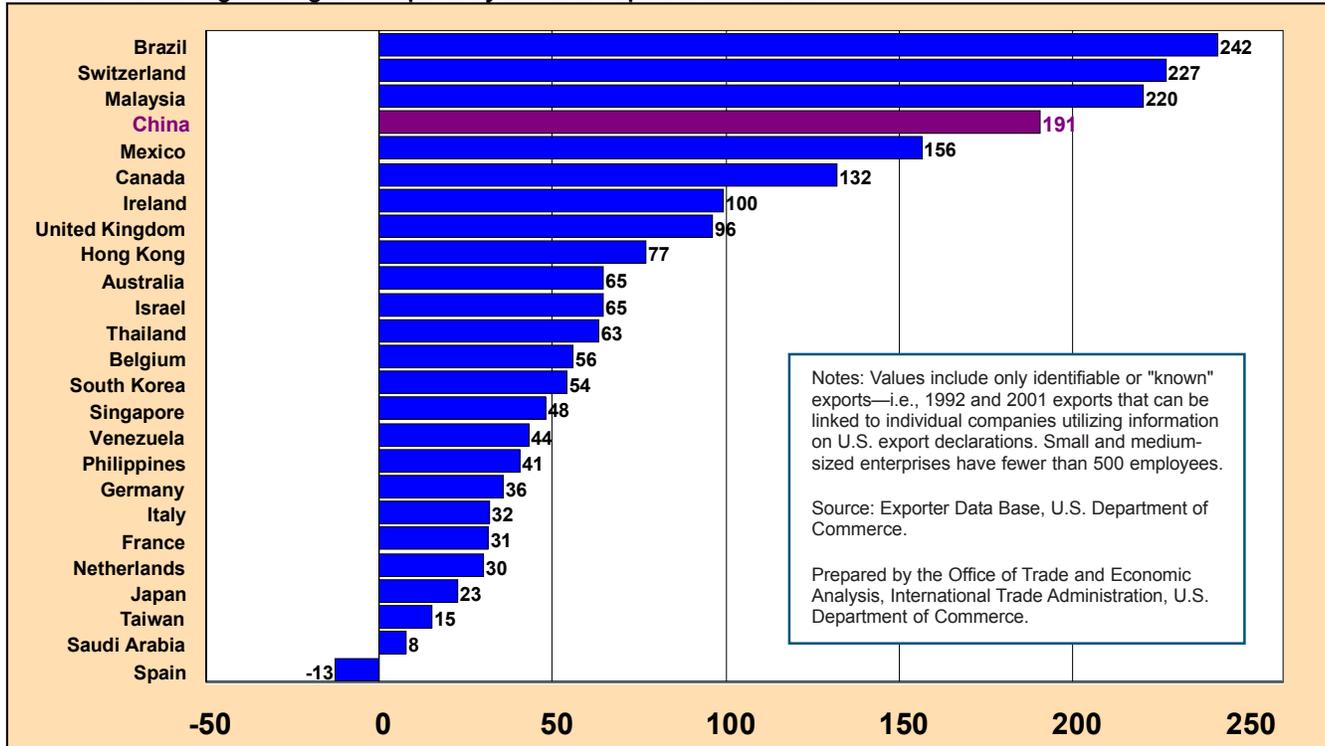
CHINA WAS THE SEVENTH LARGEST FOREIGN MARKET FOR SMEs IN 2001

Merchandise Exports by SMEs to Top 25 U.S. Markets in 2001, \$ Billions



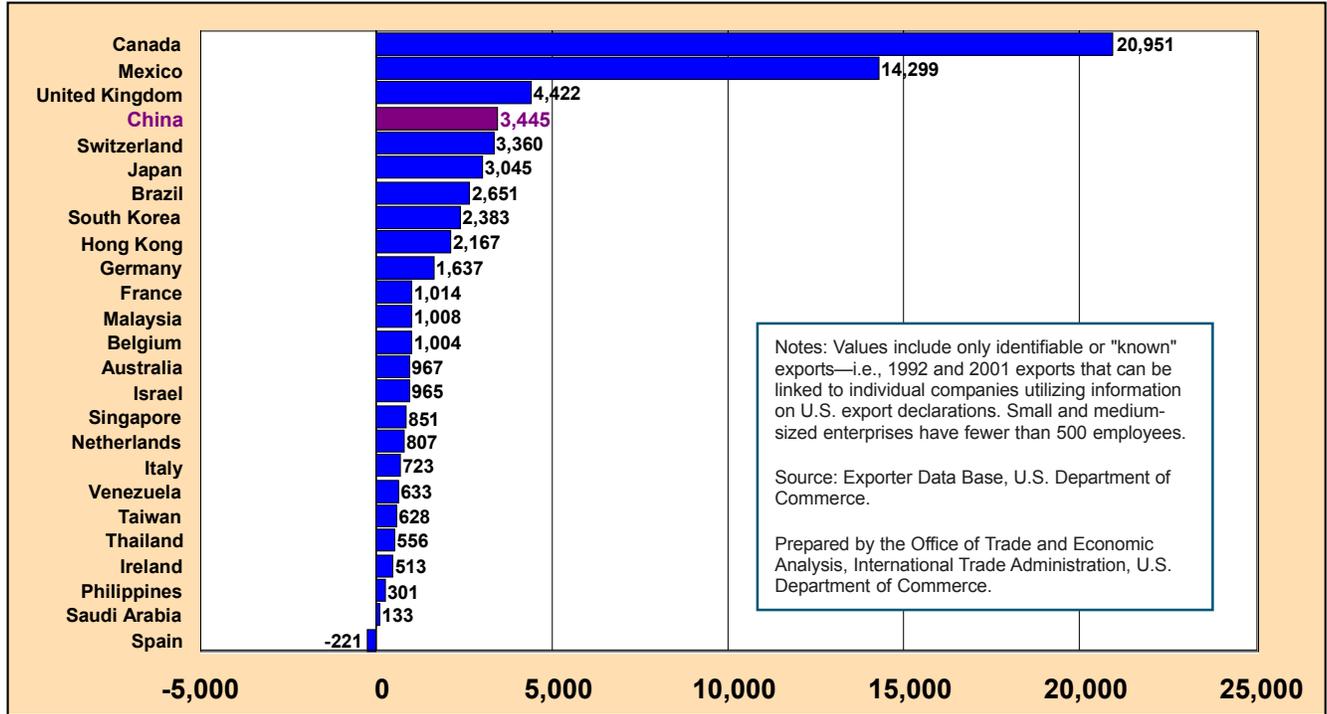
CHINA RANKS FOURTH AMONG SME GROWTH MARKETS

1992–2001 Percentage Changes in Exports by SMEs to Top 25 U.S. Markets



CHINA ACCOUNTED FOR THE FOURTH BIGGEST DOLLAR GAIN IN SME EXPORTS FROM 1992 TO 2001

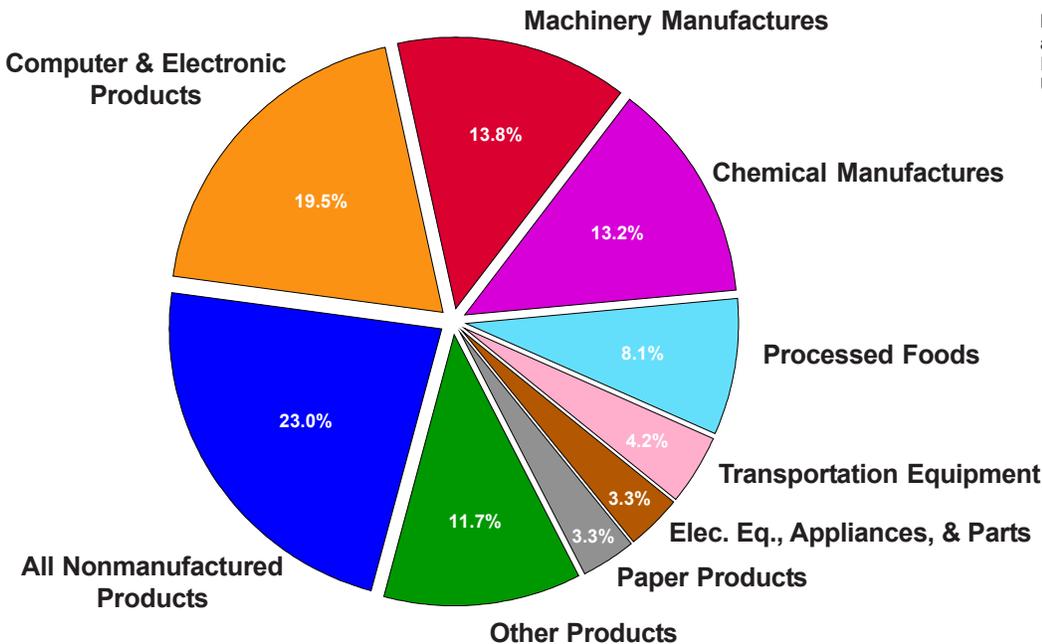
1992–2001 Dollar Changes in Exports by SMEs to Top 25 U.S. Markets, \$ Millions



COMPUTERS & ELECTRONIC PRODUCTS LEAD SME EXPORTS TO CHINA

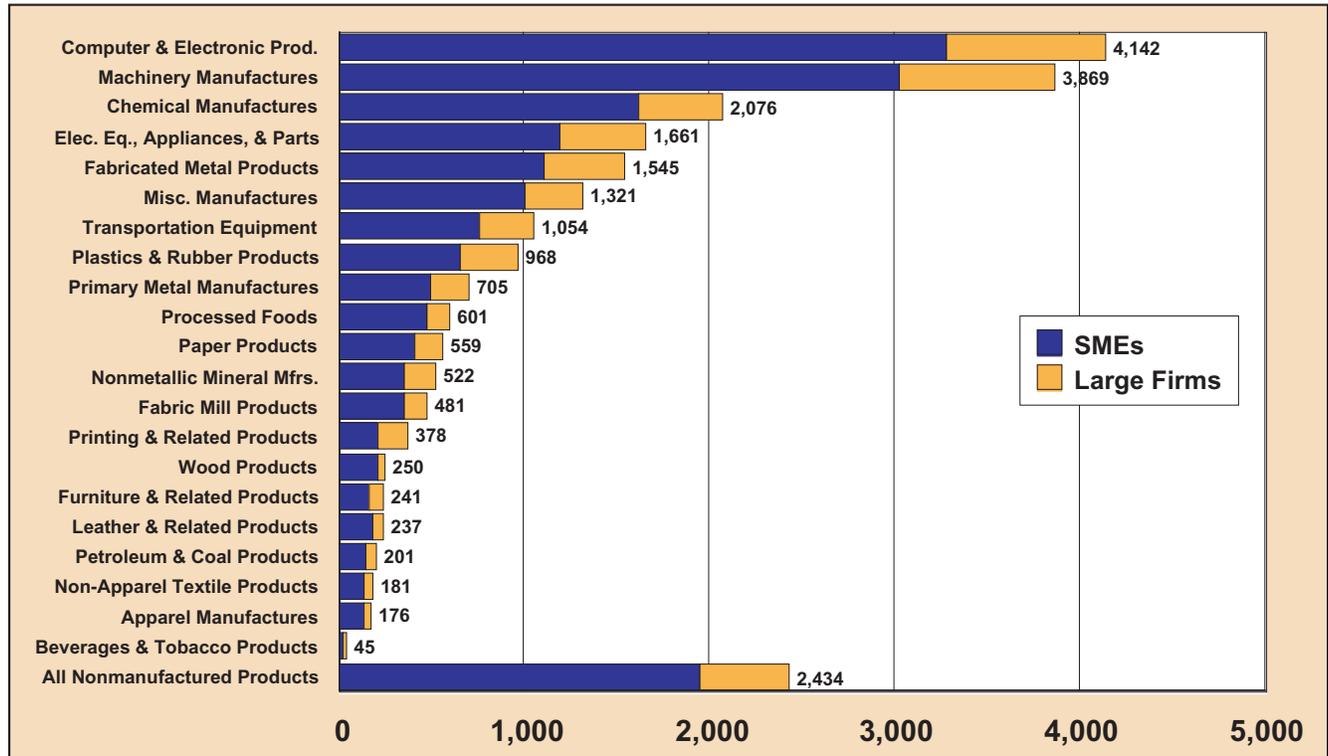
The Known Value of SME Merchandise Exports to China in 2001 Was \$5.3 Billion

Source: Exporter Data Base, U.S. Department of Commerce.



IN ALL PRODUCT SECTORS, MOST EXPORTERS TO CHINA ARE SMEs

Number of Firms Exporting to China by Company Size, 2001



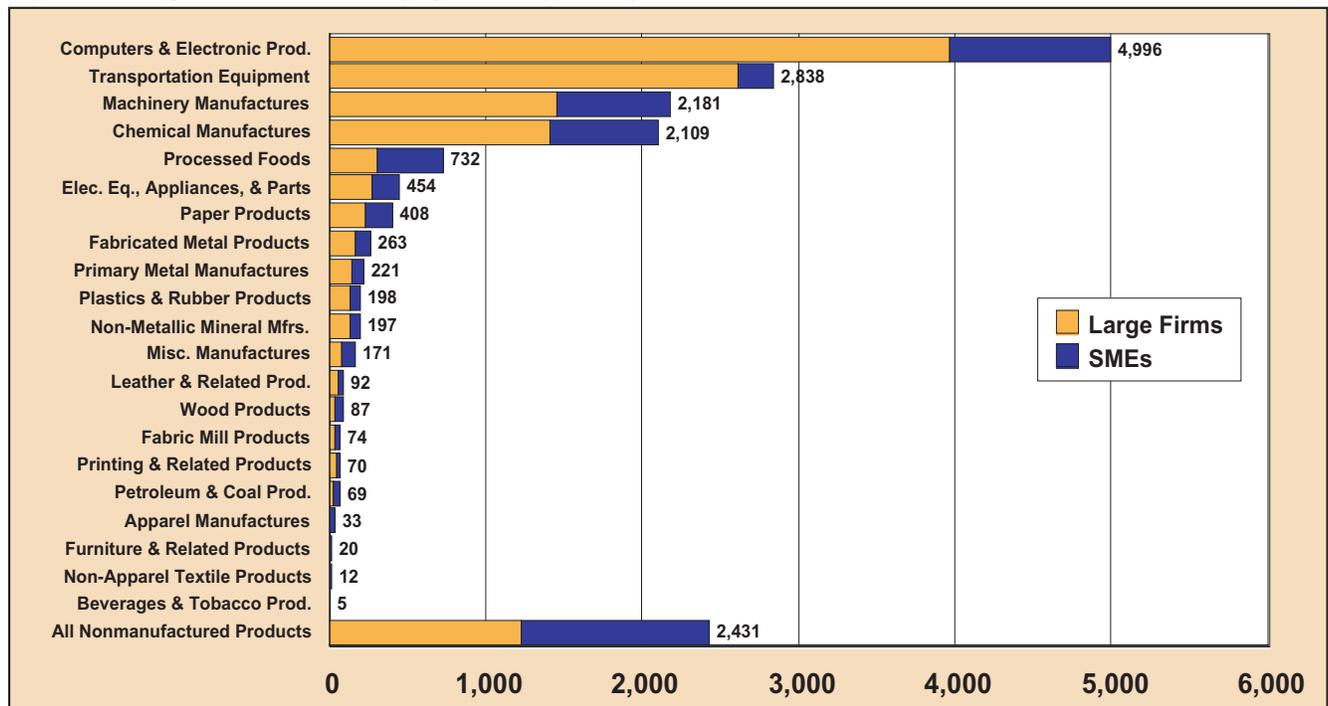
Notes: Small and medium-sized enterprises have fewer than 500 employees. Large companies have 500 or more employees. Because firms often export from more than one category, exporter counts cannot be summed to meaningful totals.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

IN MOST PRODUCT SECTORS, SMEs GENERATE A SIGNIFICANT SHARE OF EXPORTS TO CHINA

Exports to China by Product Sector and Company Size, 2001 (\$ Millions)



Notes: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees. Values include only identifiable or "known" exports—i.e., exports that can be linked to individual companies utilizing information on U.S. export declarations. The following export categories have been suppressed due to federal disclosure regulations: Transportation Equipment and Miscellaneous Manufactures.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.

Exporter Data Base: Technical Notes

All statistics in this report are from the Commerce Department's Exporter Data Base (EDB), which provides an annual statistical profile of U.S. exporting companies—including their number, size, industry composition, and geographic distribution. The EDB is a joint project of the Census Bureau and the International Trade Administration (ITA).

Latest available complete data from the EDB are currently for 2001.

The Exporter Data Base covers all enterprises that could be identified from Shippers' Export Declarations (SEDs) that were filed, per U.S. regulations, for merchandise exiting the country. To identify exporters from SEDs, the Census Bureau used Employer Identification Numbers and other SED information to link these documents to the bureau's Business Register (which contains information on company characteristics and locations).

All EDB statistics on exporters refer to companies, not establishments. Companies are legal entities that consist of one or more commercial establishments. Establishments are individual business units, or locations, where economic activity takes place. Establishments include, for example, factories, warehouses, and retailing facilities. The terms "company," "enterprise," and "firm" are used interchangeably in this report. The EDB includes both U.S.-domiciled companies and U.S. affiliates of foreign firms that export goods from the United States.

The linkage process outlined above yielded a 2001 Exporter Data Base of 238,284 exporting firms, accounting for 85 percent of measurable merchandise export value. Export documents accounting for 15 percent of export value could not be linked to the companies that filed the forms due to a variety of factors—e.g., misreporting by firms, errors in collection and processing, and coverage problems.

Because of the inability to link all SEDs to the firms that filed the documents, the EDB may slightly understate the total number of exporters, especially as regards small companies with only a few export transactions. Nevertheless, the EDB likely captures almost all significant exporters. This is because only one valid export declaration is needed to link an exporter to Census data bases. If a company submits 1,000 export declarations and all but one are invalid, the company is still captured by the EDB.

Due to improvements in methodology and data collection, the 2001 match rate of 85 percent (by value) was 7 percentage points higher than the 1992 match rate of 78 percent. As a result, changes in the number of exporters over the 1992–2001 period should be interpreted with some caution. Some portion of the increase in the exporter population was undoubtedly the by-product of measurement enhancements; however, the extent of the effect is unknown. Whatever the impact, overall trends documented by the EDB are fully corroborated by a large body of anecdotal evidence reported in the media and by an upsurge in U.S. companies seeking assistance from government export promotion agencies.

Exporter Data Base: Technical Notes

EDB data on individual firms—including company names and addresses—are not available to the public due to federal regulations which prohibit public release of confidential business information provided to the U.S. government. All data in this report, as well as in EDB statistical tables available from Census, are in anonymous form. All numbers have been aggregated to a level where individual firms cannot be identified. For data users who desire exporter names and addresses, a number of commercial data base alternatives are available.

The EDB only captures companies that have at least one export shipment during the year valued at \$2,501 or more. The EDB tracks only exporters of merchandise—i.e., goods. Firms that export services only are excluded. However, service companies (wholesalers, retailers, engineering and architectural firms, etc.) that also export goods are included.

All businesses included in the EDB are *direct* exporters—i.e., entities that ship merchandise from their factories (or other facilities they own) to a foreign destination. Excluded from the EDB are so-called "indirect" exporters whose export role is limited to (1) providing components or other inputs to businesses engaged in export production and marketing or (2) supplying goods to independent intermediaries which, in turn, market the products internationally.

Companies in this report are classified according to employment size ranges. There are no universally accepted guidelines for classifying companies by size. Classification criteria tend to vary with analytical purpose and organizational mission. For the purposes of this report, small firms are defined as those with fewer than 100 employees (very small firms are those with fewer than 20 employees). Medium-sized firms employ from 100 to 499 workers. Large firms are those with 500 or more employees.

Companies in this report are divided into three categories: manufacturers, wholesalers, and "other companies." Company type for single-location companies is based on the North American Industry Classification System (NAICS). Manufacturers are firms that fall into NAICS classifications 31 to 33. Wholesalers fall into classification 42, as do brokers, agents, and similar entities primarily engaged in the distribution of goods to businesses. The term "other companies" embraces all remaining NAICS categories. Included here are resource extraction companies, retailers, freight forwarders, engineering firms, and miscellaneous service companies that often market goods abroad and act as exporters of record. Firms for which a valid NAICS code was not available are labeled "unclassified companies."

Export product categories referenced in this report are on a NAICS basis. For information on the types of products contained in individual NAICS categories, consult the Census Bureau's Internet site at <http://www.census.gov/epcd/naics/naicscod.txt>.

Many companies export products that fall into more than one NAICS category. It follows that such companies can be represented multiple times in tables and graphs that profile exporters by type of product exported. This means that one cannot simply sum up exporters in various product categories to arrive at totals.

Exporter Data Base: Technical Notes

Any EDB statistics in this report that profile exporters at the state level were compiled on an Origin of Movement (OM) basis. Tabulations on an OM basis assign exporters to states based on the transportation origin of the goods as specified on export declarations. Transportation origin is defined as the state from which the merchandise began its journey to the port (or other point) of exit from the United States.

The Origin of Movement—the state where the export journey begins—is not necessarily the location of export production or sale. While the locations of the export sale, production, and shipment *often* coincide, they do not *always* coincide. This is especially true for non-manufacturing companies, which were responsible for 27.3 percent of U.S. goods exports in 2001. Small wholesalers, for example, frequently sell products from one site but obtain the merchandise from unaffiliated out-of-state manufacturers. Many large multi-unit companies (manufacturers and non-manufacturers alike) often disperse essential business functions—production, sales, shipment processing—among several states. This is significant because multi-unit firms, while in the minority among exporters, nevertheless generate about 79 percent of total U.S. merchandise export value.

Because of the preceding factors, OM-based state trade data should be interpreted cautiously. This is especially true with respect to reported exports of states bordering Canada and Mexico, two of our largest trade partners. Because of the growing integration of North American industrial production, a significant but unquantifiable portion of border-state exports to Mexico and Canada represents warehouse and cargo processing activity, not export-oriented manufacturing activity indigenous to the states concerned.

While the limitations of the OM data introduce some uncertainty into interpretation, these statistics can nevertheless yield useful insights into export production patterns if used judiciously and if corroborated by other, independent information sources on state exports. This is possible because the vast majority of exporters typically conduct all corporate functions—production, marketing, shipping—at the same site. Eighty-seven percent of all 2001 exporters, and 90 percent of small and medium-sized exporters, were single-establishment companies.

Exporter counts shown for states cannot be summed to arrive at national or regional totals. To do so often results in double-counting, because some exporting companies—especially large multi-establishment firms—frequently export from multiple locations.

All statistics in this report regarding the number of employees in exporting companies refer to the total number of workers, not just workers whose jobs are supported by exports. “Employment” also refers to part-time as well as full-time workers on a firm’s payroll during Census Bureau reporting periods.

All export value data in this report are on an f.a.s. (free alongside ship) basis and include both domestic exports and re-exports of foreign merchandise.

Statistics in graphs and text have been rounded to enhance readability. For this reason, details may sometimes not add exactly to totals.