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Small Medium Enterprises (SMEs) Play an Imperative Role in Trade Small Medium Enterprises (SMEs) Play an Imperative Role in Trade
Recent business reports have demonstrated that SMEs play a bigger role in trade than proposed by previous statistics. SMEs are a proficient player in foreign trade and in the labor sectors (Lloyd-Reason and Sear, 2007). This presentation seeks to give a better understanding of the impact of SMEs in business. Additionally, it identifies the impediments and trade barriers affecting SMEs performance.
SMEs contribute largely to labor productivity and revenue in the manufacturing and service sector. Multinational companies sell their products to foreign customers through associates, on the contrary, SMEs trade directly to foreign markets. This increases efficiency and saves on time in business transactions (USTR, 2010). In 2007, SMEs contributed $480 billion value of goods and services sold in the foreign market (USTR, 2010). This amounted to approximately 41% of the total exports that year (USTR, 2010). SMES account for nearly 40% of the export related jobs in the US (USTR, 2010). This further shows the importance of SMEs in trade and the economy. There are trade barriers that adversely affect performance of SMES. First, there are discriminatory policies with regards to SMEs. For instance, they may lack the financial resources and expertise to compete in international markets. Second, SMEs are faced by higher taxes as they contribute largely to the manufacturing industry (USTR, 2010). Third, they encounter challenges in standards and certification through licensing and inadequate property protection.
In a nutshell, SMEs play a vital role in domestic and foreign trade. The government should therefore review the policies governing them to promote their growth and development for greater benefit of intensified trade.
References
Lloyd-Reason, L., & Sear, L. (2007). Trading places-SMEs in the global economy: A critical research handbook. Edward Elgar Publishing.
USTR (2010, November). Smaller exporters play large role in trade. Retrieved from http://www. ustr. gov/about-us/press-office/press-releases/2010/november/smaller-exporters-play-large-role-trade