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The Internationalisation Challenges of Chinese SMEs: Formation Mechanisms and Governance Pathways

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Abstract: Against the backdrop of expanding foreign trade, a rising share of private enterprises and rapid growth in cross-border e-commerce, the internationalisation of Chinese SMEs shows a dual pattern: more market entry points and deeper capability constraints. Evidence from the General Administration of Customs, the Ministry of Industry and Information Technology, the World Bank, the WTO, UNCTAD, ADB and EU regulatory materials, combined with gradual internationalisation theory, global value-chain analysis and the born-global literature, indicates that the difficulties facing SMEs do not stem from a lack of overseas demand. They arise from a structural mismatch between firm capabilities and external rules. Low-price orders can lock firms into lower positions in global value chains; data-intensive compliance rules raise fixed costs; insufficient trade finance worsens cash-flow pressure; platform-based internationalisation weakens the accumulation of customer assets; and weak organisational capability prevents experience from becoming sustained competitiveness. Governance should therefore shift from entry indicators, such as export value, store numbers and trade-fair participation, to capability indicators, such as profit margins, collection cycles, compliance completeness, repurchase rates, financing coverage and after-sales response. Sectoral compliance tools, scenario-based trade finance, public services for industrial clusters and stronger internal governance can help Chinese SMEs move from 'products going global' to 'capabilities going global'.

Keywords: SMEs; Internationalisation; Global Value Chains; Trade Finance; Compliance Costs

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1. Introduction

The internationalisation of small and medium-sized enterprises (SMEs) is an important component of high-quality development in China's foreign trade, but it should not be reduced to export expansion or the growth of cross-border platform transactions. In 2025, China's total goods trade reached RMB 45.47 trillion, while private enterprises accounted for 57.3% of total imports and exports (General Administration of Customs, 2026). These figures show that private and SME-related business entities have become increasingly important in the foreign-trade system. At the same time, the World Bank's China Enterprise Survey reports that only 4% of firms in the China sample export directly, below the 8% observed in East Asia and the Pacific and the 9% observed in upper-middle-income economies (World Bank, 2025). This gap indicates that the cross-border movement of products does not automatically mean that firms directly control overseas customers, channels, pricing, compliance or after-sales capabilities.

Theoretically, SME internationalisation involves at least three sets of capabilities. The first is market knowledge and commitment: the gradual internationalisation model argues that firms reduce uncertainty in foreign markets through accumulated experience (Johanson & Vahlne, 1977). The second is ownership advantage and internalisation capability: the eclectic paradigm suggests that firms without transferable technology, brands or organisational advantages find it difficult to obtain stable returns from internationalisation (Dunning, 1988). The third is value-chain position and governance capability: global value-chain research shows that buyer-driven structures can constrain suppliers' upgrading space (Gereffi et al., 2005). Accordingly, SME internationalisation should not be treated as a single act of exporting; it should be understood as a process through which firms develop customer, channel, financing, compliance, after-sales and brand capabilities in overseas markets.

Existing studies explain SME internationalisation through different but complementary routes. Gradual internationalisation emphasises experience accumulation and risk control, whereas the born-global literature shows that some firms internationalise early and rapidly through innovation, networks and entrepreneurial capabilities (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004; Cavusgil & Knight, 2015). For Chinese SMEs, the central question is not simply whether internationalisation is fast or slow, but whether the process leaves behind capabilities that can be replicated. If a firm obtains short-term orders mainly through low prices, a single customer or platform traffic, the quality of its internationalisation remains limited.

Evidence from the General Administration of Customs, the Ministry of Industry and Information Technology, the World Bank, the WTO, UNCTAD, ADB and EU regulatory materials points to a coexistence of aggregate expansion and capability insufficiency in the internationalisation of Chinese SMEs. Behind foreign-trade resilience lies a clear micro-level gap: orders do not necessarily generate profits; platform entry does not necessarily create customer assets; and export scale does not necessarily imply upgrading in global value chains. Focusing only on export value or platform transaction value can obscure operating costs related to payment periods, compliance, financing and after-sales services.

SMEs are also highly heterogeneous and should not be treated as a uniform group. Public statistics can reveal the scale of foreign trade, market structure, cross-border e-commerce and firm-survey results, but they cannot fully capture each firm's profit margin, compliance expenditure or payment arrangements. A small number of specialised and sophisticated firms have strong advantages in niche markets, while a large number of ordinary SMEs still face low-price competition, weak financing access and insufficient compliance capacity. Recognising this stratification is consistent with the research tradition on SME heterogeneity (Lu & Beamish, 2001; OECD, 2009).

The tension between macro-level trade resilience and micro-level firm constraints is therefore central to understanding the internationalisation difficulties of Chinese SMEs. Total foreign-trade volume, the share of private enterprises and the growth of cross-border e-commerce show that market opportunities remain available. Yet direct export participation, access to bank loans, the trade-finance gap and the tightening schedule of green rules indicate that firms can benefit from internationalisation only when they possess specific capabilities. Low-price competition, compliance costs, trade finance, platform dependence and organisational capability are not separate issues; they interact within the same operating process.

Table 1. Number and Quality Tiers of Chinese SMEs

Indicator	Publicly reported basis	Value	Interpretation
Registered SMEs	End of 2024	More than 60 million	A very large population; support cannot be confined to a small group of leading firms.
Technology-based and innovative SMEs	Public reports in 2025	More than 600,000	A pool of technological potential that still needs channels and compliance capabilities.
Specialised and sophisticated SMEs	Public reports in 2025	More than 140,000	Stronger capacity in niche markets.
Specialised and sophisticated "little giant" firms	Public reports in 2026	About 17,600	The leading group is expanding, but it remains a minority.

Source: Compiled from public releases by the Ministry of Industry and Information Technology, Xinhua News Agency and China Government Network.

2. Data Evidence

China's overall foreign trade continues to show considerable resilience. Total goods trade increased from RMB 43.85 trillion in 2024 to RMB 45.47 trillion in 2025, while exports rose from RMB 25.45 trillion to RMB 26.99 trillion (China Government Network, 2025; General Administration of Customs, 2026). Imports and exports by private enterprises increased from RMB 24.33 trillion to RMB 26.04 trillion, raising their share of total trade from 55.5% to 57.3%. Private enterprises have thus become a major body of foreign-trade growth, but they also bear more of the pressure from external demand fluctuations, trade frictions, payment-period risks and compliance costs. Meanwhile, China has a large SME population with marked quality stratification. By the end of 2024, more than 60 million SMEs were registered. By 2025-2026, there were more than 600,000 technology-based and innovative SMEs, more than 140,000 specialised and sophisticated SMEs, and about 17,600 specialised and sophisticated 'little giant' firms (MIIT-related releases, 2026). The group with technological, professional and niche-market capabilities is expanding, but it remains small relative to the overall SME population. Internationalisation support that focuses only on leading firms cannot address the financing, compliance and channel constraints faced by a much broader population of enterprises.

Market structure and channel forms are changing at the same time. In 2025, China's trade with Belt and Road countries reached RMB 23.6 trillion, accounting for 51.9% of total foreign trade. Trade with ASEAN, the European Union, Latin America and Africa reached RMB 7.55 trillion, RMB 5.93 trillion, RMB 3.93 trillion and RMB 2.49 trillion, respectively (General Administration of Customs, 2026). Market diversification can reduce dependence on a single market, but it also increases institutional complexity. ASEAN markets involve regional supply-chain coordination and rules of origin; the European Union involves green, data and product-safety rules; and Latin American and African markets place greater weight on payment credit, exchange-rate risk, political risk and after-sales services. Cross-border e-commerce has also created new market entry points for SMEs. China's cross-border e-commerce imports and exports reached RMB 2.63 trillion in 2024, up 10.8% year on year, and RMB 2.75 trillion in 2025, 69.7% higher than in 2020 (China Government Network, 2025; General Administration of Customs, 2026). Yet the expansion of platform transactions does not equal the enhancement of firm-level internationalisation capability. Platforms control traffic, reviews, advertising, payments and account governance; firms without brand recognition, independent customer pools and after-sales systems may remain dependent on platforms. Born-global research also stresses that rapid internationalisation depends on innovation and organisational capability rather than channel convenience alone (Knight & Cavusgil, 2004).

Micro-level survey evidence further reveals the structural gap behind macro-level foreign-trade resilience. The World Bank (2025) shows that only 4% of firms in the China sample export directly, while the average time to clear exports through customs is three days, much better than the regional and income-group comparators. This suggests that customs efficiency is not the main constraint; the key issue is whether firms directly control overseas customers, market knowledge and brand premiums. If a firm participates in foreign trade only as an indirect supplier, its products may enter overseas markets, but customer relationships and market capabilities do not necessarily remain within the firm. The global environment also combines opportunities and constraints. UNCTAD estimates that global trade reached about USD 35 trillion in 2025, roughly USD 2.5 trillion more than in 2024 (UNCTAD, 2026). The WTO forecasts that world merchandise trade volume growth will fall from 4.6% in 2025 to 1.9% in 2026, and could fall to 1.4% under an energy-shock scenario. The share of trade covered by the most-favoured-nation principle also declined from about 80% in 2024 to about 72% in early 2026 (WTO, 2026). Global trade has not stopped growing, but rule fragmentation and uncertainty are raising entry costs for resource-constrained firms.

Taken together, these data show that facilitation and complication are occurring simultaneously. On the one hand, customs efficiency has improved, digital platforms have expanded and international market information is easier to obtain. On the other hand, carbon border adjustment, supply-chain due diligence, platform compliance, intellectual property protection and consumer-rights rules are becoming more demanding. Facilitation determines whether transactions can occur; complication tests whether firms can operate sustainably. For SMEs, the latter is often more difficult, because sustainable operation requires organisational processes, compliance records, financing arrangements and after-sales systems. These are precisely the areas in which many firms are weakest. Foreign-trade aggregates therefore cannot be used as a substitute for firm performance. Growth in total trade may include many low-margin orders; growth in cross-border e-commerce may come with higher advertising costs and return rates; and market diversification may simultaneously introduce country risk and payment risk. Without indicators such as profit margins, payment periods, repurchase rates, return rates and financing coverage, it is difficult to judge whether firms have achieved high-quality internationalisation. Tables 1 to 8 jointly indicate that macro-level resilience must be converted into firm-level operating capability.

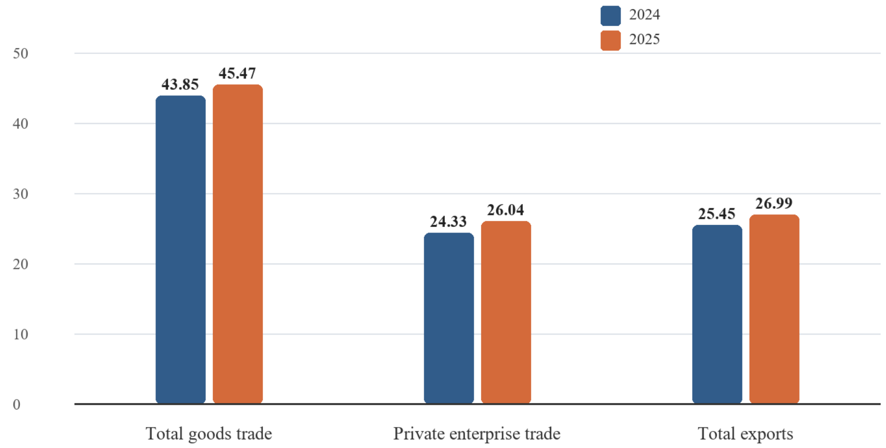
Chinese SMEs do not lack market entry points so much as they face a mismatch of capabilities. More than 60 million SMEs constitute a broad base of market actors, while only about 17,600 specialised and sophisticated 'little giant' firms have developed stronger international competitiveness through technology, specialisation and niche advantages (MIIT-related releases, 2026). This does not mean that ordinary SMEs have no possibility of internationalisation; rather, policy should not generalise the experience of a few leading firms to the entire population. Support should be stratified by technological capability, market capability and organisational capability. Market diversification also does not automatically reduce risk. Moving from European and American markets to ASEAN, Latin America or Africa may reduce dependence on one market, but it also introduces new tax, legal, payment, logistics and after-sales arrangements. Zaheer's (1995) liability of foreignness is relevant here: firms entering unfamiliar institutional environments must bear information, coordination and legitimacy costs. Cross-border e-commerce requires the same caution. Platforms lower entry thresholds, but they do not necessarily create customer assets. Oviatt and McDougall (1994) emphasise that international new ventures require resource-integration capability, which means that platform entry is not itself a competitive advantage. The decisive issue is whether a firm can transform entry into customer, brand and organisational capabilities.

Table 2. China's Foreign Trade and Private Enterprise Contribution, 2024-2025

Indicator	2024	2025	Change
Total goods trade	RMB 43.85 trillion; +5.0%	RMB 45.47 trillion; +3.8%	A new record high, with a slower growth rate.
Total exports	RMB 25.45 trillion; +7.1%	RMB 26.99 trillion; +6.1%	Exports remained the main source of resilience.
Total imports	About RMB 18.40 trillion	RMB 18.48 trillion; +0.5%	Import growth remained relatively weak.
Private enterprise trade	RMB 24.33 trillion; +8.8%	RMB 26.04 trillion; +7.1%	Private firms carried a larger share of growth responsibilities.
Private enterprises' share of total trade	55.5%	57.3%	Their position as a major trading body continued to rise.

Source: Compiled from public data released by the General Administration of Customs, China Government Network and China Economic Net.

Figure 1. China's Goods Trade Scale and Private Enterprise Contribution, 2024-2025



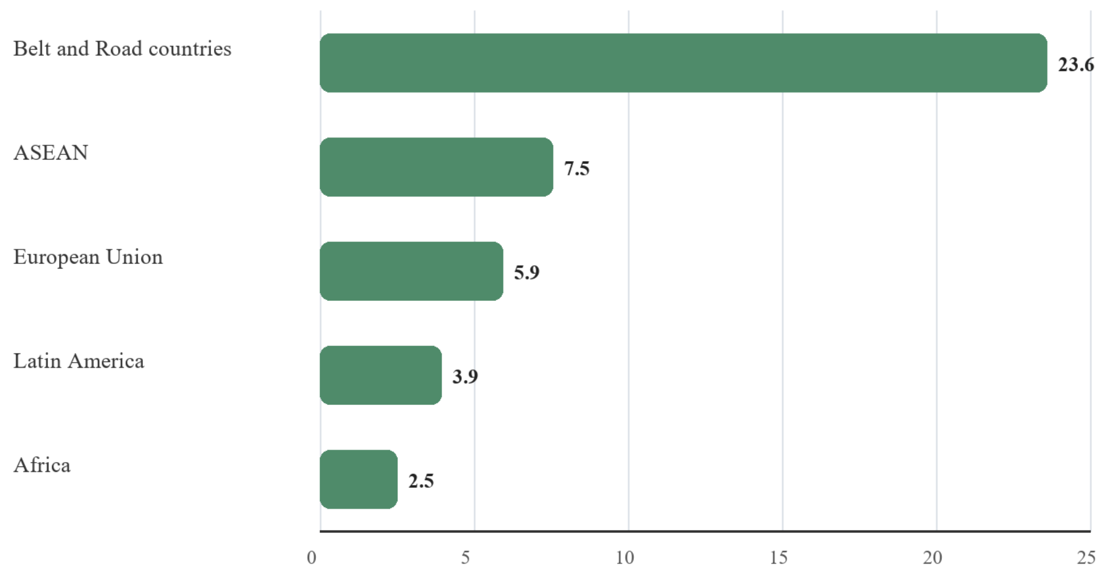
Source: Compiled from public data released by the General Administration of Customs and the State Council Information Office; unit: RMB trillion.

Table 3. Import and Export Scale of Key Markets in 2025

Market	Scale	Year-on-year growth	Risk implication
Belt and Road countries	RMB 23.6 trillion	+6.3%	Market expansion, but larger cross-country institutional differences.
ASEAN	RMB 7.55 trillion	+8.0%	Supply-chain cooperation and localisation requirements coexist.
European Union	RMB 5.93 trillion	+6.0%	Dense green, data and product-safety rules.
Latin America	RMB 3.93 trillion	+6.5%	Higher pressure from exchange rates, credit and logistics cycles.
Africa	RMB 2.49 trillion	+18.4%	High growth, but prominent after-sales and payment risks.

Source: Compiled from the General Administration of Customs' full-year 2025 foreign trade release.

Figure 2. Import and Export Scale of Key Markets in 2025



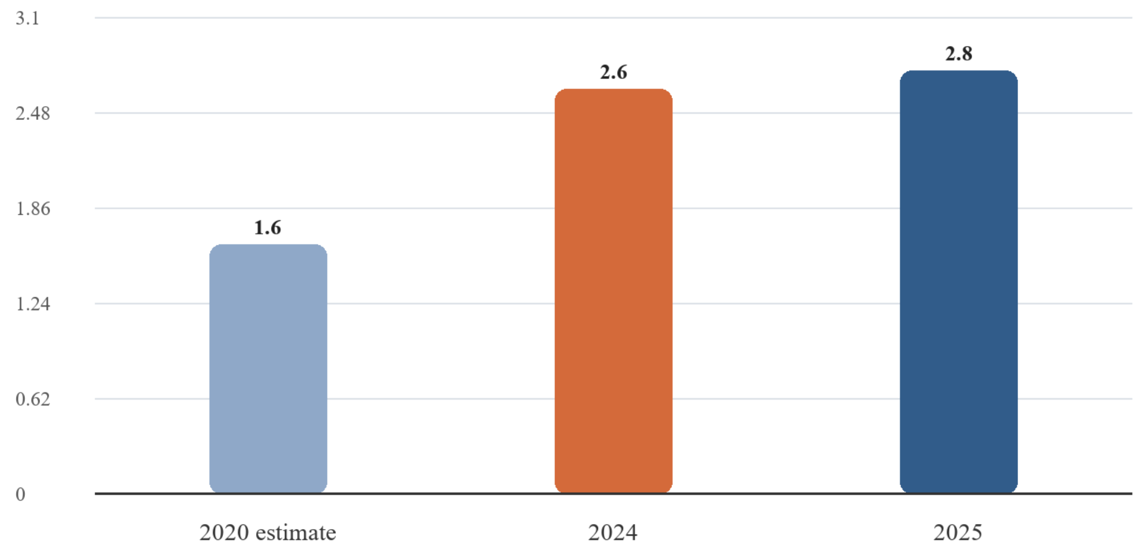
Source: Compiled from the General Administration of Customs' full-year 2025 foreign trade release; unit: RMB trillion.

Table 4. Changes in Cross-Border E-Commerce Import and Export Scale

Year	Scale	Change	Implication
2020	About RMB 1.62 trillion	Derived from the statement that 2025 was 69.7% higher than 2020	The digital-channel base was already substantial.
2024	RMB 2.63 trillion	+10.8%	Platform-based entry continued to expand.
2025	RMB 2.75 trillion	+69.7% compared with 2020	Transaction growth does not equal the accumulation of customer assets.

Source: Compiled from public data released by the General Administration of Customs and China Government Network; the 2020 value is derived from 2.75/1.697.

Figure 3. Changes in China's Cross-Border E-Commerce Import and Export Scale



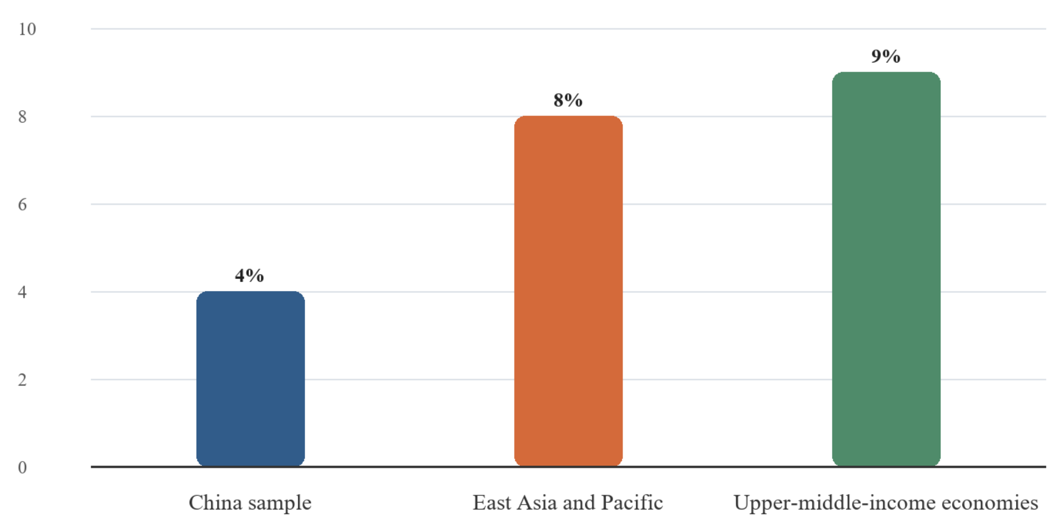
Source: Compiled from public data released by the General Administration of Customs and China Government Network; the 2020 value is derived from 2.75/1.697; unit: RMB trillion.

Table 5. Micro-Level Gaps in the World Bank China Enterprise Survey

Indicator	China 2024	East Asia and Pacific	Upper-middle-income economies	Implication
Share of firms exporting directly	4%	8%	9%	Direct firm-level internationalisation remains low.
Average days to clear exports through customs	3 days	9 days	10 days	Customs clearance is not the main bottleneck.
Average days to clear imports through customs	11 days	7 days	11 days	Import lead time still affects production scheduling.
Small firms with bank loans	22%	-	-	Small firms face evident financing disadvantages.
Medium-sized/large firms with bank loans	46%/46%	-	-	Access to credit is strongly stratified by size.

Source: World Bank Enterprise Surveys, China 2024 Country Profile.

Figure 4. International Comparison of Firms' Direct Export Participation



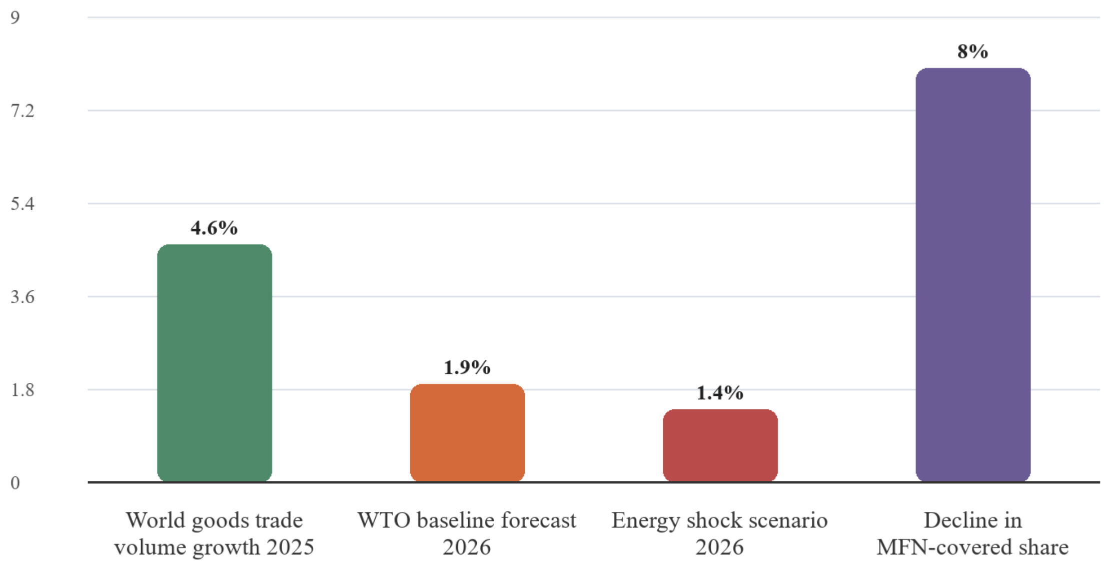
Source: World Bank Enterprise Surveys, China 2024 Country Profile.

Table 6. Global Trade and Rules Environment

Variable	Value or node	Interpretation
Global trade scale	About USD 35 trillion in 2025	The aggregate volume was still expanding.
Increase in global trade	About USD 2.5 trillion more than in 2024	Market opportunities still existed.
World merchandise trade volume growth	4.6% in 2025; WTO baseline forecast of 1.9% in 2026	Growth was expected to slow.
Energy shock scenario	May fall to 1.4% in 2026	External shocks could still compress orders.
MFN-covered trade share	About 80% in 2024; about 72% in early 2026	Rule fragmentation was becoming more visible.

Source: UNCTAD Global Trade Update 2026 and WTO Global Trade Outlook and Statistics 2026.

Figure 5. Global Trade Growth and Rule Fragmentation Pressure



Source: WTO Global Trade Outlook and Statistics, March 2026; the decline in MFN-covered trade share is calculated from 80% to 72%.

Table 7. Timeline of Green and Supply-Chain Rules

Rule	Application node	Scope	Pressure on SMEs
EU CBAM	Definitive period from 1 January 2026	Carbon-emission reporting and certificate arrangements	Pressure from carbon data, authorised reporting and cost pass-through.
EUDR	Large and medium-sized firms: 30 December 2025; small and micro firms: 30 June 2026	Due diligence for deforestation-related products	Supply-chain traceability and material documentation requirements.
EU supply-chain and product-safety rules	Progressively strengthened	Product safety, ESG and consumer protection	Raises documentation, legal and after-sales costs.

Source: Compiled from public information released by the European Commission and the Council of the European Union.

3. Formation Mechanisms

Low-price entry is a common initial route for many SMEs entering international markets, but it can easily lead to value-chain lock-in. When firms lack brands, channels and customer trust, they often rely on low prices to secure overseas orders. Once many firms in the same industrial cluster cut prices simultaneously, low prices shift from an individual competitive tactic to a buyer's reference point for bargaining, weakening the premium-earning capacity of the entire chain. Gereffi et al. (2005)

argue that buyer-driven global value chains restrict suppliers' upgrading space. In SME export settings, this buyer power appears in asymmetric price benchmarks, inspection standards, payment terms and responsibility allocation. If firms fail to include certification, after-sales service, exchange-rate exposure, returns, insurance and intellectual property costs in their quotations, growth in export scale may weaken profit stability. Even firms with higher quality, more complete compliance documents and more stable delivery may not receive an adequate premium.

Compliance, financing and payment-period constraints are becoming core pressures in SME internationalisation. The EU Carbon Border Adjustment Mechanism (CBAM) entered its definitive period on 1 January 2026, and the EU Deforestation Regulation (EUDR) has also specified the application timetable for large, medium-sized, small and micro firms (European Commission, 2026; Council of the European Union, 2025). Such rules require firms to provide continuing data on carbon emissions, raw-material origins, supply-chain due diligence and production processes. Compliance costs are shifting from one-off certification to continuous data governance. Large firms can spread these costs through specialised departments and large orders. SMEs, by contrast, have more difficulty absorbing fixed compliance costs and are more vulnerable to incomplete materials, misunderstandings of rules or unstable service-provider quality. Financing constraints amplify this pressure. The World Bank (2025) reports that 22% of small firms in the China sample have bank loans, compared with 46% of both medium-sized and large firms. ADB (2025) estimates the global trade-finance gap at about USD 2.5 trillion. Cross-border orders often require firms to pay in advance for procurement, production, logistics, certification and platform fees, while payment collection may lag. If financial institutions cannot identify real trade through customs declarations, tax invoices, logistics traces, credit insurance, platform receipts and historical repayment records, firms cannot easily convert orders into financing capacity.

Platform-based internationalisation lowers the threshold of market entry, but it also concentrates the power to set operational rules. Cross-border e-commerce platforms help firms reach overseas consumers, yet they also control traffic allocation, advertising auctions, rating systems, return policies, payment settlement and account sanctions. Platforms are not inherently negative; they reduce search and transaction costs. However, platform rules are not the same as firm strategy, and platform sales should not be mistaken for brand assets. Firms without diversified channels or independent customer accumulation may see their sales stability directly affected by platform rule changes. Oviatt and McDougall (1994) emphasise that international new ventures need to integrate resources and networks, while Freeman et al. (2006) show that small firms can use networks to overcome internationalisation constraints. Platforms can therefore serve as network entry points, but they cannot replace a firm's own customer assets, after-sales systems or organisational capabilities. Brand capability should also be understood rigorously. It is not merely packaging, advertising or an English name; it is the credible expectation that a firm will provide stable quality, reliable delivery, traceable after-sales service, complete compliance materials and standardised dispute handling. Cavusgil and Knight's (2015) work on capabilities and resource allocation likewise shows that a brand is, in essence, the external expression of organisational capability.

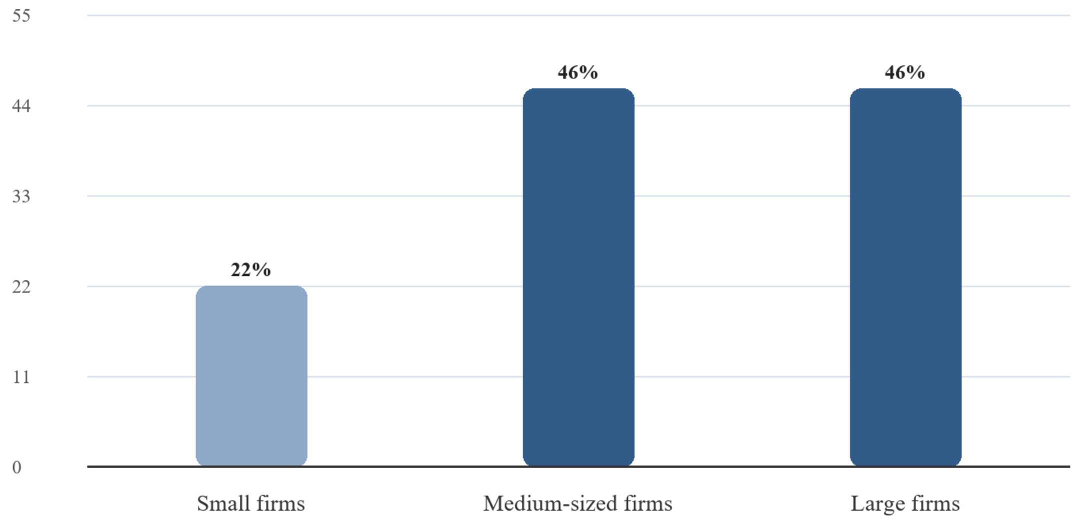
Insufficient organisational capability prevents internationalisation experience from accumulating and magnifies sector-specific pressures. Many SMEs still rely on the personal judgement of owners and the experience of sales staff, while lacking basic management tools such as customer credit sheets, order profit sheets, compliance-document files and after-sales issue records. Johanson and Vahlne (1977) stress the accumulation of experiential knowledge, but experience that is not transformed into processes cannot become firm capability. Leonidou (2004) also identifies insufficient managerial resources as a barrier to small-firm export development. Export departments know customer commitments, production departments know quality risks, finance departments know payment pressures, and after-sales staff know product problems. If this information is not recorded and reviewed centrally, it cannot inform the next round of quotations, contract review or market selection. Sectoral differences also matter. Textile and apparel firms mainly face returns, inventory and labour-compliance pressures; furniture and home-product firms face bulky logistics, overseas-warehouse turnover and after-sales costs; automotive and motorcycle parts firms must handle technical adaptation and product liability; consumer electronics firms are affected by platform complaints, advertising costs and data privacy; and new-energy supporting firms face carbon footprints, trade remedies and local-content rules. The internationalisation difficulties of SMEs are therefore not the result of a single external shock, but of low-price competition, compliance costs, financing shortages, platform dependence and weak organisational capability acting together. Policy that provides only uniform training, without sectoral indicators, templates and data tools, will find it difficult to reduce firms' real operating costs.

Table 8. Financing and Cash-Flow Pressure Data

Source	Indicator	Value	Meaning for SMEs
World Bank	Small firms with bank loans	22%	Weak order-financing capacity.
World Bank	Medium-sized/large firms with bank loans	46%/46%	Clear size-based stratification.
ADB	Global trade finance gap	About USD 2.5 trillion	Trade-finance shortage remains a global problem.
Public releases by the People's Bank of China	Balance of inclusive loans to small and micro firms	About RMB 32.93 trillion	The aggregate supply has improved, but foreign-trade scenarios still require order-based recognition.

Source: Compiled from public data released by the World Bank, ADB, China Government Network and the People's Bank of China.

Figure 6. Share of Chinese Sample Firms with Bank Loans by Size



Source: World Bank Enterprise Surveys, China 2024 Country Profile.

Table 9. Typical Sectoral Constraints and Data-Based Observation Indicators

Sector	Main internationalisation mode	Key cost	Suggested tracking indicator
Textiles and apparel	OEM production and platform retailing	Returns, labour compliance and inventory	Return rate, repurchase rate and unit gross margin.
Furniture and home products	Trade-fair orders and overseas warehouses	Bulky logistics, after-sales service and slow-moving inventory	Inventory turnover days and after-sales response time.
Automotive and motorcycle parts	B2B and aftermarket sales	Adaptation data and liability risk	Complaint rate and certification coverage.
Consumer electronics	Platform stores and independent brands	Advertising costs, product safety and privacy rules	Advertising-to-sales ratio and account health.
New-energy supporting products	Components, equipment and engineering support	Carbon footprint and trade-remedy exposure	Carbon-data completeness and compliance audit frequency.

Source: Summarised by the author from public rules, sectoral internationalisation patterns and the international business literature.

4. Governance Pathways

Policy for SME internationalisation should shift from scale orientation to capability orientation. Export value, the number of trade fairs attended, the number of cross-border e-commerce stores, overseas-warehouse area and training sessions can indicate the intensity of market entry, but they do not show whether firms earn profits, collect payments on time, possess compliance capability, retain customers or sustain after-sales service. The OECD (2009) notes that barriers to SME internationalisation are not confined to market entry; they include information, finance, managerial capability and external procedures. Public services should therefore be closer to firms' operating scenes. For firms entering the EU market, public services should provide product-code-based rule lists, certification pathways, document templates, contract clauses, service-provider evaluations and cost ranges. For platform sellers, they should offer tools for intellectual property searches, account health, product safety and tax compliance. For firms in industrial clusters, shared testing, overseas after-sales services, dispute cases and customer-credit databases should be developed. These tools can reduce fixed costs more effectively than general lectures and are better suited to the reality that SMEs have limited resources and insufficient capacity to interpret rules.

Trade finance and industrial-cluster governance should also move from general support to scenario-based support. Financial institutions should not rely only on collateral logic. Subject to compliance requirements, they should integrate orders, customs declarations, tax invoices, logistics information, credit insurance, platform receipts and collection records to develop small, revolving trade-finance products that match payment cycles. The trade-finance gap identified by ADB (2025) shows that financing shortages are not only a matter of funding supply, but also of identifying real trade and sharing risk. Industrial clusters should shift from low-price agglomerations to capability communities. They can convert fixed costs that individual firms cannot bear - such as compliance, certification, after-sales service and dispute handling - into public-service costs through shared compliance databases, shared certification resources, shared overseas after-sales nodes and joint dispute-resolution mechanisms. Global value-chain research emphasises the effect of network relations and governance structures on firms' upgrading space (Gereffi et al., 2005); public services in industrial clusters are therefore an important path for improving SMEs' value-chain positions. Local governments, industry associations, financial institutions and platform firms should also coordinate. Industry associations can accumulate certification procedures, service-provider evaluations and contract templates; platform firms can use transaction, return, complaint and account-risk data to provide compliance warnings; financial institutions can improve their ability to identify real trade; and government departments can coordinate rules and provide public resources.

Firms themselves also need to establish a minimum governance structure for internationalisation. Owners should define market-entry choices and risk limits; export departments should manage customers and channels; finance departments should manage exchange rates, payment terms and financing; production departments should manage quality and batch traceability; after-sales departments should close complaint loops; and external legal and certification agencies should provide specialised support. The structure need not be large, but responsibility boundaries must be clear. Firms should also establish customer segmentation, quotation cost models, contract review, compliance files and order-review mechanisms so that they are less dependent on individual experience and ad hoc responses. Evaluation systems should enter the firm's accounts directly. Rising export value with falling net profit margins should not be regarded as high-quality internationalisation; rising GMV with an uncontrolled advertising-to-sales ratio should not be regarded as brand improvement; and expansion of overseas-warehouse area with worsening inventory turnover should not be regarded as stronger service capacity. More appropriate indicators include export net profit margin, collection cycle, certification pass rate, credit-insurance coverage, advertising-to-sales ratio, repurchase rate, return-processing time and after-sales complaint rate. Only when these indicators improve continuously can internationalisation become an enhancement of overall firm governance rather than merely a sales task for the business department.

Table 10. Governance Shift from Scale Indicators to Capability Indicators

Old indicator	Problem	New indicator	Use
Export value	Conceals profit and payment cycles	Export net profit margin and collection cycle	Measuring operating quality.
Number of stores and GMV	Conceals platform dependence	Advertising-to-sales ratio, repurchase rate and account health	Measuring channel quality.
Number of trade fairs	Difficult to evaluate subsequent transactions	Customer repurchase and sample-to-order conversion rate	Measuring market-development quality.
Overseas warehouse area	Conceals inventory risk	Turnover days and return-processing time	Measuring service quality.
Training sessions	Can become formalistic	Template use and certification pass rate	Measuring public-service effectiveness.

Source: Summarised by the author from OECD research on SME internationalisation and the data analysis in this article.

5. Conclusion

The central difficulty in the internationalisation of Chinese SMEs is not a shortage of overseas market opportunities, but a structural mismatch between firm capabilities and external rules. Total foreign-trade volume, the share of private enterprises and the scale of cross-border e-commerce show that SMEs remain an important force in China's foreign-trade expansion. Yet data from the World Bank, WTO, UNCTAD and ADB also show that insufficient direct export participation, trade-finance constraints, slower global trade growth and rule fragmentation are continuously raising the costs of entering and operating in overseas markets (World Bank, 2025; WTO, 2026; UNCTAD, 2026; ADB, 2025). SME internationalisation should therefore not stop at 'products going global'; it should move towards 'capabilities going global'. Low-price orders, platform traffic and entry subsidies may bring short-term orders, but they rarely produce stable returns. Long-term competitiveness rests on the institutionalisation of quality control, compliance response, credit management, order financing, customer accumulation, after-sales service and organisational processes. As global trade rules become increasingly detailed, firms no longer compete only on price; they compete on delivery stability, data completeness, compliance credibility and the ability to control transaction risk.

A more robust form of SME internationalisation should be assessed through sustainable operation. Whether a firm can secure stable repurchases, include compliance costs in its quotations, improve cash flow through credit insurance and order financing, accumulate customer assets beyond platforms, and use after-sales data to improve products says more about the quality of internationalisation than the size of a single order. Public policy should accordingly reduce its dependence on visible indicators such as trade fairs, stores and transaction value, and turn instead to sectoral compliance tools, scenario-based trade finance, public services for industrial clusters and data-based risk governance. Firms should incorporate customer, order, compliance, financing and after-sales information into their internal governance structures. Chinese SMEs have advantages in matching efficiency, manufacturing experience and market responsiveness, but these strengths can withstand rule changes and buyer-governance pressure only when they are combined with compliance, finance, brand and organisational capabilities. Only when profit, payment collection, repurchase, compliance and after-sales indicators improve continuously can high-quality foreign-trade development move beyond macro-level scale growth and become long-term competitiveness at the micro level of SMEs.

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