Research on the Market Expansion Strategy of Yiwu Small Commodity Enterprises under International Tariff Barriers

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Abstract: Because international trade frictions and protectionism have increased, tariff barriers have a great impact on small commodity enterprises that export. Yiwu is a small commodity distribution center known all over the world. In the complex international tariff environment, the enterprises there have encountered the problems of high cost and difficult market entry, and urgently need to adjust the market strategy and supply chain layout. Firstly, this paper studies the main forms of international tariff barriers and their influence on the competitiveness of enterprises, and also discusses the present situation and challenges of Yiwu small commodity enterprises, including market structure, brand building, and supply chain management. Based on these findings, this paper proposes strategic recommendations to help enterprises optimize resource allocation, enhance their responsiveness, and achieve sustainable development. Specifically, this study offers theoretical references and practical guidance for Yiwu's small commodity enterprises to navigate tariff barriers and strengthen their competitive edge in the global market. In the future, it is suggested to promote technological innovation and international cooperation to ensure the stable operation of enterprises in the changing international trade environment.

1. Introduction

1.1 Research Background

Since 2025, due to trade protectionism, the US-European standard for China's de minimis exemptions has been lowered from US$800 to US$150, with a punitive tariff of 25% to 45%. According to customs statistics, in the first quarter of 2025, Yiwu's small commodity exports to the United States decreased by 18.7%, while those to Europe decreased by 12.4%. The return rate and overseas warehousing fees rose by 6% and 140% respectively. Under pressure, the profit margin of the traditional "small profits but quick turnover" model has been compressed, and some merchants have no choice but to withdraw from the market. How to re-plan the market strategy has become a key issue for small commodity enterprises in Yiwu.

1.2 Research Significance

In the context of tariff barriers, the market development model of Yiwu small commodity enterprises exhibits both theoretical value and practical significance. Theoretically, this research contributes to enriching the academic discussion on coping strategies for international trade barriers and the development of small and medium-sized enterprises in the context of globalization, providing a theoretical reference for export enterprises in emerging markets. From a practical point of view, this study investigates the problems and challenges encountered by Yiwu enterprises. It lists specific methods, which can help enterprises optimize market structure, enhance product value and enhance their competitiveness in the international market. The research also provides decision-making reference for local governments to help them formulate industrial support policies and improve the trade service system. In addition, it can also promote Yiwu's small commodity industry from focusing on scale growth to focusing on quality improvement, thus improving its position in the global market.

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1.3 Main Research Contents

This paper studies the influence of several main tariff barriers on the cost and competitiveness of Yiwu small commodity enterprises, summarizes the current situation of their market structure and product supply chain, and points out their problems in market structure and brand development. In addition, the paper also puts forward specific methods and suggestions from multiple angles, such as diversified market layout, product brand upgrading and industrial chain optimization, to help enterprises overcome tariff barriers and achieve sustainable development.

2. Analysis of the Impacts of Tariff Barriers on Yiwu Small Commodity Enterprises

2.1 The Primary Forms of Tariff Barriers

In international trade, tariff barrier refers to the methods that countries restrict imports by raising tax rates, setting quotas, and collecting special taxes, which are regarded as important means of trade protectionism [1]. Our small commodity enterprises in Yiwu are facing various forms of tariff barriers, mainly including these: the first is the ad valorem tariffs levied according to the proportion of commodity value. For example, the United States imposes a tariff of 7.5% to 25% on some goods imported from China, which makes the export cost of these goods higher. The second is the specific tariff charged by a fixed unit, such as the quantity or weight of goods. This kind of tariff is very common in standardized products such as textiles and toys, and it has a great impact on our low-priced small commodities. The third is tariff quota, which means that low tariffs are used within the quota, and high tariffs will be paid if the quota is exceeded. For example, the EU implements quota management for some daily necessities, which limits the export scale of Yiwu enterprises. Special tariffs, anti-dumping duties, and countervailing duties also exist.

2.2 Impact on Enterprise Cost

Tariff barriers make the export price of Yiwu small commodities more expensive. In the production process, these increased tariffs eat up the profits of merchants. In order to maintain the price advantage, some merchants have to cut corners or cut R&D budgets. In the long run, this will hinder the improvement of quality and in turn harm themselves. In logistics, tariffs are often accompanied by strict customs inspection and longer customs clearance time, which in turn pushes up the storage and detention costs. For example, when Yiwu's trinkets are shipped to the EU by sea, the cumbersome customs procedures are a headache, which usually prolongs the customs clearance time by three to five days. In addition, enterprises have to spend more money to deal with tariff policy changes-such as hiring experts to deal with certificates of origin, formulating tariff strategies, or adjusting supply chains to avoid tariffs.

2.3 Impact on Market Competitiveness

Tariff barriers directly damage the original price advantage of Yiwu small commodities, leading to the decline of their market competitiveness. Many price-sensitive orders have flowed away in large quantities. In April 2025, the United States imposed an average tariff of 42% on goods from China. As a result, the FOB price of plastic products shipped from Yiwu, China, to the United States has increased by 28%. This product is 19% more expensive than similar products in Vietnam. Supermarket chains such as Walmart and Dollar Tree have transferred 20% to 30% of their Christmas gift and storage orders to Southeast Asia. [2] This change has led to a significant decline in the operating rate of Yiwu-related businesses, indicating that these enterprises lack the ability to create brand premium. In the end, the average profit rate was compressed. High tariffs make life more difficult for enterprises that import expensive goods, and their capital flows are also reduced. In the second quarter of 2025, based on the model developed by Yiwu Commodity Index and General Administration of Customs, Yiwu's overall competitiveness score dropped by 18.4% compared with last year, which is the biggest drop since 2010. Generally speaking, tariff barriers increase marginal costs and systematically weaken the competitive position of Yiwu small commodities in the global value chain [3].

3. Current Situation of Yiwu Small Commodity Enterprises under Tariff Barriers

3.1 Market Structure

In 2024, Yiwu established export links with 218 countries and regions, among which the top five markets were the United States, India, Iraq, Egypt and Malaysia. The market contributed more than 38% of the total, while the American market accounted for 14.2% of the total, showing a significant dependence on a single market. In terms of export mode, market-purchasing trade is dominant, with daily consumer goods being the mainstream, indicating serious homogenization and high substitutability. In the field of emerging markets, the proportion of RCEP member countries and countries participating in "the Belt and Road" has increased to 45%, which has become a new support point for risk diversification [4]. Market orders are limited in size, and profit margins are small. Generally speaking, the Yiwu small commodity market has achieved globalization in terms of geographical coverage; however, the depth of the value chain remains limited by major customers, product categories, and sales channels, while the room for tariff adjustments is restricted.

3.2 Products and Supply Chain

The three main categories of small commodities exported from Yiwu in 2024 are textiles and garments, daily light industrial products, and mechanical and electrical products [5]. Most products belong to the category of low added value, and the average export price has been declining for three consecutive years. In terms of brands, the proportion of private brand exports is less than 8%. Most of them use OEM or brand-free packaging. Supply chain is characterized by "quick response in small batch". There are three problems reflected in this process: first, the concentration of production capacity is low, with an average of fewer than 60 employees per factory, which makes it difficult to achieve a scale effect. Second, the digitization level is limited, with a popularization rate of ERP and MES systems of only 30%, and the phenomenon of data islands is common. Third, the overseas layout needs to be optimized. The total overseas production capacity in Vietnam, Indonesia, and Mexico accounts for less than 2% of Yiwu's total exports. Moreover, the rising cost of raw materials and logistics has reduced the profit margin. Therefore, brand building, technological innovation, and overseas capacity investment are urgently needed to improve production and supply chain efficiency.

3.3 Enterprise Response Capability

In April 2025, the United States imposed a cumulative punitive tariff of up to 167% on Chinese goods, and merchants from Yiwu showed a pattern of differentiation. In the short term, merchants generally adopted the emergency strategy of "suspending US orders and accelerating exports." Some orders originally scheduled for June were compressed to be completed within two weeks. With the capacity of the China-Europe Railway Express, short-term exports still increased by 18.2% year-on-year. From a medium-term perspective, well-funded leading enterprises have begun to implement "multiple measures". The first is the product iteration. They have introduced high-value-added categories, such as 3D-printed toys, to hedge the impact of tariffs, and the profit margin can remain above 12%. The second is market diversification. From January to August 2025, Yiwu's exports to ASEAN, Latin America, and Africa increased by 32%, 28%, and 41%, respectively, to fill market vacancies [6]. The third is capacity transfer, as many companies are preparing to build assembly bases in Indonesia and Vietnam. It is expected that tariffs of 30% to 45% can be avoided by 2026 with proof of origin. More than 85% of small and medium-sized businesses struggle with insufficient funds, talent, and information, primarily relying on price reductions and promotions to stay competitive on the platform. Additionally, we are short of more than 15,000 talents who can speak minority languages and are familiar with overseas rules. Generally speaking, Yiwu small commodity enterprises have shown strong adaptability in the face of tariff impact. However, they also need to promote systematic upgrading through brand, technology and capital, so as to enhance their long-term competitiveness.

4. Problems Existing in Yiwu Small Commodity Enterprises

4.1 Imbalance of Market Structure

Yiwu's small commodity enterprises have been facing the problem of unbalanced market structure. They are too dependent on traditional markets such as United States and Europe, so it is difficult to resist risks. According to the data in 2024, the United States market accounted for 14.2% of Yiwu's total exports. The United States and Europe markets add up to more than 30%, and this area is just greatly affected by tariff barriers. By 2025, after United States and Europe implemented high tariffs, the order volume dropped sharply. Exports to United States plummeted by 18.7%, while the share of emerging markets rose to 45%. Most orders are small and profitable, and there are few stable long-term cooperative relationships. Therefore, it is difficult for enterprises to quickly adapt to the market changes brought about by tariffs. Some small and medium-sized enterprises that rely on orders from United States and Europe have already faced operational difficulties because of the interruption of orders.

4.2 Deficiencies in Brand Building and Intellectual Property Rights

In Yiwu, merchants who sell small commodities often fail to do two things: build powerful brands and protect their inventions. This makes it difficult for them to deal with foreign business taxes. Only 8% of their exports are branded by themselves, and more than 90% of their products are either sold under other people's brands or packaged in ordinary packaging without brands. In this way, they can't set high prices for their own things, and they can't take the initiative in pricing. Now that the transaction tax is getting higher and higher, these companies can't rely on their own brands to cope with the rising costs, so they earn less money. To make matters worse, almost one-third of companies are fighting against fakes, and the problem of protecting their inventions is very serious. This makes them afraid to spend more money to research new products, and it also makes the situation that everyone sells the same thing more serious. As a result, they have to push down the price desperately so as to compete with others in the world market. At the same time, competitors from Vietnam and Indonesia, relying on lower prices and imitation, stole Yiwu's market bit by bit, making this bad situation never stop.

4.3 Challenges in Logistics and Payment Systems

Companies are currently grappling with operational challenges, which are primarily due to the heightened severity of tariff barriers, coupled with significant hurdles in logistics and payment systems.

In logistics, transportation costs have surged substantially. Strict customs clearance procedures have extended processing times by 3 to 5 days, while container detention fees have soared by 140%. Additionally, some companies are forced to address customer claims resulting from prolonged logistics delays. In terms of payment systems, emerging markets—where payment risks are high—typically impose higher transaction fees and feature lengthy payment cycles. On average, their settlement time is 10 to 15 days slower than that in the domestic market, which also takes up a lot of working capital of the company. These difficulties reduce the profits of enterprises and limit their ability to open up new markets [7].

4.4 Policy Coordination and Information Barriers

Policy and information problems make it difficult for companies to effectively deal with tariff barriers. In terms of policies, the coordination between the central, local, and various departments is not good enough. The RCEP tariff concession list and the Yiwu market procurement trade policy failed to connect smoothly. Less than 20% companies use rules of origin to avoid tariffs, and local subsidies are mainly concentrated on the "export tax rebate" policy. However, funds are limited to support the long-term development of enterprises, such as moving production lines abroad and doing brand certification. In addition, small and medium-sized enterprises have a single channel to understand the trend of tariff policy (mainly relying on freight forwarders' notices), and their response to tariff and quality surveys in emerging markets is also relatively slow. The efficiency of data sharing between industry associations and public service platforms needs to be improved, which makes it difficult for enterprises to accurately judge the tariff risks in different markets, and the cost of trial and error also becomes higher.

5. Strategies for Market Expansion of Yiwu Small Commodity Enterprises

5.1 Diversified Market Layout

We need to establish a market structure with different levels, so as not to rely on only one market. In the short term, we should focus on the European and American markets, and use the method of "small batch quick response and overseas warehouse" to make customers always like to do business with us. With the help of overseas warehouses in Europe and America, we can deliver goods locally, which can avoid high tariffs and possible problems in customs clearance. From the planning point of view, we should focus on developing the markets along RCEP and "the Belt and Road", give priority to expanding those areas with low tariffs in ASEAN, optimize the customs declaration process by using the accumulation of rules of origin of RCEP, and strive to increase the export ratio of emerging markets to 55% in 2025. In the long run, it is suggested to use the experimental area of "Silk Road e-commerce" to cooperate with digital platforms like TikTok [8]. By setting up bases in Russia and Central Asia, enterprises can directly reach the end users and make good use of the advantages of live e-commerce and localized marketing. In this way, the tariff transfer caused by intermediaries will be reduced. Additionally, it is recommended to establish a "market risk early warning index" to monitor the fluctuations of tariff policies and market demand in various countries in real-time, thereby providing decision support for enterprises to adjust their export strategies flexibly.

5.2 Product and Brand Upgrade

Brand premium is essential, supported by "differentiation, high added value and intellectual property". At the product level, we focus on innovating and researching smart, small household appliances, such as portable water cups with temperature control functions, as well as daily necessities like biodegradable tableware. They will reduce the impact of tariffs with the help of technological advantages. In brand building, we should promote the coordinated development of "regional brand + enterprise brand." We should create a regional public brand of Yiwu Commodities under government leadership, unify quality standards, and promote overseas marketing. We should encourage mergers and acquisitions of enterprises and jointly design independent brands. In terms of intellectual property protection, we propose to set up Yiwu Small Commodity Intellectual Property Protection Center to provide all-round "one-stop" services including patent applications. Key enterprises should consider applying for core patents in Europe, America, and the RCEP regions.

5.3 Industrial Chain and Supply Chain Optimization

It is necessary to establish a "tariff-friendly" industrial ecology through global capacity allocation and supply chain innovation. In terms of capacity allocation, one suggested approach is to keep the main parts of production in Yiwu while moving the final assembly to other countries. It is suggested that enterprises set up assembly factories in Vietnam, Mexico, and other countries with preferential tariffs. The parts produced in Yiwu will be exported to overseas factories to complete assembly, thereby avoiding high tariffs with the help of rules of origin. In terms of supply chain coordination, it is a good strategy to build the "Yiwu Supply Chain Alliance", integrate the local 21,000 factory resources, share the data of raw material collection and capacity scheduling, and reduce the production cost of SMEs by 10%-15%. In addition, the "reverse customization (C2M)" model will be implemented. The consumption data will be analyzed in conjunction with overseas e-commerce platforms (such as Amazon and Shopee), to guide enterprises to produce on demand, reduce inventory backlog and tariff loss, optimize the "overseas warehouse + localization service" network, add 20 public overseas warehouses in RCEP and the Middle East, provide integrated services of "customs clearance, warehousing and after-sales", and reduce comprehensive logistics costs.

6. Conclusion

This paper examines the impact of tariff barriers on the market expansion of Yiwu small commodity enterprises and proposes potential countermeasures. The conclusions are drawn as follows. Tariff barriers, such as tariff rate increases, technical barriers to trade, anti-dumping measures, and countervailing measures, pose pressure on Yiwu small commodity enterprises from two dimensions: cost and competitiveness. Tariff barriers increase the costs of importing raw materials and exporting products, diminishing the price advantage of companies in the global market, which leads to a decreased presence in certain traditionally advantageous markets. In the process of coping with tariff barriers, several obvious shortcomings in the operation of Yiwu small commodity enterprises have been identified, including excessive market concentration in Europe and the United States, a lack of brand recognition and protection of intellectual property rights, unstable logistics timeliness, and a high risk of cross-border payment issues. They also have restricted access to information about policies. These factors limit the company's ability to expand its international market.

The research confirms that diversified market layouts, product and brand upgrades, and optimizations of the industrial and supply chains are effective ways for Yiwu small commodity enterprises to break through tariff barriers. Diversified layout is conducive to reducing market risks, while brand upgrading and digital transformation will enhance product added value and risk resistance. Furthermore, supply chain optimization controls costs from the source. The follow-up research can be carried out for small and medium-sized enterprises, providing more targeted market expansion schemes for Yiwu small commodity enterprises and helping them achieve sustainable development in the face of tariff barriers.

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