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ABSTRACT PROPOSAL TITLE

The Evolution of SMEs Sector in China: Factors and Challenges

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Abstract

The objective of this paper is to examine at the evolution of the small and medium enterprises (SMEs) sector in China a during the transition from a planned to a market economy (with social characteristics) to nowadays.

Although Chinese policy makers still emphasise an industrialisation through large industrial companies, the success and the dynamism of the Chinese the small and medium (sized) enterprises (SMEs) sector after the reforms is widely recognised. It is also well documented the development of cluster of SMEs since now most the Chinese SMEs Clusters challenge the international markets with their products. Since 1984 China experienced the emergence and growth of a "new private sector" which achieved outstanding economic results. China was able to build the 'market' through the boom of a new private or 'quasi private' sector composed largely by SMEs rather than throughout a rapid privatisation thanks to the capacities of Chinese entrepreneurs. In the years of reform, rural enterprises have emerged to become the mainstay of all SMEs. This paper concerns with the analysis of the evolution of the Township and Village Enterprises (known in the literature as TVEs) industrial organisation structure that were and are the core of the 'rural' Chinese SMEs. Urban enterprises (UEs) and TVEs form together the Chinese SME sector. The UEs, as we will see, have a much lower role in the economy. Indeed, in China the SMEs (in terms of number of employees) are namely the Township and Village Enterprises (TVEs) and the Urban Enterprises (UEs). Among the Chinese SMEs, the TVEs have been the most relevant in terms of employment (14/15), employment generation and economic development. We focus our attention on the factors behind this high growth and the dynamic process which has brought the Chinese SMEs from being scattered in the territory to be clustered benefiting from a reduction in transaction costs and in of external economies and economies of scale. The growth and the success of collective and private TVEs was initially the spontaneous response to the new market opportunities opened up by new reforms and TVEs demonstrated their adaptive capacity to rapid changes and institutional uncertainty. While the recent reforms and the entry in the WTO and globalisation is challenging Chinese SMEs sector and its labour force and demanding for cluster up-grading with better conditions for workers or delocalisation to inland China.

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