

Research on International Trade Countermeasures of Small and Medium-sized Enterprises -- Taking Export to Australia as an Example

Junbo Chen^{1,2,3}, Wenxue Dong^{3*}, Qihong Chen³, Deyao Zheng^{3,4}, Jianfeng Li³

¹Nankai University, Tianjin, China

²Flinders University, Adelaide, Australia

³Cavite National University, Indang, Cavite, The Philippines

⁴Ningde Normal University, Ningde, China

*corresponding author

Abstract: This paper mainly study the trade status of a typical small and medium manufacturing enterprise in China--ABC Shoes Co. Ltd, and the benefits of doing international business, analyzes the advantages and disadvantages of the company in carrying out international trade business with SWOT analysis method, selects the target market for the company, lists the various risks that may occur in international trade, puts forward feasible countermeasures and suggestions on how to avoid export trade risks, in order to reduce the probability of risk occurrence and promote the healthy development of enterprises.

Keywords: Small and medium-sized enterprises (SMES), International Trade, Countermeasure research

1. Introduction

Small and medium-sized enterprises (SMES) are an important force in the development of China's national economy and society. According to statistics, more than 50% of China's GDP, more than 60% of the total industrial production value, about 70% of the new industrial output value, nearly 60% of the sales revenue and exports, more than 40% of the tax revenue and 75% of the jobs are from small and medium-sized enterprises. By expanding the international market, small and medium-sized enterprises can earn more foreign exchange, promote the transformation and upgrading of enterprises, improve their core competitiveness and establish their own brands. However, in a highly competitive and unpredictable international market, the risks to SMES' export business are increasing, the influence on the national economy and social development has also been further increased. This is a problem that enterprises must face when engaging in international trade business.

2. Opportunities for Private Enterprises to Export

(1) Thanks to the attention and encouragement policies of the state, the openness of private enterprises has been gradually increased, and the export prospects are very broad.

This is mainly manifested in three aspects: Firstly, the government has relaxed control over the foreign trade rights of private enterprises. Since July 2001, foreign trade management rights have changed from an examination and approval system to a registration and approval system. Private enterprises with a minimum registered capital of 1 million Yuan can apply for self-run import and export rights, which will bring rare development opportunities to private export enterprises with a high entry threshold. Secondly, the government has eased restrictions on market access for private enterprises and expanded their business scope. Thirdly, the market share of private export enterprises is in a period of rapid growth, and the export growth potential of private enterprises is large.

The increase in the number of private export enterprises, the increase in the proportion of foreign-funded enterprises selling in China and the decrease in the proportion of foreign sales will contribute to the expansion of the export scale of private enterprises.

(2) After joining WTO and participating in economic globalization, the external economic

environment of private export enterprises has been optimized continuously.

After joining WTO, Chinese privately operated enterprises will fully enjoy the rights of non-discriminatory MFN treatment and national treatment formulated by WTO. For example, according to the principle of national treatment, the treatment provided by one member party to the products, services and intellectual property owners of another member party within its territory shall not be lower than that enjoyed by the same kind of products, services and intellectual property owners of the same country. It can be seen that areas open to other members should also be open to private enterprises in China. With the implementation of WTO rules, the process of private export enterprises gaining equal competitive status will be further accelerated, and private export enterprises will have more agreements and rules to safeguard their own interests in the international market.

(3) Network development provides information platform for private enterprises to expand export.

The arrival of the network era makes private export enterprises become one of the biggest beneficiaries. The network information is convenient and fast. Enterprises only need to pay very little network service fee to master the information of the market situation and demand changes around the world, and use the network to carry out trade negotiations and sign contracts. Network services save transaction time, reduce operating costs, save transaction costs and improve operating efficiency. In terms of information, private export enterprises are on the same starting line with "big MAC" transnational corporations. The flexibility of private export enterprises is stronger than that of transnational corporations and state-owned enterprises, so they are better than such enterprises in using information efficiency and developing industrial space, and show stronger adaptability to information.

(4) The barriers to the identity of private export enterprises are being removed. They are treated as equals politically with other types of enterprises, and their policies are increasingly encouraged, supported and valued by governments at all levels.

Over the past 40 years since the reform and opening-up policy, the private sector has made significant contributions to employment arrangements and fiscal income increases. Private economy played a "supplementary" role at the beginning of the reform and opening up, and became an important part of the national economy in the late 1990s. The development of private economy can be called "economic contribution". People's prejudice and misunderstanding of private economy should be eliminated, and their political status should be treated equally with state-owned enterprises. With the deepening of economic system reform, the social status of private enterprises has been improved. The rigid view of private enterprises as private enterprises is gradually being removed, and their personnel are qualified to join the CPC according to the CPC constitution.

3. Introduction to ABC Shoes Co., Ltd

ABC Co., Ltd is a small and medium enterprises, was founded on August 14, 2015, and its registered address is Dongxin industrial zone, Xincheng Street, Rui'an city, Wenzhou city, Zhejiang province, China. The company has a scale of about 200 employees, and its factory service is for packaging materials and OEM brands include Disney, Babudou and Cambridge. In 2004, Jingke shoe uppers processing factory was established, engaged in outside processing production of shoe uppers. Since 2009, we had been engaged in the cutting, sewing, molding and production of finished products of the whole industrial chain of children's shoes, and established "Jingke" children's shoes factory. In 2013, submitted the application for trademark registration of "Cardington" text and LOGO graphics in category 25 of shoes and clothing category to the state administration for industry and commerce. On April 21, 2015, "Cardington" trademark was approved and registered by the state administration for industry and commerce. Relying on Jingke children's shoes factory and "Cardington" registered R mark, Rui'an Cardington children's shoes industry co., Ltd was established, and the factory name was changed to "Cardington" children's shoes factory.

The company is mainly engaged in the production, processing and sales of middle and high-grade children's shoes and baby shoes, including children's leather shoes, children's sandals, children's cotton shoes and children's single shoes. It is a professional children's shoes enterprise with complete scientific quality management system from research and development, production and sales. Cardington brand integrity, strength and production quality recognized by the industry. The company's Tao factory to provide the following services: OEM processing (one-stop proofing order production), to map to sample processing (to map to sample order production), online consignment (Tmall/Taobao/Jingdong/Wechat business consignment, physical wholesale), direct factory (primary

source profit maximization).

The company's brand advertising language:Cardington; Corporate mission:pursuing excellence, rewarding society, sustainable management; Brand positioning:focus on high-end boutique original children's shoes; Core values:people-oriented, hard service, quality first, customer first; Enterprise policy:integrity management, quality first; Enterprise vision:lead the children's wear and shoes industry, and become a well-known brand and benchmark in the industry.

4. Benefits of the Company Carrying out International Trade

Australia is an industrial developed country with a large territory and a small population. The country has a population of more than 16 million and an area of 7.69 million square kilometers (four fifths the size of China). In recent years, Australia's economy and trade are developing rapidly, foreign exchange reserves are abundant, and the Australian dollar is getting stronger against the us dollar. With the increasing opening up of China, the trade between China and Australia has also developed rapidly in recent years. China mainly imports wheat, wool, iron ore and steel products from Australia, and exports textiles, shoes and clothing to Australia. In terms of footwear business, the annual consumption of footwear in Australia is about 65 million pairs, and each person needs to buy 4-5 pairs of new shoes every year. The country imports about 20 million pairs of shoes a year from abroad.

The China-Australia Free Trade Agreement (FTA) was officially signed on June 17, 2015 and went into effect on December 20, 2015.^①The China-Australia free trade agreement has brought greater convenience to the companies of the two countries in their import and export trade and brought more benefits to the two peoples. The signing of the agreement means that the economic and trade cooperation between China and Australia has been enhanced in an all-round way, and the complementary economic advantages of the two countries have been promoted to a lasting and in-depth development, benefiting the producers and consumers of both countries.

In the field of goods, each side will realize zero tariff immediately upon the entry into force of the agreement on products accounting for 85.4% of export trade. After the tax reduction transition period, the proportion of tax items and trade volume that Australia finally achieves zero tariff will reach 100%.

Based on Sino-Australian trade relations and this agreement, this report recommends that the company's export trade area is Australia. Through export trade, the company can expand its sales market and increase its sales volume and profits. At the same time, it can also improve the company's reputation in the international market and the strength and influence of Chinese manufacturing industry.

5. Analysis of Favorable Factors of the Company in International Trade

(1) Production advantage

Our company is located in Wenzhou, Zhejiang province, China's leather shoes production base, with 2 large molding assembly lines of cold glue and injection molding (6 cylinder), 67 needle cars and 2500 square meters of production area, which can completely meet the production of all kinds of sandals, cotton shoes, Martin boots, casual shoes, sports shoes and other children's shoes.

The daily production is more than 2000 pairs of cold-bonded shoes, more than 3500 pairs of injection shoes. The company has a strong production capacity, flexible order drive and pre-production and stocking mode, to ensure long-term supply stability, rapid response to the market, fast delivery cycle, the fastest 4-7 days can be batch delivery.

The company provides OEM processing (one-stop sample making and order production), and incoming sample processing (incoming sample production).

(2) Quality advantage

The company has OEM cooperation with well-known children's shoes brands such as Disney, Cambridge, Wood Forest, Babudou, etc., and supplies more than 24 Tmall/Jingdong flagship stores online and offline. Strict quality control and perfect product quality are the basis for our survival. We do not do "price" slaves, only do "price ratio" masters.

^①China free trade zone service network, <http://fta.mofcom.gov.cn/Australia/australia_special.shtml>, consulted 15 July 2019.

(3) New product advantage

The company has an independent development and design department, 3 designers, 2 proofing division follow the market trend to get rid of the old and bring forth the new, unique and original style, new cycle fast, maintain 4 new speed per month, keep up with the hot market, to provide our online and offline customers with enough new children's shoes.

(4) On a commission basis advantage

Over 17,000 Amoy distribution members; more than 5800 Wechat business agents; more than 25 Tmall/JD flagship store customer; 1000 square meters warehouse; Daily more than 2000 consignments and wholesale orders within 24 hours fastly delivery ability; Middle end direct selling price between 30-60 Yuan, high quality.

6. Analysis of the Unfavorable Factors of the Company in International Trade

(1) The company has a single sales channel

At present, the company's business is mainly oriented to the domestic market. It only has OEM cooperation with well-known children's shoe brands such as Disney, Cambridge, Wood forest and Babudou, and has no independent ability to carry out international trade business. Once the OEM cooperation is terminated, the company's sales will drop significantly, and the company's performance will be significantly affected.

(2) Low price competition from other companies in the same industry

There is a phenomenon of new enterprises competing for the market with low prices. In the export business, many Chinese manufacturers compete with each other in price wars, causing profit margins to be squeezed and benefiting foreign companies.

(3) The shortage of international trade talents

The company has been engaged in domestic production and trade, although there are OEM businesses, due to the lack of professional foreign trade talent, do not have the ability to independently develop international trade business.

7. Company Risk Analysis in International Trade

According to the preliminary investigation, the company will face the following risks when carrying out international trade business:

A. External Risk

(1) Country risk

Country risk happened in the international economic activities, and to a certain extent by the national government control or social events caused to foreign creditors (exporters, banks or investors), the possibility of a loss, is refers to the international political environment, economic environment, legal environment caused by the influence of the export trade of credit risk. The distinctive characteristics of national risk are generated in transnational financial trade activities, which are closely related to national sovereignty and caused by irresistible factors. Moreover, it is mandatory and cannot be changed or exempted by contract or contract terms, so it has great harmfulness.

(2) Importer's risk

Importer risk, also known as commercial risk, refers to the risk caused by lack of funds and poor compliance credibility of the importer, which is essentially a default risk. Where there is international trade, there is commercial fraud, and there is inevitably credit risk. The specific manifestations are unreasonable rejection of goods, unreasonable delay in payment or refusal of payment, etc.

(3) Financial risk

Financial risk refers to the huge risks brought to international trade by interest rate change, exchange rate change, stock option market fluctuation, credit risk and global or regional financial crisis. With different national credit rating, SMES have different credit policies to deal with in export trade. The change of exchange rate is also an important factor for the financial risk of SMES. Most of the

pricing and settlement currencies of export trade are foreign exchange. The change of exchange rate may bring huge losses to small and medium-sized enterprises of export trade. The global or regional financial crisis will bring about the export of small and medium-sized enterprises trade volume contraction, foreign exchange settlement difficulties or other financing aspects of the great risk. Small and medium-sized enterprises may need lending bank funds in the process of operation and trade. The change of interest rate will increase the loan interest of small and medium-sized enterprises, thus bringing losses to enterprises. Large fluctuations in the stock option market will also bring difficulties to SMES' financing or risk transfer operations, and so on.

B. Internal Risk

According to the survey, the export of small and medium-sized enterprises mainly have the following problems. As our company has no export experience, these problems are likely to be encountered in the export business.

(1) Export enterprises eager for quick success and instant benefit of aggressive mentality.

In terms of export expansion, Chinese enterprises have the reckless mentality of being greedy and ignoring stability, pursuing trade volume, ignoring credit management, blindly pursuing the increase of export value and ignoring the credit risk of export trade.

(2) Business credit investigation is mere formality.

Enterprise credit investigation is not thorough, the so-called once and for all is the common problem of export enterprises. Export enterprises ignore the dynamic management of enterprise credit and the credit management of old customers. According to statistics, 80% of corporate defaults are caused by old customers.

(3) In order to save costs and do not want to use export credit insurance and other advanced credit management tools.

In order to save costs, many enterprises are not willing to use export credit insurance, credit risk management consulting and services and other advanced credit management tools.

(4) Internal organizational responsibilities are unclear.

Export enterprises are indifferent to credit risk awareness, most enterprises do not set up credit management departments, division of responsibilities is unclear, mutual bickering.

(5) Operational risk of international trade transactions.

Transaction operational risk refers to the risks in specific business operations, including transaction negotiation, contract making, performance and other business links. Every specific business link, there are business risks. Such as the terms of the contract are not clear, specific or comprehensive, etc. Errors and omissions in the performance of contracts will affect the interests of the company.

8. Company in International Trade Risk Management Countermeasures and Suggestions

In conclusion, the specific risk management countermeasures and Suggestions put forward by the company are as follows:

8.1 Improve the Company's Overall Risk Warning and Identification Capabilities

(1) Establish awareness of risk warning

In order to do a good job in risk management and preventive measures, the company should first establish the awareness of risk warning ideologically.^[1]Since risks are uncertain and there is a certain lag in the occurrence of risks, the prevention and management of risks are forward-looking, which requires the company to have such awareness and ability of risk warning and carry such awareness throughout the whole process of international trade. This kind of risk warning awareness should be transmitted from the company's leadership to all levels of employees in all departments, so that all employees of the company always maintain a crisis awareness of "born in distress, died in comfort".

(2) Organize training to improve employees' risk identification ability

Organize the company's business personnel to conduct regular and irregular training. Regular training mainly refers to the training of business personnel on foreign trade risks of the company in the

previous quarter or fiscal year and the dynamics of the international trade market in each quarter or at the beginning of each year. Regular training mainly includes: organizing business personnel to participate in case analysis based on trade risk cases occurred during the period, summarizing experience and lessons, so that they can improve their business ability of risk identification and risk analysis in the process of learning from each other; Provide business personnel with the latest trade policies and changes in trade policies, enrich and update their theoretical knowledge and practical experience, and cultivate the risk prevention concept and business ability with The Times.

Irregular training mainly refers to the emergency training for new employees and emergencies. The training for new employees includes: introducing the company's customary trading methods, trading processes and frequent trading partners to employees at the beginning of entry; Familiar with ERP operating system of foreign trade; To the international trade basic knowledge carries on the unified explanation and so on content. The purpose of these trainings is to enable new employees to quickly familiarize themselves with the company's business, so as to avoid operational mistakes in the process of foreign trade due to business unskilled, which may bring trade risks and losses to the company.

Emergency training for emergencies refers to that when the company is carrying out a foreign trade project and serious losses are caused due to major risks caused by various factors, the risk management department needs to call in the company's business personnel for emergency training on risk management and risk reduction.

8.2 Strengthen the Credit Investigation of Trade Partners

Honesty and reliability are the foundation of the success of trade, and a good credit standing partner is the most important prerequisite for reducing the occurrence of all kinds of risks. The credit investigation of trading partners should be strengthened, including before and during the whole transaction. First of all, before the transaction, the company should conduct a complete investigation on the customer's credit status to determine high-quality partners. It is usually possible to investigate the business status, financial capacity and compliance of trading parties through the business channels of the commercial counselor's office and the chamber of commerce to avoid transaction risks. Get to know the credit status of shipowners and carriers through international maritime bureau, Lloyd's register survey center and other institutions. These organizations or institutions can provide timely and accurate information services on the debt status, credit rating, technical standards of ships, seaworthiness, and trend of ships as required. The focus of the survey is to understand the nature of the other party's company, the trading partner's ethics, trading experience, etc. In particular, trading partners' capital and debt position, economic style and business reputation, etc., to prevent them from defaulting due to financial problems and other problems.^[2]

8.3 Strengthen the Overall Management Process of Foreign Trade Contracts

In addition to the strict examination and approval of various terms of foreign trade contracts at the beginning of the signing of contracts, companies should also strengthen the follow-up management process of foreign trade contracts. Including the implementation process of supervision, as well as the completion of the implementation of the registration system and the improvement of archives management.

(1) Strengthen the supervision of contract execution

International trade involves a wide range of business, lasts a long time, and involves complicated links. Therefore, the occurrence of foreign trade contract risks is not fixed and random. The company shall, in the whole process of the transaction and on the basis of strict review of the contract terms, strengthen the supervision of the implementation of various contract terms in the later period to ensure the smooth completion of the transaction in accordance with the requirements of the contract terms. Follow up the transportation of export goods in time to prevent uncollected or unattainable receivables, and clearly indicate the solution of similar situations in the contract. In case of the above situation, the company shall find out the reason in time, contact the carrier immediately, conduct emergency treatment according to the solution, ensure the goods arrive in good condition and safety and urge the transaction party to receive goods in time.

(2) Improve the registration and filing management after the completion of the contract

After the completion of the transaction, we should do a good job of registration and filing of the overall implementation of the contract. According to the contract text signed with each trade object, the

company should sort out and file timely for reference. The purpose of this is: firstly, as a basic evidence archive, to prevent economic disputes after the event; The second is to master the basic information of customers and the information of trade contracts, which can be used as supplementary materials to improve the information of customers, so as to provide a basis for future trade contacts, timely positioning and updating the information of old customers, and making foreign trade contracts more in line with the actual situation. Thirdly, the filing of trade contracts can also provide real and necessary credit investigation information for later trade exchanges. Only by optimizing the overall management process of trade contracts can the problems in foreign trade contracts be fully summarized and the risks of foreign trade contracts be fundamentally avoided.

8.4 Improve Staff's Ability to Guard against "Soft Terms" In Letters Of Credit

Whatever the "soft terms" in an export letter of credit are, one thing is certain they are a threat to the interests of the beneficiary. Before shipment, the company must carefully review the terms in the letter of credit, strictly review and modify the certificate, so as to prevent the occurrence of "soft terms" and reduce the economic losses caused by the payment method of the letter of credit.^[3]

(1) Beware of "soft terms" in trade terms

The emergence of "soft terms" may be due to improper use of trade terms. In particular, companies should pay attention to the collocation of trade terms and payment terms to prevent the other party from making "soft terms" based on this. For our company, it is more secure to choose CIF or CFR as the trade term of letter of credit payment, because in this case, the company can choose the shipping company by itself, to avoid the passive transport process caused by collusion between the other party and the carrier. Once the term FOB is chosen, the company shall pay special attention to the shipping company and conduct a credit investigation to prevent the occurrence of "soft terms".

(2) Guarding against "soft clauses" in documents

When carrying out export trade, the company must be careful to deal with the requirement of bill of lading put forward by the importer. For example, if the other party asks the exporter to send one third of the original bill of lading directly to the importer, this is absolutely not possible. The stakes are high for exporters. Therefore, the company must be more alert to the requirements of the importer's daily documents, and shall promptly and firmly require the importer to amend the letter of credit if any problems or risks are found. Do not change certificate not to deliver goods.

(3) Beware of unreasonable conditions in L/C terms

The company should be careful of unreasonable conditions added by the importer under the terms of the letter of credit, including: stipulated that the goods in the letter of credit must be signed and accepted by the importer and presented the relevant documents before they become effective; Stipulating that the letter of credit shall become effective only after the importer obtains import quota or import license; The provisions shall take effect after obtaining the relevant approval documents of safe of the importing country. These items often make the company in a passive state, resulting in difficult exchange. In practice often encounter similar situation, need to consider the requirements of the complete documents drawn whether there is any difficulty or whether can be completely consistent, so long as has the certain difficulty or inaccurate documents and can cause trouble for the company's terms and conditions should be in when signing a contract requires the importer or modified until the company can directly remove, and then avoid this kind of invisible "soft clause".^[4]

8.5 Use Financial Means to Avoid Foreign Exchange Risk

In the initial stage of carrying out international trade, the company lacks systematic and mature pre-risk prevention measures. In order to avoid foreign exchange risks, financial means^[5] should be adopted to deal with foreign exchange risks by hedging foreign exchange accounts receivable with trade financing and corresponding financial instruments.^[6] Trade financing refers to a financing method by which an enterprise increases its cash flow by means of financial instruments, usually through short-term financing or credit facilities provided by banks. The cost of trade finance is lower, and through trade finance, the company can maintain a better quality of capital turnover and better business operation. Most importantly, by doing so, the company can lock in the amount of foreign exchange received and prevent foreign exchange losses caused by exchange rate fluctuations. The use of financial instruments^[7] to carry out hedging can also buffer foreign exchange risks in international trade to a certain extent and reduce trade losses caused by exchange rate fluctuations.

8.6 Countermeasures against Maritime Transport Risks

It is suggested that the company's preventive measures against maritime transport risks are mainly to insure the goods to pass on the risks. This is generally adopted by foreign trade companies and relatively effective way to avoid the risks caused by unexpected and force majeure in the process of maritime transport. On this basis, in order to further optimize the risk prevention countermeasures, we can consider the anticipated man-made risk prevention, so as to reduce the insurance cost, can be from the conclusion of the maritime trade contract to prevent the following three aspects:

(1) Strictly review the terms of the contract and transfer the shipping risk in time

Practical principles should be followed when signing foreign trade contracts, prevent risks arising from non-compliance. In order to avoid the risk of shipping, this part of the risk can be transferred out through the terms of the contract. For example, for the related transportation issues, in addition to insurance to transfer the risk, but also through the provisions of the contract, it can be transferred to the transport company, so as to effectively avoid the transport risk.

(2) Choose the time frame for shipment carefully

In determining the time of shipment, the company needs to consider various factors and allow appropriate time for production and preparation of the goods before finalizing the time of shipment with the trading partners. It is best to choose a time frame rather than a time point to allow a flexible time frame to prepare goods and to avoid the risk of ill-considered shipment delays or unexpected delays at the port of shipment.

(3) Beware of the risk of booking shipping space

It is necessary to ensure that the charter party is in accordance with the provisions of the foreign trade contract, such as laytime, demurrage and dispatch, prevent unnecessary losses to the company due to unclear regulations and unclear descriptions. For example, the contract stipulates that "the importer shall discharge the goods within one week after the arrival of the supply ship of the exporter at a certain port, and shall bear all the expenses including demurrage and demurrage incurred in excess of the aforesaid time." For such purposes, the time of discharge appears to be from the time of entry into the port for the importer and from the time of entry into the anchorage for the carrier. This leads to the inconsistency between the two contracts, which will bring unnecessary losses to both sides of the trade. In this way, the above conditions must be clearly stipulated. Special provisions on demurrage fees, which are independent of the chartering contract, can be attached to the foreign trade contract to clearly divide the responsibilities of both parties and balance the interests of both parties. [8]

9. Conclusion

Due to the relatively stable relations between China and Australia, the signing and entry into force of the China-Australia free trade agreement, ABC Shoes Co. Ltd will develop overseas markets. This research may recommend Australia as the company's first choice. Due to the objectivity of international trade risks, the impact on export enterprises is everywhere. This paper makes a detailed analysis of the opportunities, risks, advantages and disadvantages that the company will face when carrying out international trade with SWOT analysis method, put forward targeted countermeasures and Suggestions, ensure that the company is always in a safe environment in international trade activities, achieve sustainable development [9-12].

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