



**Asia-Pacific
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Advancing Free Trade
for Asia-Pacific **Prosperity**

APEC Public-Private Dialogue on Enhancing Capacities of MSMEs in Exporting Services *Summary Report*

Ha Noi, Viet Nam, 29-30 November 2017

APEC Small and Medium Enterprises Working Group

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Produced by
Pham Quoc Phi/ Vu Lien Huong
54 Hai Ba Trung street, Ha Noi, Viet Nam

For
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Singapore 119616
Tel: (65) 68919 600
Fax: (65) 68919 690
Email: info@apec.org
Website: www.apec.org

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I. Introduction

On 29-30 November 2017, the **APEC Public – Private Dialogue on Enhancing Capacities of MSMEs in Exporting Services**, initiated by Viet Nam and co-sponsored by Indonesia; Japan; Malaysia; the Philippines; Russia; and Chinese Taipei was held in Ha Noi, Viet Nam. Speakers and participants came from Australia; Chile; Indonesia; Japan; Malaysia; the Philippines; Chinese Taipei; Thailand and Viet Nam. Most of the Dialogue participants were from the public sector, academic institutions or the private sector relating to either services or SMEs.

The dialogue sought to provide a platform for open dialogue between the public and the private sectors on the current state-of-play as well as opportunities and challenges of APEC services to MSMEs. It was aimed to discuss the ways to promote the capacities of exporting services of MSMEs through sound policies, technical assistances, skill development etc. Last but not least, it is expected to provide an opportunity for networking among MSME experts from the public and the private sectors.

II. Background

This project is in line with APEC Economic Leaders' instructions in 2015 when they stated "We recognize the significance of enabling the full participation of all sectors and segments of our society, especially...micro, small and medium enterprises (MSMEs), to achieving inclusive growth. We underscore the importance of empowering them with the ability to contribute to and benefit from future growth." In addition, APEC Leaders also reiterated "the significance of the participation of MSMEs in global commerce to inclusive growth and will take action to facilitate such participation. We recognize that internationally-oriented MSMEs can make substantial contributions to poverty reduction through employment creation, productivity improvements, and economies of scale."

Furthermore, the SMEWG Strategic Plan 2013-2016 clearly stated that the first priority is "Building management capability, entrepreneurship and innovation" with a key indicator is "strengthen the capability of business development service providers". The 3rd priority in the Strategic Plan is "Business environment, market access and internationalization" with an indicator of "build SME capabilities to market products and services internationally".

Themes covered during the two-day event included: (i) *Overview on MSMEs and Exporting Services*; (ii) *Governments' Strategies and Policies to Build and Enhance MSMEs' Capacities in Exporting Services*; (iii) *Perspectives from International Organizations on Building and Enhancing MSMEs' Capacities in Exporting Services*; (iv) *Perspectives from the Private Sector on Building and Enhancing MSMEs' Capacities in Exporting Services*; (v) *Case Studies on Building and Enhancing Capacities of MSMEs in Exporting Services* and (vi) *the Way Forward*.

III. Discussion

Outcomes

The dialogue included two days for presentations and discussions on the current state-of-play as well as opportunities and challenges of APEC services MSMEs. The dialogue was also an opportunity to present case studies in building and enhancing capacities of MSMEs in exporting services. The last session (recommendations for future activities) provided an opportunity to share what participants can take away from the dialogue as well as to suggest potential APEC capacity-building activities to most benefit APEC member economies. Overall, the dialogue achieved its main objectives as described in the project proposal. Moreover, participants considered that it afforded chances for networking among representatives from the policy community, academics and private-sector actors in SMEs sector and services from within and outside the APEC region.

Key Issues Discussed

Opening remarks

In his opening remarks, Mr Luong Hoang Thai (Viet Nam's Senior Official to APEC and Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam) reiterated that MSMEs account for over 97 per cent of all enterprises and between 60 and 80 per cent of the workforce across APEC economies, the employment by MSMEs has led to community wealth and stability and stable, confident communities contribute to a healthy macro-economic environment in our region.

In his view, a number of MSMEs are involved in international trade - either through their participation in overseas markets or by selling services to foreign firms within their domestic markets in various sectors such as tourism, ICT, retail, professional services etc.

Recognizing the importance and contribution of MSMEs to the economic growth and social welfare, Mr Luong emphasized that Viet Nam has been organizing a number of events, aiming at supporting and enhancing MSMEs competitiveness to integrate into regional and global markets. Viet Nam also focused on MSMEs in her 2017 host as one of the priorities of APEC 2017 is "Strengthening MSMEs' Competitiveness and Innovation in the Digital Age".

However, up to date, there has not been any APEC activity on MSMEs and services, although the APEC Services Competitiveness Roadmap was endorsed last year. Since a few MSMEs are not aware of services and their role in international and domestic trade, the Senior Official expressed the hope that the Dialogue was a platform for open and fruitful discussions among various stakeholders, especially among public and private sectors, on what APEC can do to enhance MSMEs' export capacities and what MSMEs expect from APEC and governments to assist them in integrating in global and regional markets.

Dialogue's sessions

Experts provided presentations on the following topics:

1/ During Session 1 on “*Overview on MSMEs and Exporting Services*”, **Mr Sergio Arzeni (President, INSME)** highlighted that trade in services accounted for almost 50 per cent of world trade today (using Trade in Value Added method) and worldwide, the number of jobs in the service sector increased by an average of 3 per cent each year between 2000 and 2016. Besides, he showed that barriers to trade in services had multiple sources, including regulation, legal institutions, infrastructure and simple capacity and were much higher than those in movement in goods. The speaker mentioned that some niche markets were dominated by SMEs and innovative small enterprises were often key partners of larger multinationals in developing new products or serving new markets. However, in view of Mr Arzeni, SMEs in developing economies might struggle to take advantage of new opportunities offered by the evolving GVC landscape. In addition, he presented that trade and investment barriers undermined SME participation in global markets. Poor physical and ICT infrastructure also prevented SMEs from operating efficiently and accessing international markets at competitive costs. In conclusion, Mr Arzeni observed that digitalization offers new opportunities for SMEs to participate in the global economy.

2/ During Session 2 on “*Governments’ Strategies and Policies to Build and Enhance MSMEs’ Capacities in Exporting Services*”, there were two speakers: **Ms Nguyen Thi Hanh (Deputy Director of SME Promotion Center, Viet Nam Chamber of Commerce and Industry)** and **Mr Suresh Kumar Palasanthiran (Senior Manager, Malaysia External Trade Development Corporation)**.

- At the beginning of the presentation, Ms Nguyen Thi Hanh provided an overview about SMEs in Viet Nam. She then emphasized current difficulties for Vietnamese SMEs, such as finding customers, finance, human resources, administrative paperwork, finding land site, finding suppliers, ICT etc. Regarding Viet Nam’s strategies and policies to assist SME development, the speaker mentioned main targets: to enhance SMEs’ competitiveness and sustainable development; to increase labor productivity; to assist 30-35 per cent enterprises in innovation each year. Viet Nam’s Law on SMEs (2017) stipulated 7 common supportive policies such as facilitating access to finance and production sites, supporting access to markets, consultancy, human resource development etc. Ms Nguyen concluded her presentation by reaffirming further activities that Government should do to enhance SMEs’ capacities, such as ease of doing business, simplifying administrative procedures, tailored programs for SMEs, easy access to finance etc.
- Mr Suresh Kumar Palasanthiran’s presentation was divided into 4 parts: (i) Malaysia’s service trade performance in 2016; (ii) Malaysia’s SME landscape; (iii) Malaysia’s SME Development Framework; (iv) development programs and initiatives undertaken to strengthen Malaysia’s export capacities. The speaker highlighted that SMEs were the backbone of Malaysia’s economy, accounting for 98.5 per cent business establishment (services SMEs accounted for 89.2 per cent total SMEs). The four goals of Malaysia’s SME Development Framework were: (i) increase business formation; (ii) expand number of high growth and innovative firms; (iii) raise productivity; (iv) intensify formalization. Mr Palasanthiran briefed that 136 development programs and initiatives were undertaken by various Ministries and agencies to promote the

development of SMEs' targeting the service sector. At the end of the presentation, the speaker introduced 4 tools to strengthen SMEs' export capabilities (Go-Ex, BWYEDP, eTRADE, BEST practices) as well as mechanism to facilitate SME linkages.

3/ During Session 3 on "*Perspectives from International Organizations on Building and Enhancing MSMEs' Capacities in Exporting Services*", there were two speakers: **Professor Gail Pearson (University of Sydney, Australia)** and **Ms Kim Jaewon, United Nations ESCAP**.

- Firstly, Professor Gail Pearson raised some questions that SMEs should know before exporting services, such as a development plan, a marketing plan. She then pointed out useful documents to assist SMEs to export: the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) and its implication – the four modes of supply under GATS. According to Professor Pearson, there were some lessons for SMEs who wish to export services: (i) to identify what services can be offered and what services cannot be offered in a particular target market; (ii) recognition of professional qualification, licensing and registration requirements.
- Ms Jaewon Kim began her presentation by introducing changing patterns of trade (global value chains; digitalization/ disruptive technologies). She then presented impacts of GVCs on service industries and impacts of digitalization on service industries within GVCs. The speaker also highlighted impact of digitalization on logistics and transport services and gave an interesting example on the single window of Thailand customs. The speaker emphasized that digitalization is a key driver to integrate MSMEs into GVCs; however, key factors influencing digital readiness were: digital workforce, FDI promotion and technology transfer, and digital security.

4/ During Session 4 on "*Perspectives from the Private Sector on Building and Enhancing MSMEs' Capacities in Exporting Services*", there were two speakers: **Dr Mina Gabor (Chairwoman of International School of Sustainable Tourism, Philippines)** and **Mr Sergio Arzeni (President, INSME)**.

- The presentation of Dr Mina Gabor was titled "Creating and Marketing Your Unique Farm Tourism Concept". According to the speaker, farm tourism was the business of attracting visitors and travellers to farm areas and encouraged economic activity and provided both farm and community income. In Philippines, there were Farm Guiding Courses and Farm Tourism Development Board. Dr Gabor also shared about 2018 Global farm Tourism Summit and about value-added agriculture (getting more income for your farm in innovative ways). The speaker reiterated that for farm tourism to become an industry, a collaborative effort with various stakeholder was important. Last but not least, Dr Gabor observed that the success of farm tourism activities was based on how innovative and/or creative the farm operator was (blending ecotourism with rural tourism; blending farm marketing with medical/wellness tourism; blending local food in farm; blending education in farm tourism).
- At the beginning of the presentation, Mr Sergio Arzeni mentioned that despite its advantages, going abroad was still a big step for most SMEs since they did not have

resources and contacts to have sustainable business opportunities, potential partners in foreign markets. The speaker then presented a number of interesting examples in Finland (Finpro export partnership), United Kingdom (Passport to export), Italia (Diffusion of specialized services on foreign structures), Germany (Providing information on foreign markets by Chamber of Commerce Abroad), Australia (Trade Start/ Export Access) and Canada (Program for Export Market Development. To Mr Arzeni, these programs had different impacts and lessons that economies can learn, for example, about 10,000 US SMEs passed through or were on the “Passport to export” program, German SMEs had better market access, better client orientation, higher degree of transparency and value of the network etc.

5/ During Session 5 on “*Case Studies on Building and Enhancing Capacities of MSMEs in Exporting Services*”, there were two speakers: **Professor Gail Pearson (University of Sydney, Australia)** and **Ms Pei-Ti Hu (Deputy Director General, Small and Medium Enterprise Administration, Ministry of Economic Affairs, Chinese Taipei)**.

- To start the presentation, Professor Gail Pearson firstly provided some information about the cases of Rasgulla (a sweet syrupy Bengal sweet), medical devices and on-line platform. The speaker then presented an Australian case “Valve” (a software company based in the United States; an online game distribution network) that had made false and misleading representations in its consumer agreements and refund policies. Professor Pearson shared the view of the floor that patent was a complicated issue, especially in getting patent in big markets so SMEs should be very selective in doing export.
- Ms Pei-Ti Hu divided her presentation into 4 parts: (i) SMEs Development in Chinese Taipei; (ii) Export Performance of SMEs in Chinese Taipei; (iii) Case Studies on Building and Enhancing Capacities of MSMEs in Exporting Services; (iv) Conclusion. The speaker showed that there were 1.4 million SMEs in Chinese Taipei, contributing to 78 per cent of total employment. Chinese Taipei had a number of SMEs-related policies such as innovative SME ecosystem, financing support, environment building and international collaboration, start-ups and SMEs incubation etc. For case studies, Ms Hu focused on Corporate Synergy Development – a unique business linkage scenario that places a large firm at the center surrounded by many small firms. After introducing case studies of Fukuta, O’right, Sky Yard etc., the speaker concluded 3 priorities to enhance SMEs’ capacities to export, which were: innovation, employment and distribution.

IV/ Conclusions and Recommendations

1/ The consensus view of the Dialogue’s speakers, moderators and participants agreed that the project achieved its intended objectives. They considered the Dialogue be good for APEC to continue to share and discuss in-depth and various knowledge the situation, polices, strategies, programs, technologies, barriers etc. on SMEs and their export of services. Dialogue participants also knew about, among others, how to promote synergy between companies and Government agencies, ideas of innovation and integration/synergy, incubation

and internship, important role of inclusive growth, importance of digitalization, better interaction with regulators etc.

2/ The Dialogue's participants suggested that future activities/ topics should be:

- Focused topic on women-owned SMEs;
- More information on similar mechanism that was used in Chinese Taipei;
- Common mutual recognition of qualifications;
- Share experience on incubation and internship;
- Tailored-made program for each developing economy to enhance MSMEs' capacities;
- Provide site-visit for MSMEs to learn from successful export SMEs in APEC;
- Improve quality and change curriculum in vocational schools and universities to meet the needs of human resources of SMEs;
- Improve labour policies and skills of labourers;
- Share best practices (Government policies, private sector' practical experience) to enhance MSMEs' export capacities;