

**SUMMARY REPORT**  
**39<sup>th</sup> Meeting of the APEC SMEWG**  
**Plenary Session**  
**Nanjing, People's Republic of China**  
**3-4 September 2014**

**Introduction**

The 39<sup>th</sup> Small and Medium Enterprises Working Group (SMEWG) Meeting was held in Nanjing, the People's Republic of China, on 3-4 September 2014.

The meeting was attended by representatives from Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, China, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, the United States of America, and Viet Nam. Macao, China and Cambodia were represented as invited guests. Representatives from the APEC Business Advisory Council, the APEC IEG, the APEC EPWG, and UNISDR were present as guests.

The meeting was chaired by Mr. Ted Tan, Deputy Chief Executive of SPRING Singapore and Acting Chair of the SMEWG (in place of Chair Dr. Wimonkan Kosumas).

**Welcome Remarks**

**Welcome Remarks by Host Economy**

Mr. Tian Chuan, Deputy Director General, Ministry of Industry and Information Technology, welcomed the delegates to Nanjing, the People's Republic of China, for the 39<sup>th</sup> SMEWG meeting.

**Opening Remarks by Meeting Chair**

Mr. Ted Tan, Deputy Chief Executive of SPRING Singapore, welcomed the delegates to the 39<sup>th</sup> SMEWG meeting and outlined the meeting objectives.

**Administrative and Logistic Arrangements**

Mr. Qin Fei, Deputy Director, Ministry of Industry and Information Technology, outlined administrative, security, and logistical arrangements for the meeting and peripheral activities.

**Adoption of Agenda**

All member economies endorsed the agenda.

**Mid-term Report of the 2<sup>nd</sup> SMEWG Strategic Plan (2013-2016)**

The Chair presented the Mid-Term Progress Review of the 2<sup>nd</sup> SMEWG Strategic Plan, including KPIs met and areas for future development. The Chair reported that the SME Working Group has sponsored 15 projects in 2014 alone. These projects have occurred throughout APEC and their resulting workshops, seminars, exhibitions, and publications have directly impacted over 160 APEC-funded participants and indirectly impacted thousands more. Great strides have been made in building SME management capability, entrepreneurship, and innovation, and improving the business environment, market access, and internationalization of SMEs. He reported that there remains, however, much to be done to improve SME's access to finance. The Chair talked about relevant projects from member economies and KPIs that were being met. Also discussed, were areas for improvement, and key takeaways from projects by Japan, Chinese Taipei, the U.S., and Thailand. Some of these recommendations included, establishing an APEC mentorship-driven Investment Network (Chinese

Taipei), strengthening the connectivity among economies along their border areas (Indonesia), promoting women's entrepreneurship and narrowing development gaps (Japan), and supporting innovation through education and creating a supportive and nurturing environment for SME innovation within APEC (Thailand). The Chair then invited member economies to discuss future activities.

China commented that all economies should continue to share their best practices to ensure SME Working Group progress and encourage the continued collaboration with existing platforms, such as the APEC SME Service Alliance (SMESA).

The Philippines proposed that the SMEWG endorse the Chair's recommendations, namely, that the APEC Secretariat should coordinate alternative funding support with other relevant APEC Working Groups. Member economies should also consider re-submitting projects tailored to APEC priorities and objectives. It was proposed that a calendar of SMEWG events/forums should be created to minimize schedule conflicts and increase participation rates. Additionally, a lead economy should support the APEC secretariat in data collection, with a proposed submission deadline of December 31<sup>st</sup> to facilitate reporting at the spring SMEWG meeting.

The United States proposed that SMEWG delegates also need to better coordinate with SMEs from their economies to ensure active participation in all projects and the full utilization of APEC funding.

The recommendations were endorsed by all economies.

### **Report on Recent Developments at SOM3**

Ms. Phuong Ha, APEC Secretariat, provided updates on the CTI, EC, and SCE organizations, and their relevant meetings at SOM 3. Reported research at SOM 3 on developing Global Value Chains shows a great potential for collaboration between SMEWG and other fora. CTI Friend of the Chair was also formed and had their inaugural meeting before SOM 3. This FotC developed a work plan on GVC to implement the APEC Strategic Blueprint for Promoting GVC Development and Cooperation, endorsed by MRT 2014. CTI agreed to the Terms of Reference (TORs) for advancing Korea's initiative on "Capacity Building for SMEs' Integration into GVCs in Major Industries." The meeting also provided an update on the "Comprehensive Analysis on Enhancing the Resiliency of Cross-Border Value Chains." Other Issues discussed by CTI include: (1.) the possibility of considering service and GVCs as the New Generation Trade and Investment Issues (NGeTI); (2.) establishing an FotC group focused on the Implementation of EF, whose first meeting would be at CTI in 2015; (3.) reporting on 8 points that could enhance APEC Supply Chains. The SOM Committee on ECOTECH (SCE) Meeting, held on 17 August, could not agree on ECOTECH Medium-term Priorities. Capacity building, however, was clearly a focus, as the SCE decided to prepare a wider APEC policy in addition to the existing Guidelines on Conducting Capacity Building. Most importantly, the SCE decided that SMEG will undergo an independent assessment in 2015. The Economic Committee (EC), in addition to continuing their normal work, discussed new issues in depth, such as: the internet economy, middle income trap, and urbanization.

The United States commented that they plan on discussing with Korea how to proceed and collaborate on the CTI Global Value Chain work and its implementation, to avoid redundant work on that topic.

The APEC Secretariat pointed out that Korea's Global Value Chain (GVC) project proposal, presented at the CTI meeting, differed from the United States' on several points.

The Chair commented that the developments at SOM3 are encouraging, especially the news that SMEs were now the 1<sup>st</sup> priority, up from the 6<sup>th</sup> last year. He also noted the importance of the coming independent assessment of the SMEWG in 2015.

### **Report on SMEWG New Projects in 2014**

Ms. Ha Phuong reported on SMEWG endorsed projects in 2014. For Project session 1, \$4.73 million was available. The approval rate of this session was 22%, significantly lower than the average rate of 55% over the last five years. ASF General Fund had the lowest approval rate of 5%. Although estimated funds for project session 2 were nearly doubled, the number of resource sources that the SMEWG can apply for are still limited: US\$1.13 million for Operational Account and US\$ 1.04 million for ASF General Fund. 103 submissions were received for Session 2.

SMEWG has 2/27 approved projects in session 1, which are proposed by Chinese Taipei and Peru. For session 2, 6 concept notes were submitted, among which three were related to global value chains (GVC). Although GVC is an emerging, prioritized issue, it was suggested that SMEWG economies tighten collaboration on highly pressing issues, in order to increase the probability of receiving funds, as well as the efficiency of project development and implementation.

The proposed new process for the prioritization and ranking of concept notes shall be piloted during Project Session 1, 2015. A key feature of the new system is a score system, in addition to the current ranking and prioritization system. At the Working Group level, members will score concept notes on four criteria: (1) alignment with working group priorities; (2) alignment with the assessing economy's priorities; (3) alignment with the host economy's priorities; and (4) the concept note quality (i.e. clear objectives, methodology, and budget). Economies can then allocate a priority to each concept note based on the score that it receives.

Concept notes will be assessed by the Committee under six criteria, and out of 60 total points: (1) originating forum score (20 points); (2) supports regional economic integration by free and open trade and investment (10 points); (3) supports the APEC Leaders' Growth Strategy (5 points); (4) supports the assessing economy's priorities (10 points); (5) multiple benefits (5 point); and (6) concept note quality, i.e. clear objectives, methodology, and budget (10 points).

The Chair commented that this new ranking system will work well to help get new projects funded in a more streamlined manner.

### **Procedure for Summary Report Preparation**

Mr. Sarit Sanguanwongse from the Kenan Institute Asia, SMEWG Secretariat, explained the procedure for drafting and finalizing the meeting summary report.

### **APEC SME Internationalization Monitoring Index**

#### SME Internationalization, Improving the Understanding of Different Aspects and Related Issues (Ms. Bernadine Zhang, APEC Policy Support Unit)

Ms. Bernadine Zhang of the APEC Policy Support Unit (PSU) presented on "SME Internationalization, Improving the Understanding of Different Aspects and Related Issues." She reported that international activities of SMEs include all forms of transferring goods and services across borders, such as export activities, joint ventures, non-equity strategic alliances, licensing agreements, establishing subsidiaries or branches, franchising, and importing. Although exporting is the most common form of SME internationalization, data on exporting SMEs is not available for most APEC economies. Furthermore, she reported that measuring SME internationalization is a challenging task – besides gaps in SME export data, the other internationalization activities are usually not tracked or included in official statistics

Canada commented that statistics reported by different economies need to be accompanied by relevant explanations, so that the numbers they report can be accurately compared and assessed across a large variety of collection and economy differences.

Korea reported that they would look into which institutes collect internationalization data in their economy and share the findings with the Secretariat.

APEC Secretariat, Ms. Ha Phuong, and Ms. Bernadine Zhang from the APEC PSU, both stressed the importance of data collection and submission to APEC, and the need to further study SME Internationalization.

The Chair proposed for a lead economy to put forward a concept note on an SME Internationalization study with the assistance of the APEC Secretariat.

#### IEG Convenor's Update to SMEWG (Mr. Clarence Hoot, Co-Convenor of APEC Investment Expert's Group)

Mr. Clarence Hoot, the IEG Co-Convenor, presented on the linkages between foreign direct investments (FDI) and SMEs, namely, what benefits such linkages would bring to foreign affiliates and domestic SMEs, and how government policy could support the efforts of attracting FDI. He expanded on IEG's role in encouraging policy actions conducive to investment by outlining relevant initiatives undertaken by IEG, for example, the Investment Facilitation Action Plan (IFAP), as well as information sharing on investment principles and practices. Specific IEG projects contributing to investment facilitation and promotion were also highlighted.

#### Understanding the Overseas Performance and Trends of Japan's SMEs (Osamu Tamura, Director, Office for International Cooperation)

Japan presented on "Understanding the Overseas Performance and Trends of Japan's SMEs." They found that based on various official statistics, one can understand the trend of overseas SME expansion in terms of "whether or not the enterprise has a subsidiary company," or "how many overseas branches the enterprise has." The objective of the Economic Census was to assess the business activities of establishments and enterprises, as well as the comprehensive industrial structure in Japan, and to organize information so as to conduct various statistical surveys for establishments and enterprises. The result of the census is widely used as source material, which supports socioeconomic development, through designing the administrative policies of central and local governments, and for formulating management plans for private enterprises.

Ms. Bernadine Zhang of the APEC PSU raised two questions: what is the frequency of the economic census conducted in Japan? The answer was once every five years. Also, she questioned how many economies had an economic census. Every economy answered that they have a national census. Canada mentioned that they have a variety of more nuanced census reports. Ms. Zhang also commented that this economic census data, especially on internationalization, should be shared with the APEC PSU.

The Chair commented on the need for KPIs to track SME economic internationalization, and the need to share that information.

#### **APEC SMEWG Financial Literacy Survey**

Mr. Daniel Grossberg from the Kenan Institute Asia, SMEWG Secretariat reported on preliminary findings of the APEC SMEWG financial literacy survey. They outlined the current understanding of financial literacy in participating economies and went over their various financial literacy education strategies. They also pointed out strategic gaps in the areas of financial literacy education, including: a need for minimum standards, tailored programs, and the often prohibitive costs of education programs. The Secretariat then talked about gaps in financial literacy policy, including: the need for public and private coordination, better communication, better support of financial literacy education, and more responsive evaluation and monitoring. They also made recommendations for future surveys and invited member economies to discuss the logical next steps.

The Chair stressed the importance of financial literacy for both SMEs and individuals within all APEC member economies.

Australia pointed out that the key priority of APEC programs should be to directly reach the SMEs that they are trying to impact.

### **Best Practices Sharing in Each Priority Area**

Member economies shared best practices and reported on new projects related to each priority area.

#### **Priority Area 1: Building Management Capability, Entrepreneurship, and Innovation**

- Capability Building in High-growth SMEs (China)
- Enhancing SME Innovation through Technology Transfer (Singapore)
- The Strategy of Promoting Born Global and High-Growth SMEs (Chinese Taipei)
- Sectoral Game Plan to Catalyze Growth (Malaysia)
- United States' Global Women's Economic Empowerment Initiative (United States)

#### **Priority Area 2: Financing**

- Financial Literacy for At-risk Women and SMEs (Thailand)
- Improving Financial Literacy for MSME in Indonesia and infrastructure development for financial inclusion (Indonesia)
- Bank Rakyat Indonesia's Infrastructure Development for Financial Inclusion (Indonesia)
- Financial Support for SMEs at Different Stages of Development (Hong Kong, China)

#### **Priority Area 3: Business Environment, Market Access and Internationalization**

- Best Practice on Sustainable Development of Micro Enterprises (China)
- Promoting Innovative Economy Through APEC Co-Incubation Initiative (Indonesia)
- On-line Export Assistance Programs for SMEs of Korea (Korea)
- Japan's Recent Policy Focusing on Support for Micro Enterprises (Japan)
- Improvement of Business Environment and SME Internationalization (Russia)

\*\*\*Further information about Best Practices is available in the Summary Report Appendix.

### **SMMEs and Entrepreneurship Working Group Meeting Report by APEC Business Advisory Council (ABAC)**

ABAC representative Ms. Diane Wang reported on the accomplishments made during the recent ABAC SMMEs and Entrepreneurship Working Group Meetings. Major progress was made by ABAC in several key areas, including: empowering SMEs to access international markets through cross-border e-commerce and conducting the associated capacity building program Cross-Border E-Commerce Training (CBET) workshop to offer training courses to APEC SMEs on cross-border trading opportunities, with the objective of bringing the program online and localizing it in other APEC economies for broader impact. Additionally, ABAC reported on recent work with the IFC to create an APEC framework for Innovative SMME Financing Mechanisms.

Ms. Diane Wang also invited other APEC economies to co-host the CBET workshop with ABAC China, in order to provide local SMEs with the knowledge and opportunities to leverage cross-border e-commerce, integrate into the new global value chain, and access international markets.

The Chair noted the importance of ABAC, particularly their CBET workshop and reiterated the need to continue to support them. The Chair also asked about challenges for SMEs in adopting e-commerce strategies, and how APEC can help. Ms. Diane Wang responded that SMEs need to change their

mindset to incorporate e-commerce. She also pointed out that having a platform for SMEs to develop e-commerce applications is critical, which is where APEC should step in.

China noted that they were impressed by the CBET workshop and proposed to continue its progress.

### **Further Collaboration with Emergency Preparedness Working Group (EPWG) and United Nations Office of Disaster Risk Reduction (UNISDR) on Business Resilience Improvement**

Dr. Wei-Sen Li, Co-Chair of the APEC Emergency Preparedness Working Group (EPWG), and Ms. Natalia Tostovrsnik, Associate Expert at the Disaster Risk Reduction United Nations Office for Disaster Risk Reduction (UNISDR), reported that since 2011, SMEWG and EPWG have been working on a multiple-year project to promote the business resilience of SMEs. The fruitful project outcomes received a warm welcome by UNISDR for promoting the private sector's involvement in disaster risk reduction. Beyond 2014, EPWG will continue cross-fora projects to further improve regional capacity building and better enhance emergency preparedness, based on the SMEWG's efforts. UNISDR also offered brief suggestions for private sector yield by the 6th Asia Ministerial Conference on Disaster Risk Reduction and introduced a new initiative, "hotel resilience," which will help to certify readiness of tourism businesses in case of natural disasters. Further multilateral collaboration was also addressed in order to implement cross-cutting synergy for a safer trade environment.

The Chair recommended that the SMEWG should deepen the collaboration with EPWG, and he asked how that relationship could be deepened. Dr. Wei-Sen Li responded that BCP work should be completed in other industries.

The Chair also recommended that member economies should work further with UNISDR and noted many opportunities for collaboration.

### **APEC SMEWG Chairmanship**

Ms. Ha Phuong presented a proposed revision of the Chair and Vice Chair system to ensure smoother Working Group operation and a more equitable relationship for member economies. The proposed Chair system will change to an alphabetical rotation following the chairmanship of the United States in 2015 – 2016. This means that Viet Nam would be the next Chair economy for 2017-2018. She also suggested that a Vice Chair should be available to support the Chair. The Vice Chair would also follow the alphabetical system. Thus, for example, Viet Nam would be the Vice Chair in 2016 before becoming chair, allowing them to understudy the Chair. The Vice Chair would serve for one year, the second year of the Chair's term, and lead SMEWG meeting on behalf of the Chair, should the Chair be unable to perform his or her duties. After their one year term, the Vice Chair would then become the Chair for two years. Should the incoming Chair/Vice-Chair economy not be able to take their turn, they are required to announce this at least one year in advance of the commencement of their term. The next economy in order is invited to take up the position until a positive commitment is received.

Malaysia commented that they supported the new Chairmanship proposition, but asked why the Vice Chair position would only be for a duration of one year. They noted that the Vice Chair position should be about continuity, and proposed that a two year term would allow for the Vice Chair to better understand and carry out the SMEWG's deliverables.

Brunei Darussalam proposed that there could be a pre-agreed list of Chairs and Vice Chairs for a period of time, instead of the alphabetical order.

The Philippines supported Malaysia's proposal to have a Vice Chair for two years, in order to support continuity.

Indonesia also supported Malaysia's proposal to have a Vice Chair for two years.

Singapore proposed a recommendation for the swapping system. If an economy could not Chair for some reason, they would swap with the economy next in line, not with a volunteer.

Mexico supported a motion to have a Vice Chair for two years.

Viet Nam commented that it would be sufficient for a Vice Chair to serve for one year. They also noted that the SMEWG should clarify the ToR for the Chair and the Vice Chair to distinguish their exact roles.

Australia noted the need for clarification on the ToR about swapping Chairmanship and hosting responsibilities with a volunteer economy.

In conclusion, after consultation with all economies, a majority of economies agreed on an alphabetic one year Vice Chairmanship, along with the alphabetical Chairmanship order and swapping system based on the next-in-line economy order.

All member economies endorsed the ToR for the new Chairmanship system.

### **Terms of Reference (ToR) Updates and Revision of APEC SMEWG Hosting System**

Ms. Ha Phuong reported on ToR updates including: the new priority of the SMEWG, which is innovation, the change of the Chairmanship system to an alphabetical one lasting two years, and the addition of a one-year Vice Chair position.

Ms. Ha Phuong also proposed a new hosting system, in which the Group meets twice a year. The first meeting should take place in the first half of the year and its hosting should be rotated alphabetically, starting from Viet Nam in 2016 as the next member after the United States – the host of the first meeting in 2015. The second meeting should take place immediately prior to the SME Ministerial Meeting in the APEC Host economy of the year.

All member economies endorsed the new hosting system and ToR.

### **Endorsement of the Nanjing Declaration to Promote Ethical Business Environments in the 21<sup>st</sup> APEC SME Ministerial Meeting**

Japan suggested changing the word “endorse” in the sentence “we endorse the ‘Nanjing Declaration to Promote Ethical Business Environments in the Medical Device and Biopharmaceutical Sectors...’” in point 16 to “encourage.” The sentence would then read, “we encourage the ‘Nanjing Declaration to Promote Ethical Business Environments in the Medical Device and Biopharmaceutical Sectors...’”

The United States objected to this new wording, pointing out that the APEC principles had already been endorsed by Ministers in prior meetings and relevant stakeholders.

In conclusion, it was agreed to continue using the word, “endorse.”

### **Progress Report on APEC SMEWG Projects in Each Priority Area under APEC SMEWG Strategic Plan 2013-2016**

Member economies reported on the progress of projects under the SMEWG Strategic Plan 2013-2016.

#### **Ongoing Projects**

- Business Ethics Capacity Building for SMEs in the Medical Devices, Construction and Bio-Pharmaceutical Sectors (MYP) (US)

- APEC Business Ethics Forum - Building the Ethics Capacity of SMEs (US)
- Promoting Innovation Seminar: How Smart IPR Policies Can Encourage SMME Research and Development (Thailand)
- Research and Assessment of Prospects for Development of an Integrated Information Tool to Stimulate Involvement of SMEs of the Asia-Pacific Region into the Global Trade System, Global Production and Supply Chains (Russia)
- APEC Accelerator Network for Early-stage Investment (Chinese Taipei)
- APEC Start-ups Conference III 2014: Global Thinking to Make Global Business (Peru)
- Promoting SME Development: Assisting Women-Owned SMEs Access the Global Market (Australia)

### **Completed Projects**

- Improving Natural Disaster Resilience of APEC SMEs to Facilitate Trade and Investment (MYP) (Chinese Taipei)
- Financing APEC SME Innovation Workshop: Identifying Government Policies that Promote Venture Capital Investment in APEC Economies (Thailand)
- APEC Startup Accelerator Initiative - APEC Accelerator Network (Chinese Taipei)
- Enhancing Competitiveness of SME through Innovative Cooperative Business Model - CBM (Peru)
- Start Up APEC Conference II 2013 - Business to Global Market (Peru)
- Seminar on Financing Innovation of SMEs (China)
- 8th APEC Small and Medium Enterprises Technology Conference and Fair (SMETC) (China)
- APEC SME Business Forum 2014 (China)

\*\*\*Further information about Progress Reports for Ongoing and Completed Projects is available in the Summary Report Appendix.

### **Recommendations**

The Chair offered two recommendations to increase the impact of APEC SMEWG projects. The first was to share the reports and presentations from different events for greater learning among the APEC economies, through sending such information to the APEC Secretariat for distribution. The second was for the APEC Secretariat to extend the impact of completed projects by supporting localization of completed projects.

The APEC Secretariat proposed that member economies collaborate on the development of their projects before submitting proposals.

### **Report on Declaration on Promoting SME Innovation Development**

China reported on the formulation process of the final draft of the “Nanjing Declaration on Promoting SME Innovative Development.” The economies agreed that the document be submitted to the APEC Ministers responsible for SMEs for their endorsement at the 21<sup>st</sup> APEC SME Ministerial Meeting on September 5<sup>th</sup>. The initiatives contained three key themes:

- 1) Enhancing SME innovation capacity initiatives in order to address the following: incentive mechanisms, cooperative mechanisms (especially in relation to academic and research institutions), the role of ICT adoption in capability improvement, the development of incubators, accelerators, and networks for innovation-oriented SMEs, the facilitation of research outputs, commercialization, support for management innovation and innovative corporate culture, and e-commerce capacity building.



- 2) Initiatives for improving the policy environment for SME innovation that focus on SME innovation policy measures and best practices, including strengthening financial institutions in the APEC region, supporting and improving the system for SME IPR creation, management, protection, and application, developing service support for SME innovation via the Internet, and expanding financial support for SME innovation.
- 3) Promoting SME innovation sustainability initiatives, including: supporting the formation of innovative SME clusters, supporting environmentally friendly innovation activities, developing human resources for sustainable SME innovation development, and formulating supportive policies to enhance the core competitiveness of high-growth SMEs.

## **Statements from Invited Guests**

Macao, China commented on the value of the APEC SMEWG.

Cambodia also commented on the value of the APEC SMEWG and their hope to continue to contribute to its progress.

ABAC commented that they would report the SMEWG findings to future ABAC meetings, and they encouraged the continued growth of public-private partnerships within APEC. ABAC will continue to drive these specific initiatives such as, CBET, APEC SME Summit, and the APEC SMEWG.

APEC IEG commented on the importance of the APEC SMEWG, in particular the diversity and depth of the projects conducted by member economies, and suggested further collaboration.

APEC EPWG commented on the great improvements that have been made in APEC economies on the topic of natural disasters in the past three years, and encouraged the continued collaboration of the APEC SMEWG and EPWG.

## **Report on Preparations of the 21<sup>st</sup> APEC SME Ministerial Meeting**

China reported on preparations of the 21<sup>st</sup> APEC SME Ministerial Meeting.

## **The 40<sup>th</sup> APEC SME Working Group Meeting**

The United States made a presentation on the 40<sup>th</sup> SMEWG meeting in Atlanta.

## **Handover of Incoming SMEWG Chair for 2015-2016**

The Acting Chair handed over the SMEWG Chair for 2015-2016 to Ms. Lynn Costa on behalf of Mr. John M. Andersen, Principal Deputy Assistant Secretary for Global Markets, U.S. Department of Commerce, International Trade Administration, the United States.

## **Endorsement of Meeting Report**

All member economies endorsed the meeting report.

## **Closing Remarks**

The Chair thanked member economies for their participation in the 39<sup>th</sup> SMEWG Meeting and closed the meeting.

**SUMMARY REPORT - APPENDIX**  
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**Best Practices Sharing in Each Priority Area**

Member economies shared best practices and reported on new projects related to each priority area.

**Priority Area 1: Building Management Capability, Entrepreneurship, and Innovation**

Capability Building in High-growth SMEs (China)

China reported on Capability Building in High-growth SMEs. They stated that the key elements in guaranteeing the sustainable development of small and medium-sized enterprises are efficient management, unique innovation, and core competitiveness with a focus on market advantages. In recent years, the Chinese government has introduced a series of policies to support SME development, especially small and micro enterprises so as to ease some serious problems throughout the country, such as the unbalanced economic development among different regions and employment shortages. On the one hand, several universally favorable policies, including tax preferences, have been implemented to encourage small enterprise start-ups and improve the development quality of SMEs. On the other hand, SMEs are guided to maintain high growth and strong market competitiveness by adhering to the working towards a professionalized core business, lean operation and management style, signature product technology, and innovative development model.

Canada noted the importance of high-growth SMEs and asked China what criteria it used to define high-growth SMEs. China responded that they actually term those SMEs specialized, not high-growth, and that such SMEs are characterized by specialized products and a localized nature.

Enhancing SME Innovation through Technology Transfer (Singapore)

Singapore shared its experience in enhancing SME innovation through technology transfer. Besides providing financial support for SMEs looking to innovate, Singapore also builds up partnership networks and infrastructure to enhance SME innovation development. Singapore shared on Partnerships for Capability Transformation (PACT) and Technology for Enterprise Capability Upgrading (T-UP), two partnerships which help to promote knowledge and technology transfer. Singapore also shared information about infrastructures established to provide assistance to SMEs in developing innovative products and services, examples include: the Centres of Innovation (COIs) and Private Sector Translators (PSTs). These initiatives have made a considerable impact since their inception and Singapore welcomed potential future collaboration opportunities and partners from other economies.

The Strategy of Promoting Born Global and High-Growth SMEs (Chinese Taipei)

Chinese Taipei presented on the role of Small and Medium Enterprises as the backbone of their economy. Studies have shown that SMEs that exhibit the highest growth trend are also the most vital contributors to economic growth. Starting from this year, by conducting systematic research on high growth SMEs, Chinese Taipei has not only identified those critical players in the economy, but show that Born Global SMEs are a significant presence among them. So far, Chinese Taipei is now trying to realign policies to

direct resources towards high growth SMEs, promoting Born Global SMEs, as well as prolonging their period of high growth.

#### Sectoral Game Plan to Catalyze Growth (Malaysia)

Malaysia presented on their sectoral approach to catalyze growth. Based on the evidence gathered in the process of formulating the SME masterplan, the top 1 percentile of SMEs account for 70% of additional GDP and 46% of new jobs, therefore the Catalyst Programme was designed to promote homegrown champions with focus on 6 sectoral verticals (Led/solid-state lighting, aerospace, ship building/repair, medical devices, modern rail, food safety and halal), converging the expertise of the existing specialist agencies to avoid duplication. This is to enable high growth SMEs to move up the value chain from being third tier suppliers to first tier suppliers, with higher interdependency with larger companies.

#### United States' Global Women's Economic Empowerment Initiative (United States)

The United States presented on their public-private partnership program. The GWEE project seeks to develop and sustain women entrepreneurs, including broadening their support network. To accomplish this the project partnered with the Kelley School of Business Institute for International Business. They pointed out that financial literacy education programs do not always have to be overly expensive, especially if programs are able to partner with an already capable institution. The pilot program was in Malaysia, where they partnered with the local government and private sectors. The first stage of the program involved a train-the-trainers seminar. The second phase involved those trainers training women entrepreneurs. The training included lessons on starting a business, regulations, financials and money management, marketing and promotion, persuasive communications, and customer service case studies. Next steps include, a trainer's guide, training videos, a new training scheduled for the fall, and plans to roll out the program in Peru and Thailand.

### **Priority Area 2: Financing**

#### Financial Literacy for At-risk Women and SMEs (Thailand)

Dr. Saisawan Vadhanapanich reported that despite Thailand's rapid economic growth, income inequality remains a significant problem throughout the country. Many mid- and lower-income workers and SME employees are not properly educated in personal financing and lack the skills needed to manage their household incomes and budgets, leading to mismanagement of funds and a cycle of debt. Particularly at risk are women who have little or no income and have difficulty making ends meet, and women in short duration, high-risk, high-paying occupations. Thailand, in close cooperation with the Citi Foundation and the Kenan Institute Asia, has worked to resolve this. Now in its sixth year, the project has reached out to women and SMEs through financial literacy programs that teach personal finance skills, including saving and investment, household management, budgeting and proper credit management. Since its beginning in 2008, the project has worked with women living in slums, women involved in nightlife occupations, temporary workers, and women serving prison terms. The project has made use of financial experts and volunteers from Citi Thailand, who have led financial training courses. Project partners and recruiters have included a number of Thai government organizations.

#### Improving Financial Literacy for MSME in Indonesia and Infrastructure Development for Financial Inclusion (Indonesia)

SMEs play a key role in most developing countries. SMEs are particularly constrained by limited access to finance. One of these obstacles is a lack of financial information obtained by creditors. The majority of

SMEs are unable to identify their financial condition properly. The Indonesian National Movement for Financial Transaction Records is one of the main strategies used to promote the development of SMEs by providing them with a better understanding of the benefits of financial transaction records. The program also provides capacity building for SMEs so that they can record their financial transactions through ICT devices, such as personal computers, laptops, and mobile phones. This allows SMEs to identify their financial condition and choose financial products suitable to their needs, such as loans and saving accounts.

#### Bank Rakyat Indonesia's Infrastructure Development for Financial Inclusion (Indonesia)

Indonesia presented a video highlighting the Bank Rakyat Indonesia's (BRI) financial initiatives in Indonesia, including the first bank satellite, which will be launched by bank BRI in the near future, to provide financial outreach to all of Indonesia.

#### Financial Support for SMEs at Different Stages of Development (Hong Kong, China)

Hong Kong, China recognized the importance of SMEs to economic development and detailed how they have been providing comprehensive financial support to SMEs to satisfy their needs at different stages of development. This includes, a microfinance scheme to assist those who wish to start their own businesses or become self-employed, various funding schemes that assist SMEs to grow and expand their businesses, and loan guarantee schemes that allow SMEs to secure liquidity for sustainable development.

### **Priority Area 3: Business Environment, Market Access and Internationalization**

#### Best Practice on Sustainable Development of Micro Enterprises (China)

China reported on the Jiangsu province governments role in the promotion of SME development. Some of these initiatives include information, development, innovation development, and market access. Other initiatives include a raw integrated SME service center. Jiangsu province also plans to upgrade its service network and service hotline. China is now pursuing inclusive and sustainable economic development, which includes SME development. As a result of this project, SMEs are now one of the most vibrant parts of the Jiangsu province economy.

#### Promoting Innovative Economy Through APEC Co-Incubation Initiative (Indonesia)

At the local and regional level, business incubators are key tools for fostering private sector development by systematizing the process of assisting new technology-based business start-ups as they improve their entrepreneurial base. Being embedded in the regional innovation system, business incubators are commonly shaped to respond to the specific needs and requirements of potential entrepreneurs in their region, who are attempting to address yet untapped regional potential.

Yet, as growing economies require continuous innovation, it is imperative to look for suitable opportunities overseas to be incubated in-house for common benefit. For that purpose, this initiative seeks APEC support to further economic growth by fostering private sector development through the building of a common platform for entrepreneurship and an award/innovation competition for co-incubation.

#### Online Export Assistance Programs for SMEs of Korea (Korea)

The online export support project for SMEs provides e-trade services to SMEs that have difficulty with overseas promotion and market expansion. At this moment, the project is in the one-stop support stage, in which there are four steps, namely: education, infrastructure build-up, marketing, and transactional

arrangement/after-sale service. Korea has successfully conducted its one-stop support project through GobizKorea, e-Trade channel, BMS/VAP, and B2C agency sale. Based on its successful programs, Korea presented a proposal to help SMEs in the APEC region expand their businesses abroad by applying Korea's best practices to their own programs.

#### Japan's Recent Policy Focusing on Support for Micro Enterprises (Japan)

Japan explained recent structural changes to their economy and society, and gave an overview of SMEs in their economy. Japan pointed out that Small Enterprises are important to the stability of local economies and to the development of the economy. Therefore, revitalizing local areas and opportunities by utilizing a strong effort is required. Japan shared its efforts and experience in addressing the development of small enterprise policies by amending the "SME Basic Act" to focus on small enterprises as well as formulating a "Small Enterprise Basic Act" to construct a new, central policy system setting for small enterprises.

#### Improvement of Business Environment and SME Internationalization (Russia)

Russia presented on SME state support. They gave a brief overview of the sphere of SMEs in Russia and of the key measures of SME support aimed at reducing administrative burdens, stimulating demand for SME products, and providing SMEs with access to finance and the world market. The presentation also highlighted the importance of creating conditions for innovative activities in the SME sector.

### **Progress Report on APEC SMEWG Projects in Each Priority Area under APEC SMEWG Strategic Plan 2013-2016**

Member economies reported on the progress of projects under SMEWG Strategic Plan 2013-2016.

#### **Ongoing Projects**

##### (1.) Business Ethics Capacity Building for SMEs in the Medical Devices, Construction and Bio-Pharmaceutical Sectors (MYP) (US) & (2.) APEC Business Ethics Forum - Building the Ethics Capacity of SMEs (US)

Ethical practices facilitate business environments that free SMEs from the high costs of corruption, foster sustainable economic growth, and support SMEs' access to global markets. The Business Ethics for APEC SMEs initiative, now in its fifth year, serves as one of the largest and most successful public-private partnership efforts of the APEC SME Working Group. Initially focused on the medical device, biopharmaceutical and construction sectors, the initiative has supported the development of new codes of ethics across 10 APEC economies where they previously did not exist. This was achieved through collaborative discussion and deliberation, mentoring, and capacity building programs between thousands of public and private stakeholders, including hundreds of SMEs. As a result, high standard APEC principles of codes have been extended to nearly 1,500 additional small and medium enterprises over the past two years. The initiative's extensive trainer network, spanning all 21 APEC economies, has supported the execution of dozens of local training activities, reaching hundreds of SMEs, since the August 2013 APEC Train-the-Trainer Workshop in Kuala Lumpur, Malaysia. The initiative has also launched a new virtual home (<http://businessethics.apec.org>) to connect stakeholders, provide valuable training resources, and serve as an umbrella to sector-specific APEC ethics websites. As the largest collective action to strengthen business ethics in the Asia-Pacific for the biopharmaceutical and medical device industries – sectors of keen importance to SMEs engaged in cross-border trade – we look forward to the outcome of the first APEC Business Ethics for SMEs Forum on 1-3 September in Nanjing, China. We anticipate a consensus draft of the "Nanjing Declaration to Promote Ethical Business Environments in the Medical Device and Biopharmaceutical Sectors (2014-2020)" with a set of goals and actions to

achieve them. The APEC SME Working Group also looks forward to the outcome of the APEC Stakeholders Workshop for Business Ethics in the Construction and Engineering Sector on 18 September in Makati City, Philippines. We anticipate a consensus draft of the “Manila Declaration”, a set of recommendations on how governments and the private sector can provide positive incentives to companies, to advance implementation of the APEC Hanoi Principles.

Promoting Innovation Seminar: How Smart IPR Policies Can Encourage SMME Research and Development (Thailand)

Thailand announced that the APEC Promoting Innovation Seminar will take place on September 17<sup>th</sup> and 18<sup>th</sup> in Bangkok, Thailand. The seminar will be organized by the Office of Small and Medium Enterprises Promotion (OSMEP), on behalf of the APEC SME Working Group. It will work on crafting policy ideas and recommendations on how SME agencies can assist SMMEs going through the IP process. The first day will focus on finding policy options to support SMMEs and IP agencies, and the second day will focus on practical support options that SME agencies can provide to SMMEs themselves.

Research and Assessment of Prospects for Development of an Integrated Information Tool to Stimulate Involvement of SMEs of the Asia-Pacific Region into the Global Trade System, Global Production and Supply Chains (Russia)

Russia briefly reported on their main project stages and expected results, as well as the main findings of the following implemented studies: (1.) research and analysis of various relevant international information resources for SMEs (web-sites / databases, etc.), and (2.) research and analysis of Russian SME’s (as a pilot group) needs and demands in relation to such an information resource.

APEC Start-ups Accelerator Initiative - APEC Accelerator Network (Chinese Taipei)

Chinese Taipei reported that this project has achieved fruitful results by bringing together 19 economies and over 500 participants as a result of the collaboration and partnership with ABAC, Intel, Siemens, and other leading international organizations such as Global Accelerator Network (GAN) and Asian Association of Business Incubation (AABI). The first phase of this project is to host AAN Forum in this March, where formally established AAN and so far 44 key accelerators from 14 economies have joined this network. In addition, its directory will be published this October. The second stage, APEC Challenge 2014, was successfully hosted where 33 innovative start-ups from 15 economies gained significant visibility and 6 teams were selected to compete in the final global competitions, hosted by Intel and Siemens respectively in Silicon Valley, USA, this coming October. Beyond 2014, Chinese Taipei will conduct the project of “AAN for Early-Stage Investment,” to further build a better investment environment for innovative start-ups and high-growth SMEs. All in all, with participation from global top accelerators, venture capitals, business angels, high profile entrepreneurs, and promising innovative start-ups, this project is speeding up the connection of cross-border incubation and business networking, and has helped start-ups go global successfully.

APEC Start-ups Conference III 2014: Global Thinking to Make Global Business (Peru)

Peru reported that this conference will take place on October 28-29, 2014, in Lima, Peru. The objectives of the conference are to become an important start-up node in the APEC region, to encourage start-ups and entrepreneurs to develop global funding, and to facilitate information, cooperation, and networking between diverse global economies. The first day will include an open conference, with international keynote speakers, and a business incubators sharing session. The second day will include a presentation of various start-ups within APEC economies and a session on programs and global contests to fund start-ups.

Promoting SME Development: Assisting Women-Owned SMEs Access the Global Market (Australia)

Australia reported on their self-funded project, “Promoting SME Development: Assisting Women-Owned SMEs Access the Global Market.” A workshop will be run 25-26 November in Manila, the Philippines that aims to enhance women-led SMEs capacity to internationalize and identify export opportunities. The workshop will identify impediments women-led SMEs face in accessing export markets, identify the key elements of successful export development programs for women, and assist member economies enhance or develop export programs to assist women-led SMEs. Australia is seeking participants from export promotion agencies from all member economies as well as SMEWG delegates.

**Completed Projects**

Improving the Natural Disaster Resilience of APEC SMEs to Facilitate Trade and Investment (MYP) (Chinese Taipei)

Chinese Taipei stated that with support from the EPWG and all member economies, the project has successfully raised awareness in the APEC region of the need to adopt Business Continuity Plans (BCPs) by announcing an APEC High Level Policy Dialogue Joint Statement on Resilient SMEs for Better Supply Chains, endorsed by SMEWG and EPWG. This project has reached many international NGOs, like the Asian Disaster Preparedness Center (ADPC) and the Asia Disaster Reduction Center (ADRC), as well as universally recognized corporations such as DHL, FedEx, Google, and IBM. The project also published Guidebook on SME Business Continuity (BCP) Planning and 16 issues of SME Monitor reports with more than 30,000 subscribers and gathered all 21 economies with over 1,000 participants joining the project. So far the BCP guidebook has been published in 7 languages which can help 40% of the world’s population access it; and more than 300 people have been trained as seed trainers through a series of symposiums and workshops hosting by 6 economies this year. Looking forward, following the HLPD Joint Statement’s instructions, it is encouraged a collaboration among SMEWG, EPWG and ABAC along with organizations like United Nations International Strategy for Disaster Reduction (UNISDR) in order to more effectively promote BCPs for SMEs in the region.

Financing APEC SME Innovation Workshop: Identifying Government Policies that Promote Venture Capital Investment in APEC Economies (Thailand)

The APEC workshop on Financing APEC SME Innovation was successfully conducted on June 18<sup>th</sup> and 19<sup>th</sup> in Bangkok, Thailand. The seminar was organized by the Office of Small and Medium Enterprises Promotion (OSMEP), on behalf of the APEC SME Working Group. The two day workshop brought together a total of 101 participants, including 7 APEC delegates and 11 embassy staff members. The workshop’s agenda was designed to synergize opportunities for SME venture capital investment. Policy makers, venture capitalists, and entrepreneurs spoke on the importance of understanding the challenges related to growing venture capital markets in APEC economies, so as to allow innovative APEC SMEs greater access to financing. The workshop ended by devising a specific set of policy recommendations to be enacted APEC-wide for both developed and developing member economies in order to encourage both domestic and cross-border venture capitalist investment, with a focus on encouraging venture capitalist market growth in latecomer economies.

Enhancing Competitiveness of SMEs through Innovative Cooperative Business Model - CBM (Peru)

Peru presented that this project was designed to analyze the cooperative business model and its implementation in developed and developing APEC economies. The main project objectives were to identify the economics and social contribution of cooperatives among APEC economies, to identify and

analyze best business practices, and to analyze the best practices in the design of government policies and the implementation of programs for the promotion of innovation networks and clusters of cooperative business models for SMEs in the Asia Pacific region. The project directly benefitted over 260 participants. The project final report, which had already been accessed more than 3,850 times, can be found at: [http://publications.apec.org/publication-detail.php?pub\\_id=1520](http://publications.apec.org/publication-detail.php?pub_id=1520).

#### APEC Start-up Conference II: Business to Global Market (Peru)

Peru presented that the objectives of this conference were to share experiences and best practices on policies to promote start-up culture, training programs, and incubator models to nurture and accelerate start-ups. Other objectives included: reviewing and setting up strategies to promote business angel networking, enhancing understanding of entrepreneurship and the start-up ecosystem, and promoting discussion on transforming the conference into a multi-year project. During the closed session, 9 member economies participated, including 43 participants, of which 33% were women. The open session attracted 230 participants, of which 33% were women. The conference found that governments play an important role in the early stage of start-up development and that the private sector should be in charge of scaling-up and expanding those start-ups that prove successful in their early stages.

#### Seminar on Financing Innovation of SMEs (China)

China stated that SMEs still face many difficulties, such as financing access, the high cost of financing, and excessively narrow financing channels. “The Seminar of Financing Innovation of SMEs” shared current financing trends and best practices for financing innovation with SMEs. This will be very useful for the development of SME financing innovation in APEC developing economies. Exchanging and sharing experiences can reduce the gap in SME financing innovation within APEC economies, and strengthen cooperation within the APEC region. Meanwhile, this seminar discussed ways to reduce financing costs, stimulate the innovation power of SMEs by improving financing support, and promote the sustainable development of SMEs.

#### 8th APEC Small and Medium Enterprises Technology Conference and Fair (SMETC) (China)

The 8<sup>th</sup> APEC SMETC was held on June 19, 2014 to June 22, 2014 in Yiwu, Zhejiang Province, China, and hosted by the Ministry of Industry and Information Technology. The 8<sup>th</sup> APEC SMETC focused on electronics, high-end equipment, and producer services, including industrial design, e-commerce, wisdom logistics, and a public service platform. With “transformation and upgrading boosted by technical innovation” as its theme, this was a significant technology conference for China. APEC SMETC worked to strengthen the communication between economy and trade, information and technology, and to help APEC SMEs explore international markets and improve their own competition.

#### APEC SME Business Forum 2014 (China)

The APEC SME Business Forum 2014 was held on 2 September in Nanjing, China. The Forum brought together experts, scholars, outstanding entrepreneurs, and representatives of SME institutions to share their experience and exchange ideas on innovative capabilities and sustainable development of SMEs. With “Innovation and Sustainability” as its theme, the Forum focused on hot topics concerning the SME sector, including global production chains and supply chains, the cooperative relationship between public and private sectors, and financing and SME incubators/accelerators. The APEC SME Business Forum 2014 proposed initiatives which will benefit SMEs in the business sector. The APEC SME Business Forum 2014 promoted SME innovative capabilities and improved the innovative policy environment for SMEs.



