

SUMMARY REPORT
40th Meeting of the APEC SMEWG
Plenary Session
Atlanta, United States of America
10-11 June, 2015

Introduction

The 40th Small and Medium Enterprises Working Group (SMEWG) Meeting was held in Atlanta, United States of America, on 10-11 June, 2015.

The meeting was attended by representatives from Australia; Canada; the People's Republic of China; Chile; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; Peru; Papua New Guinea; the Philippines; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam. Macao, China was also present as a guest economy and the representative of the Sub Committee on Standards and Conformance (SCSC) attended as an invited guest.

The meeting was chaired by Mr. John Andersen, Principal Deputy Assistant Secretary for Global Markets, the International Trade Administration, United States of America.

Opening Remarks

The Chair welcomed the delegates to Atlanta, United States of America for the 40th SMEWG Meeting. He also welcomed Macao, China as a guest of the SMEWG and the SMEWG Independent Assessor, Mr. Peter Van Diermen.

Administrative and Logistic Arrangements

The United States outlined administrative, security and logistical arrangements for the meeting and peripheral activities.

Adoption of Agenda

All member economies in attendance endorsed the agenda.

Summary Report Drafting Committee

Nine member economies volunteered to join the Drafting Committee: the US; Singapore; the Philippines; Malaysia; Hong Kong, China; Chile; Canada and Chinese Taipei.

Discussion on Recommended Actions in Leaders' Declaration, APEC SME Ministerial Meeting, APEC Ministerial Meeting, APEC Women and the Economy Forum, APEC Ministers Responsible for Trade and APEC Business Advisory Council

The Chair recognized the importance of SMEs, which account for approximately 97% of businesses in the APEC region and employ over half of the workforce across APEC economies. Yet, he pointed out that there are still great potential benefits of an open and free trade environment if a special focus is given to the mainstreaming and internationalization of micro, small and medium enterprises (MSMEs). He set the background context for the SMEWG's Work Plan in 2015 and beyond, which included the 2015 APEC Host the Philippines' theme and priorities, the focus areas of the SME

Ministers, tasks that were given by Leaders and Ministers from 2014, as well as the SMEWG Strategic Plan for 2013-2016.

Japan and Peru reiterated the importance of the “Boracay Action Agenda to Globalize MSMEs” (Boracay Action Agenda), in particular the role of finance for SMEs.

The APEC Secretariat highlighted an emerging issue: e-commerce and digital/internet economy.

APEC 2015 Theme and Priorities

Undersecretary Maglaya informed the Meeting of the APEC 2015 theme of Building Inclusive Economies, Building a Better World” with four priorities: Enhancing the Regional Economic Integration Agenda, Fostering MSMEs’ Participation in Regional and Global Markets, Investing in Human Capital Development and, Building Sustainable and Resilient Communities. Under each of these priorities, the Philippines intends to lead in pursuing concrete deliverables which will collectively advance the inclusive growth agenda. She highlighted the Boracay Action Agenda as a significant outcome of MRT and enumerated the eight key action areas under it: Facilitate the access of MSMEs to FTAs/RTAs by simplifying and streamlining the rules of origin (ROO) procedural and documentary requirements and harnessing IT to ease documentation and procedures; Streamline customs-related rules and regulations and assist in the compliance of MSMEs; Provide timely and accurate information on export and import procedures and requirements; Widen the base of Authorized Economic Operators (AEO) and trusted trader programs (TTP) to include SMEs in order for them to contribute to security, integrity and resiliency in supply chains; Support measures to widen options on financing for MSMEs and further develop the infrastructure to facilitate lending to them; Expand internationalization opportunities for micro and small enterprises providing goods and services through ICT and e-commerce; Strengthen institutional support for MSMEs; and, strengthen focus on MSMEs led by women.

She further said that the Boracay Action Agenda calls on APEC economies to set a common goal for 2020. Thus, cooperation by the SMEWG is requested in identifying ways to track progress of the growth and development of SMEs in APEC.

Mexico welcomed the Boracay Action Agenda, in particular the focus on financing and institutional support. Singapore also welcomed the Boracay Action Agenda and the need for collaboration with other fora and subfora, such as the Sub-Committee on Customs Procedures (SCCP). Propose to report meeting agreement/outcome/suggestions on the agenda item rather than capturing individual economies’ inputs. Refer to previous meetings report, Malaysia commended the Philippines for the work and suggested to include youth as a priority area.

Report on APEC Recent Developments at MRT and SOMII

The APEC Secretariat updated the SMEWG on recent developments in APEC, including the outcomes of the MRT and SOM 2 meetings. Issues that are important and relevant to SMEWG are the progress of the FTAAP collective study, digital/internet economy, services and IPRs. She recommended priorities identified in the Boracay Action Agenda where the SMEWG could contribute through capacity building activities – a strength of the SMEWG is to transform Leaders’ and Ministers’ guidance into tangible outputs. She also updated on other work on SMEs in the area of global value

chains (GVC), Finance Ministers' Process and ABAC's recent works. On project issues, the APEC Secretariat informed the SMEWG of the July 1 deadline for Concept Note submission to the Secretariat, and reminded the SMEWG of key dates and important notes for the 2nd funding session.

Mexico suggested closer cooperation with the Pacific Alliance, given substantial commonality between the two organizations. Mexico noted that it will send materials regarding the Pacific Alliance's work on SMEs to be shared with the SMEWG. The Secretariat informed that indeed Colombia, the only non-APEC Pacific Alliance, is currently holding three-year guest status in SMEWG. Should the Pacific Alliance want to apply for the guest status, the opportunity is open, upon the approval by all WG members.

Singapore highlighted the role and potential of internet economy, including e-commerce. Singapore suggested that SMEWG could do more work to identify barriers to e-commerce affecting SMEs and identifying solutions. The Chair invited Singapore to further develop the idea and share with SMEWG.

Peru expressed their concern on the project approval process and the small number of projects that eventually are approved for funding. In the SCE, Peru noted this issue and they are working with BMC to improve the predictability of the funding process and secure additional funds. Peru noted their agreement with Mexico on exploring further cooperation with the Pacific Alliance.

SMEWG Work Plan for 2015 and beyond

SMEs Internationalization

SME Internationalization and Growth [PSU]

The PSU reported that there is a broad range of activities to promote the internationalization of SMEs, including direct exporting and importing, investment abroad, being subcontractors to foreign enterprises, having foreign subcontractors, and cooperation with foreign enterprises. Measuring SME internationalization is not an easy task, currently APEC member economies do not have sufficient data to track these activities. The PSU noted that it may be necessary for APEC members to conduct a survey or census to collect related statistics.

The PSU noted that the number of SMEs and the number of people employed by SMEs increased, SMEs share in total enterprises, total employment, and overall economic output appears to have declined in recent years. The PSU noted that there are challenges in monitoring the growth of SMEs in the region, such as differences in definitions, forecasting macroeconomic situation, and unclear linkages between policies and initiatives, and the growth of SMEs. It is critical for member economies to strengthen their capacity to collect SME related statistics and to address the challenges in setting growth targets for SMEs. In related work by the PSU, they found that many service providers are also SMEs. SME service providers may not be directly exporting, but they are part of the global value chains through their relationships with MNCs.

Towards an Industrial Policy in Peru: a Global Value Chain (GVC) Perspective [Peru]

Peru provided a presentation on its industrial policy measures to identify new growth engines for its economy, including: (i) SMEs internationalization; (ii) regulations and administrative simplification; (ii) small, high-tech industry (upstream) that helps downstream products; (iv) green industry standards and sustainable industrial development; (v) improvements in the business environment

and / or tax incentives for certain strategic sectors; (vi) developing industrial parks that utilize international standards, technology innovation centers and clusters; and (vii) territorial development approach to facilitate achievement of trends in globalization. All of these public policy measures have the objective of promoting sustainable growth through the diversification of productivity, improved competitiveness, and increased employment of Peruvian MSMEs focused on the Asia Pacific region.

Helping SMEs' Access to Finance through Supply Chain Financing [PSU]

PSU gave a presentation on "Helping SMEs' Access to Finance through Supply Chain Financing". Supply chain finance can be understood as a specific financing vehicle to support buyer-seller supply chain whereby sellers (suppliers), especially SMEs, are able to obtain cheaper financing, utilizing the creditworthiness of the buyer, which is usually a large corporation or MNCs. Likewise, supply chain finance can be understood as structured trade financing, which ensures that the financial institution's risk throughout the supply chain are covered and mitigated. The PSU's paper argues that this form of financing (i.e. asset based lending) can be used more widely to help fund SMEs because the transactions financing and structuring relies more on the asset that is exported rather than on balance sheets, which are weak for many SMEs. However, for asset-based lending to be more commonly available in APEC, economies need to first implement legal and regulatory reforms to facilitate financing for movable assets. These reforms include the development of laws that facilitate asset based lending, which are based on international best practices, such as the UNCITRAL Model Law, where the scope of assets considered as collateral are expanded to include, for example, accounts receivables, invoices, or warehouse receipts.

The Chair noted that it is important for APEC Ministers recognize that the problem is not only a lack of capital, but also the need for strong regulatory environments that generate or provide confidence to lending institutions.

Peru noted that it has established an MSME fund to support financing, including financing for supply chains and factoring. Peru sought further information on whether there are non-banks participants that provide similar schemes in other economies. The PSU shared that there are many non-bank participants since banks are getting more conscious in granting fund. In addition, peer-to-peer lending platform for lenders to utilize.

ICT and SMEs

New Era of Growth for APEC SMEs through Online-to-Offline (O2O) Business Models [Chinese Taipei]

Chinese Taipei stated that with the rapid development of mobile internet, the fast integration of e-commerce and mobile payment technology, O2O (Online-to-Offline) is rapidly becoming a new business mode with huge market potential in the APEC region. Understanding this, Chinese Taipei and the Philippines are co-proposing the APEC project of "New Era of Growth for APEC SMEs through O2O" in cooperation with top e-commerce platforms to scale up their local business; collect at least 20 best practices of O2O from 10 APEC economies through hosting a summit (July in Taipei) and two workshops (May in Viet Nam & September in Peru) that are on the margins of 2016 SMEWG and SMEMM respectively. It is foreseeable that this project will make trading across borders easier, cheaper and faster for MSMEs so as to essentially foster their participation in regional and global

markets.

Enhancing ICT Exchanges: APEC SME Center for IT Promotion [China]

In accordance with the “Nanjing Declaration on Promoting SME Innovative Development”, China will explore the possibility of setting up the “APEC SME Center for IT Promotion”. This center will connect SMEs of APEC economies and supporting organizations as a platform to share policies, experience, and the best practices of IT adoption and provide consultation on IT solutions, which will effectively improve SMEs’ adoption of IT in the region. Currently, China is actively pushing forward relevant processes on the establishment of APEC SME Center for IT Promotion, and look forward to gaining the support of APEC members in the coming future.

Digital Economy and SMEs [United States]

The United States and its co-sponsors (Australia, Canada, Japan, Mexico, the Philippines, Singapore, Chinese Taipei, Thailand, and Viet Nam) proposed for endorsement that the SMEWG, as a contribution to the Philippines’ overall 2015 priority of promoting inclusive growth in the Asia-Pacific, develop a Digital Economy Action Plan for MSMEs, coordinating where appropriate with the Committee on Trade and Investment and other relevant APEC fora and sub fora. The action plan would include concrete and practical steps that APEC could take to connect MSMEs to global and regional markets through the digital economy. The United States suggested that the SMEWG work intersessionally to finalize a list of actions for the SME Digital Economy Action Plan, seek endorsement of the SME Digital Economy Action Plan by SME Ministers at the September 2015 SME Ministerial Meeting and seek endorsement of the MSME Digital Economy Action Plan in November 2015 by Ministers and Leaders.

Viet Nam supported the work on ICTs and SMEs. The Philippines noted that it was a co-sponsor and proposed that the proposal be endorsed at SMEMM in Iloilo and launched next year if possible. Malaysia informed the SMEWG that it would join as a co-sponsor of the proposal. The U.S. welcomed any other economies to join as co-sponsors and its goal of obtaining endorsement in order to start work to collectively identify the actions in advance of the next SMEWG Meeting and the SMEMM. Peru needs more time to consult with other partners before endorsing the proposal.

Member economies shows strong support for the proposal. However, due to the absence of some economies, the Meeting agreed to give 10 working days to circulate the proposal for endorsement.

Enhancing ICT Exchanges: APEC SME Center for IT Promotion

Periodic Financial Literacy Survey [Thailand]

Thailand presented on the results of its survey on the current state of financial literacy and proposed options for next steps to carry on the work. Economies agreed that the survey on financial literacy will be circulated again to obtain more comprehensive data.

The Philippines commended the work of the PSU for assisting the SMEWG on its priority to promote the internationalization of SMEs, which is aligned with the Boracay Action Agenda. They support the SMEWG Work Plan, especially the focus on micro enterprises’ integration in regional/international markets. SMEWG members are encouraged to provide input into the SMEMM statement. The Philippines supported the Digital Action Plan to be a possible concrete deliverable of the Ministers.

In addition, the Philippines will organize a self-funded activity in July, titled “SlingshotManila 2015”, and invited members to participate. Further information will be circulated.

Database of Retired Business Leaders and Entrepreneurs as SMEs Coaches [Papua New Guinea]

Papua New Guinea submitted a proposal to develop a database of retired business leaders and experts as mentors for SMEs. The proposal will be discussed intersessionally and in consultation with other APEC subfora before being re-submitted to SMEWG for consideration.

Stimulating SME Innovative Capabilities through Legend Star [China]

Legend Star, initiated with the assistance of Mr. Liu Chuanzhi, former president of Lenovo Group of China, aims to solve relevant issues on talent, capital and resources faced by SMEs through its pyramid training system of entrepreneurship CEO special training class, regional short-term training courses, entrepreneurship lecture hall, along with trinity technology entrepreneurship incubation model of enterprise training, Angel Investment, open platform, which has gained tremendous achievements on SME entrepreneur training both at home and abroad.

Synergy between the Sub-committee on Standards and Conformance (SCSC) and the Small and Medium Enterprises Working Group (SMEWG)

Mr. Kent Shigetomi, Representative of the SCSC, shared information about the SCSC’s work program in three areas: (i) cooperation with international organizations (support the Multilateral Trading System, alignment with international standard and conformance systems, cooperative activities); (ii) conformity and technical infrastructure, and (iii) transparency and good regulatory practices. He informed that the SCSC created the Friends of the Chair Group for SCSC-SMEWG Collaboration. SCSC proposed the Work Plan in support of SMEWG – SCSC collaboration for SMEWG’s comment. The Work Plan comprise three components: exchanging information on packaging and labelling requirements, promoting good regulatory practices, sharing standards and conformance learning materials, and capacity building for business, especially SMEs.

Mr. Shigetomi clarified that the work of SCSC is sector driven rather than a holistic approach.

Japan noted that they are proposing a project under SCSC to enhance the competitiveness of SMEs and will share it with the SMEWG for comments.

Intellectual Property Expert Group (IPEG)’s Initiative to Facilitate the Exploitation of IPRs and Innovation in SMEs

Korea’s representative in the IPEG informed the SMEWG that the initiative to “Facilitate the Exploitation of IPRs and Innovation in SMEs” (by Korea and Mexico) was unanimously accepted at the 38th IPEG meeting. The goal is to identify best practices for IP support strategies, provide consultations on challenges faced within each APEC economy, and enhance the competitiveness of SMEs through important surveys and consultations conducted in APEC economies, as well as through research supported by APEC funds. Korea’s representative in SCSC also updated the SMEWG on future plans for the initiative, including Korea’s proposal for the “Development of a ‘Manual for an IP-Business Virtuous Cycle’ for the Innovation of SMEs.

Preliminary Canadian Consultation with SMEWG on a Dedicated SME Sub-fund and Policy Support Facility

Canada presented a preliminary proposal to establish a dedicated SME-focused sub-fund and policy support facility. The proposed sub-fund would notionally target SMEs and support organizations in developing APEC economies on priority issues, including management capability, entrepreneurship, innovation, financing, enabling environment, market access and internationalization, while also working to strengthen the focus of APEC SME projects and complementary research on questions of employability, human capital development, gender equality and poverty reduction. The proposed Canadian contribution, should it be approved, would be financed through Canada's official development assistance (ODA) resources, which mandates a specific focus on poverty reduction. The Canadian delegation sought comments from other delegations on the feasibility of this proposal and solicited the interest of APEC economies in participating in the new sub-fund. A series of questions in this regard was passed to all APEC economies, with responses expected by June 18, 2015

Economies, including Peru, the Philippines, Mexico, Papua New Guinea, Chinese Taipei and Singapore, showed strong support for Canada's preliminary plan. Economies agreed to respond to a set of questions posed by Canada by 18 June 2015 to further refine the proposal.

Sharing Best Practices in Each Priority Area

The Chair invited member economies to share best practices and report on new projects related to each priority area.

SMEs in the Internet Economy (Priority Area 1: Building Management Capability, Entrepreneurship, and Innovation)

Supporting SMEs in the Internet Economy in Hong Kong, China [Hong Kong, China]

Hong Kong, China shared its approach to support SMEs in the Internet economy. Through cultivating a vibrant ecosystem to nurture start-ups, upgrading support measures for SMEs, and strengthening institutions to provide an enabling environment, the Government of Hong Kong, China is committed to facilitating the development of the digital economy and supporting SMEs in the Internet Age.

Indonesian Experiences and Views on Commercialization of SME Industry [Indonesia]

Government plays an important role in assisting SMEs to be able to survive and compete in the globalization and borderless era. In this regards, Indonesia supports SMEs through the strengthening of the market and accessibility to finance, through the establishment of LLP-KUKM (Marketing Services Agency) and LPDB KUMKM (Revolving Fund Agency). LLP-KUKM is an institution that was established to strengthen the promotion and marketing of products existing SMEs across Indonesia, by the establishment of provincial pavilions, market information, consulting, training, etc. LPDB-KUMKM is the institution that was established to ease SMEs' access to finance, through the provision of easiness interest include flexible loans.

Innovative Strategies to Support Micro and Small Traditional Firms [Mexico]

Mexico is concerned about the support the APEC community provides to traditional micro and small firms. Mexico fully supports the policy recommendations given by several international organizations

of promoting innovation through start-ups and young enterprises and medium size firms and it considers that Mexico has achieved great progress in these areas. There are millions of such jobs and they help to contain social tensions by providing an escape valve against deepening inequality. But they cancel out the gains in growth attained by the modern, innovative sector of the economy. Mexico believes that there must be some cost-effective, technology-oriented, large scale tools and practices that when applied to large numbers of small traditional firms, could have comparable impacts on increasing national productivity and growth to those aimed at the elite of young and high-potential firms. Mexico hopes that it can establish these tools and strategies with the support of APEC.

Fostering the Innovative Capacity of SMEs [Peru]

Public policy on entrepreneurship and innovation in Peru is included in the National Plan for Productive Diversification. This plan consists of 3 pillars: (i) promotion of productive diversification, (ii) simplification of regulations and administrative requirements, and (iii) expansion of productivity. As part of the first pillar, the Peruvian government is implementing tools and interventions to promote entrepreneurship and innovation.

Peru encourages productive innovation through two instruments: the National Innovation Program for Competitiveness and Productivity (Innovate Peru) and the Law for promoting scientific innovation, technological development and technological innovation. The law encourages a tax incentive for business innovation of SMEs expenses incurred in R&D activities.

Improving Innovative Environment and Capabilities: APEC SME Database on Best Innovative Practices [China]

The Database of APEC Best Practices in SME Innovation was first announced during the 8th APEC SME Technology Conference and Fair (APEC SMETC) in Yiwu, China. It obtained great recognition and appreciation of ministers during the 21st APEC SME Ministerial Meeting held in Nanjing, 2014. With the characteristics of wide scope involvement, up-to-date information expert recommendation and financial support, the Database of APEC Best Practices in SME Innovation aims to provide all-dimensional, multi-field matchmaking services for APEC SMEs. Relevant updates of the Database will be announced at regular intervals. China sincerely looks forward to the support from APEC member economies on recommendation and submission of relevant best practices.

Encouraging Entrepreneurship and Innovation in China: Zhongguancun Entrepreneurship Street [China]

China shared its practice on encouraging entrepreneurship and innovation by using the Zhongguancun Entrepreneurship Street as an example. In an effort to foster a culture of entrepreneurship and innovation, China strives to enhance innovative growth among SMMEs and facilitate cooperation in the Asia-Pacific Region through the open entrepreneurship platform. In the principle of government guidance, market-oriented operation and professional management, four types of organizations that an early start-up might find themselves engaged in: start-up cafes, co-working spaces, accelerators and membership-based entrepreneurship clubs. As a top recommendation for people looking to start an Innovation business, the tech-hub opens its door to all entrepreneurs from the APEC member economies.

Start, Scale, Soar: Supporting the Growth Journey of Start-Ups [Singapore]:

Singapore shared its strategies to support the growth journey of start-ups, which was summarized under “Start, Scale, Soar”. Recognizing the diverse nature of start-ups’ growth trajectory and pathways, Singapore adopts a multi-layer approach to support their development. By creating an environment where budding entrepreneurs can start and thrive (“Start”), with the right infrastructure and partners to maximize their chances of success (“Scale”); and providing overseas networks and opportunities to facilitate internationalization (“Soar”). Singapore encouraged greater linkages between start-up communities and incubators within APEC, and welcomed partnerships to boost overseas networks for start-ups.

Promoting Financial Inclusion and Literacy among SMES (Priority Area 2: Financing)

Digital Financial Services: Indonesia Infrastructure Development for Financial Inclusion [Indonesia]

Indonesia is a big economy with large population, many potential natural resources and high financial exclusion. The right strategy is needed to overcome this matters. The National Strategy for Financial Inclusion is one of the strategy which has three main goals: equitable income distribution, poverty reduction and financial system stability. The program also provide SMEs access to finance with some programs such as land certification, livestock insurance, financial record keeping culture, and bazaar intermediation. To support this program, government develop infrastructure for financial inclusion through digital financial services. Based on which challenges were identified and solutions were recommended: stronger collaboration and cooperation among parties involved, improved financial literacy, social-reengineering to change lifestyle, innovative delivery channel and new technology.

MSME Cost-Reduction and Financing Reform [Peru]

This reform is part of the National Plan for Productive Diversification, which consists of 3 pillars: (i) Promotion of productive diversification, (ii) adequation of regulations and administrative simplification, and (iii) expansion of productivity. The MSME cost-reduction and financing reform is an activity of the 3rd pillar. This activity has the objective of increasing productivity and reducing productive heterogeneity among firms. In the National Plan for Productive Diversification, the Peruvian government set an important goal: the creation of a public fund to improve the access of MSMEs to financial services titled the MIPYME Fund. This is funded by S/. 600 million (about US\$ 190 million) of which S/. 500 million are oriented to financial instruments.

Initially, the law established two instruments for guarantee schemes: (i) Credit guarantee fund operated by private guarantee companies. (ii) Partial guarantee of loans offered by enterprises operating in financial and capital markets. In December 2014 the MIPYME Fund included a third financial instrument: the financing of factoring - oriented funds managed by the private sector.

Finance Matters for SMEs and Trade policy [Japan]

Japan emphasized the importance of bridging the gap between SME policy people and finance people. Although SME access to finance is a hot topic for almost all APEC economies, finance issues are generally regarded as issues for Finance Ministries. Japan explained that SME policy people should understand basic finance issues so as to provide policy support for solving prioritized finance issues

for SME. Japan explained the usefulness of the APFF report as well as the necessity for SME policy people to give input and discussed how to solve the bottlenecks of SME finance.

Japan expressed to contribute to the September financial forum which will be held by the Philippines and encourages participants to join the discussion.

Providing Financial Facilitation to SMEs [China]

The China Development Bank aims to set up a special loan to support the SMEs in the APEC region. The tentative amount of this special loan will be 1 or 2 billion USD, including 70% USD amount and 30% RMB amount. This special loan will mainly focus on providing financial support to SMEs in APEC economies to do business in China as well as helping Chinese SMEs to do business in APEC economies. This loan will mainly support the advanced manufacturing industry, modern service industry and strategic emerging industry. In order to make this special loan more efficient and fruitful, the China Development Bank proposes that each APEC economy could designate a financial institution respectively to cooperate with CDB before July 10, 2015.

SMEs Access to Government Procurement and Participation in GVCs (Priority Area 3: Business Environment, Market Access and Internationalization)

Build in Canada Innovation Program [Canada]

The Build in Canada Innovation Program was made permanent in 2012 with four objectives: Help bridge the “Pre-Commercial Gap”; Enable real-world feedback and evaluations; Provide a ‘reference sale’ for Canadian businesses; and Improve Government operations. Through a competitive process, the government buys innovative pre-commercial goods and services and tests them in government departments. The BCIP is administered by the nation-wide network of Offices of Small and Medium Enterprises (OSME), who facilitate discussions on how industry can meet the needs of government departments, and help make federal procurement more accessible for SMEs. Priority areas of the program are standard (environment, health, enabling technologies, safe and security) and military.

SMEs' access to public procurement markets [Peru]

Peru introduced five steps to achieve the objective of increasing productivity and reducing productive heterogeneity among firms: (i) Promote access to government procurement through the National initiative to enhance micro and small firms during the international crisis; (ii) Promote Innovation; (iii) Promote internalization, in which e-Commerce is a facilitating tool; (iv) Promote value added to access to government procurement markets; and (v) Look for sustainability and growth through to maintain a regular/minimum amount of public procurement to enhance the SMEs improve their productivity and look for other markets.

APEC Industry Forum on Addressing Barriers to Trade in Health Care Products: Helping SMEs Participate in Global Value Chains [United States]

For endorsement by the SMEWG, the United States provided a summary of the outcomes of a one-day forum focused on identifying the barriers to trade in health care products on June 8, 2015 in Atlanta, Georgia during which public and private sector participants discussed the barriers to trade in the health care sector that significantly hinders access to safe and effective medical products. Speakers from a range of government agencies and industry representatives throughout

the day highlighted experiences exporting and importing in the health care sector, and emphasizing that many of these barriers disproportionately impact SMEs.

Recent Japan's efforts on Food Value Chains and AFFrinnovation [Japan]

Japan shared its efforts on the establishment of a food value chain, and the AFFrinnovation policy in Japan, and announced Japan's APEC project on "High level public private forum on cold chain to strengthen agriculture and food's global value chain". The food value chains is a set of processes that ranges from agricultural production to storage, processing, distribution and consumption, with a view to producing high-value added products and to enabling producers to deliver such added value products to the final consumers. AFFrinnovation is defined as a concept which aims to expand the possibility of combining agriculture, fisheries and forestry as integrated industries as a result of the movement from primary industries to tertiary industries. SMEs will establish SMEs-oriented value chains in the concept of AFFrinnovation. A number of SMEs participate in the activities.

SME Internationalization: The Case of Korea and the Later Research Direction [Korea]

Korea introduced its study based on the PSU's policy brief "SME Internationalization and Measurement". The study aims to find out if PSU's model fits to Korean SMEs, what problems may arise in the course of measurement and data collection, and if there are any lessons to be considered for the later project. The study targeted 100 exporting/importing Korean SMEs in three industries such as electronics (including IT), automobiles/parts, and textile/apparel. Also, Korea explains its APEC Project regarding "APEC SME Internationalization Model Indices: Development and Application" focusing on three stage project timeline, consisting of 1) APEC SME internationalization model index development, 2) Pilot studies and 3) Comparative analysis and policy recommendation.

Promoting SMEs' Integration into Regional and Global Market through APEC SME Service Alliance [China]

Initiated by China during the 2001 APEC SME Ministerial Meeting in Shanghai, APEC SME Service Alliance (ASSA) was established. General election of ASSA is planned to be launched and announced at the ASSA Annual Meeting in October, 2015. The Database of APEC Best Practices in SME Innovation will be established with the assistance of ASSA. ASSA will facilitate the integration of APEC SMEs into regional and global market through the platform of APEC SME Technology Conference and Fair. China is looking forward to having the assistance of APEC member economies to recommend relevant institutions to join ASSA.

Integrating SMEs into the Global Supply Chain: The Singapore Experience [Singapore]:

Singapore shared its experience in facilitating the integration of SMEs into the Global Supply Chain, and started with a video providing an overview of the logistics industry in Singapore. Highlighting trends which present opportunities for logistics SMEs in APEC, the importance of building capabilities of SMEs to capture these opportunities was stressed. Singapore outlined strategies to groom logistics SMEs such as developing specializations in key verticals, strengthening functional capabilities through innovation and technology, and developing a strong talent pool to support the industry. Singapore welcomed collaboration and possible partnerships to support logistics SMEs in APEC. [Singapore]

ASSC 2015: Regional Integration Facilitating International Linkages [Malaysia]

As part of Malaysia's chairmanship of ASEAN, the ASEAN SME Showcase & Conference (ASSC) 2015 was held last 26-28 May at the Kuala Lumpur Convention Centre. The event was participated by all 10 ASEAN members, Japan; Korea; United Kingdom; United States; Hong Kong, China; Sweden, along with various international trade and commerce organizations. Malaysia explained how the platform created trading and networking opportunities beyond borders, linking regional SMEs to foreign development agencies to understand international trade opportunities, and facilitation to forge business partnerships between regional SMEs with Large Companies. ASSC also served as an event which facilitated various local and international agencies to organize sideline programs to optimize value for participants and entrepreneurs. The ASEAN SMEWG has agreed that respective country chair will organize similar event due to the success of ASSC 2015 to ensure continuity of the business linkages that was formed during ASSC 2015 and to enhance the connection between regional SMEs with global MNCs.

The Philippines asked whether the PSU's proposed indicator on SME internationalization was endorsed by the SMEWG this morning. PSU and the Secretariat suggested economies come back to PSU with list of possible indicators in 10 working days after the Meeting for further analysis and discussion with PSU. The data will be collected once the set of indicators are agreed upon. Economies agreed to the proposal.

SMEWG Independent Assessment

The independent assessor tasked with reviewing the SMEWG presented a short overview of the work being carried out. The presentation focused on three aspects: a) informing the working group that the review was taking pace; b) presenting some initial findings; and c) a call for assistance with gathering evidence from delegates. The last review was published in 2011 and the current review covers the years since then (2011 to 2014 inclusive). The review covers four broad areas: a) the WG output alignment with APEC priorities; b) project alignment with APEC priorities; c) SMEWG operations; and d) Its cooperation with other Fora.

The presentation provided details of the SMEWG's 41 projects and 18 publications between 2011 and 2014, as well as the 59 separate events held over the four years. Initial findings showed that most projects fell under the first objective of the SMEWG strategic plan and could be classified as workshops. When the completion reports were analysed for the 41 projects, very few clearly defined the outcomes achieved. An evaluation of delegates surveyed showed a common focus around the issues of better project evaluation and greater cooperation with other fora and the private sector. The independent assessor indicated the first draft of the report will be available in July 2015 for the APEC secretariat to review.

The US commented that the project assessment should reflect the public – private cooperation in terms of the intellectual content and financial contribution by the private sector. The Philippines inquired on the methodology of the Assessment and requested evaluation of how well other fora is informed of the initiatives of the SMEWG. One suggestion is that the SMEWG could report at one of the SOM Meeting to inform Senior Officials of the work of the SMEWG. The APEC Secretariat noted the shrinking funding source is an important reason for the decreasing number of projects. Regarding

the collaboration with other fora, the Chair of the SMEWG usually participates at the SCE Committee of the Whole (SCE-COW) quite regularly to report on the Group's annual Work Plan to SCE and the Chairs of other SCE fora. The Assessor highlighted the importance of interviewing delegates to determine how other fora interact with SMEWG.

Progress Report on APEC SMEWG Projects of Each Priority Areas under APEC SMEWG Strategic Plan 2013 – 2016

Completed Projects:

Innovation Seminar: How Smart IPR Policies Can Encourage SMMEs' Research and Development [Thailand]

The workshop on Promoting APEC SME Innovation through Smart IPR Policy was held between the 17 – 18th of September 2014 at the Sofitel Sukhumvit Hotel, Bangkok by the Office of Small and Medium Enterprises Promotion (OSMEP), on behalf of the APEC SME Working Group. The main objectives of the two day workshop were to foster discussion among stakeholders and beneficiaries about the needs of SMEs with regards to national IPR systems so that future policy-making can better benefit SMEs' innovation and growth, and to produce a list of specific recommendations of policy initiatives that governments can take to improve their IPR systems and promote SMME innovation, thereby fostering economic growth. The key output from this seminar is identifying key recommendations on how to improve IPR systems and promote SMME innovation. The first deals with recommendations on government policy measures to assist SMMEs with IP registration and to educate them on the importance of IPR. The second set of policy recommendations details how APEC economies can create a supportive and nurturing environment for IPR. The third and final set of policy recommendations advises SMMEs on IP registration, accessing IPR information, and IPR protection.

APEC Start Ups Conference III 2014- Global thinking to make global business [Peru]

The project sought to consolidate and expand the start-up culture and interaction between APEC economies, improving the ecosystem for start-ups. Start-ups interacted with corporations, investors, business incubators - accelerators and policymakers, so that all key factors are covered. On the first day of the conference, there was an open conference in the morning while there was a visit to two incubators in the afternoon. On the second day, there was an open session in the morning and Global Corporations of start-up presented their programs to start-ups and entrepreneurs, in the afternoon.

APEC Public - Private Dialogue on Facilitating SMEs Goods and Services Providers and Exporters to Better Integrate into Regional and International Markets [Viet Nam]

The dialogue was held from 21st to 22nd April in Da Nang city, Viet Nam. Speakers and participants came from ten APEC member economies and the United Kingdom. Most of the dialogue participants were from the public sector, academic institutions or the private sector relating to SMEs. The consensus of the dialogue's speakers, moderators and participants was that the project achieved its intended objectives. They considered the dialogue to be good for APEC to continue to discuss impediments and suggest recommendations to facilitate SMEs' integration into regional and international markets. They also commented that it was interesting to learn about experiences in various APEC member economies to assist SME internationalization. Participants also said that the

dialogue had provided a great opportunity for networking with experts from within and outside APEC region.”

Improving Natural Disaster Resilience of APEC SMEs to Facilitate Trade and Investment [Chinese Taipei]

Chinese Taipei reported the progress of the project, “Improving Natural Disaster Resilience of APEC SMEs to Facilitate Trade and Investment”. Co-hosted with EPWG and the Philippines, 2 workshops have been held and gathered over 200 delegates and local participants from APEC member economies. The main findings of the workshops are (1) supply chain risk management is essential for supply chain resilience (2) micro insurance could be a solution to mitigate the risks of business continuity (3) innovative mechanisms are substantial to enhance disaster’s resilience of SMEs. Chinese Taipei extended special thanks to Indonesia Mexico, Thailand, the Philippines, and Viet Nam for the joint effort on hosting train-the-trainer workshops and trained over 600 seed trainers in the past 2 years. In addition, the APEC SME Disaster Resilience Policy Framework Report has been published for member economies’ reference. In the end, Chinese Taipei announced that the APEC Train-the-Trainer Workshop on Promoting SME BCP will be hosted on July 30-31 in Taipei and extended the cordial invitation to member economies.

Assisting Women-Owned SMEs Access the Global Market [Australia]

The project was intended to help develop or improve programs to assist women-led SME access global markets. Having identified the barriers – even more importantly, the nature and source of those barriers – this project has developed a set of best practices and lessons that can be adapted to the individual circumstances of APEC economies. This project will assist APEC economies to take practical steps to address or remove the barriers faced by women-led SMES that wish to access global markets.

Harmonization of Standards for the movement of data across APEC economies [Australia]

New technologies including Internet-based platforms increase opportunities for MSMEs to participate in regional and global markets without having to establish physical operations in different economies. Efficiently and securely moving data around the globe is an essential feature of modern day business practices. This is becoming even more important as trade in digital goods and services increases.

The project will bring together APEC MSME representatives, National Standards Bodies (NSBs) and regulators to exchange views on the role of data interchange standards in facilitating MSME engagement in the global economy. It will seek to deliver recommendations that promote the role of voluntary international standards in facilitating the movement of data. It will encourage APEC member economies to participate in cross-border data interchange standards development and adopt international standards in order to facilitate technical harmonization across APEC economies. The project will build trust and reduce technical barriers to trade by providing a framework for understanding and exchange of information among MSMEs and participating economies.

The objective is to develop recommendations to facilitate MSME trade – especially access to regional and global markets – by supporting the development and use of international standards. A survey, issues paper and workshop will be delivered.

Business Ethics Capacity Building for SMEs in the Medical Devices, Construction and Bio-Pharmaceutical Sectors [United States]

The United States reported that in just three years, the APEC SME Business Ethics Initiative has supported the development of 19 new industry codes across nine economies in the healthcare sector where they previously did not exist, expanding high standard APEC principles to more than 14,000 companies, of which over 8,000 are SMEs. The United States and the Philippines will co-host the 2015 APEC Business Ethics Forum on August 19-20, in Metro Manila for the construction-engineering, medical device, and bio-pharmaceutical sectors to strengthen capacity and ethics compliance in APEC economies as mandated by the Nanjing Declaration.

APEC Accelerator Network for Early-Stage Investment [Chinese Taipei]

Chinese Taipei updated the progress of “APEC Accelerator Network (AAN) for Early-Stage Investment”. The AAN Forum I cohosted with the U.S on June 8 alongside the 40th SMEWG meeting gathered speakers from MNCs and top accelerators as well as 9 promising startups recommended by Chile, Korea, Peru, Chinese Taipei and the U.S. to pitch their innovative ideas. The AAN Forum II will be co-hosted with the Philippines on September 22 during the 22nd APEC SMEMM in Iloilo City, the Philippines. Chinese Taipei welcomed economies to recommend speakers and start-ups to join the event. Finally, Chinese Taipei stated that this year’s APEC Challenge sponsored by Intel and Siemens on October 19-20 in Taipei is looking for start-ups specialized in four technology applications. These are Interactive Learning, Immersive Collaboration, Smart Mobility and Smart Home. The champion of the Intel Award stands to receive USD 100,000 and all winners can collaborate with Intel, Siemens and other investors. Innovative start-ups from member economies are welcomed to join the APEC Challenge and team applications are due on 30 June, 2015.

2015 APEC E-Commerce Forum: New Paradigm for Cross-Border E-Commerce and Online Shopping [Korea]

Korea plans to hold a forum titled “APEC E-Commerce Forum: New Paradigm for Cross-Border e-Commerce and Online Shopping”, which will take place at Jeju on July 8, 2015. The forum’s objectives are to help SMEs expand their businesses into the regional and global markets by introducing the latest marketing tools and best practices such as O2O and omni-channel marketing; to share e-commerce trends and benchmark best practices of each APEC member economy and to develop policy recommendations; and to introduce strategies of leading e-commerce platforms of Korea, Japan and China with the related event “Asia Online Shopping Vision Conference” and provides a networking opportunity among participants. The related event “Asia Online Shopping Vision Conference” will be held on July 9, 2016 at the same venue. The APEC E-Commerce Forum will be presented by around 250 participants including e-commerce platforms from APEC member economies, delegates from SME focal regulatory agencies and other government officials.

Updates on the APEC Collaboration System (ACS)

The SMEWG had a video conference with the APEC Secretariat IT Unit to receive an introduction of the new ACS. Besides, the video conference also served as a test for the utilization of remote participation, where necessary.

Preparations on the 41st SMEWG Meeting and the 22nd SMEMM

The Philippines presented on the preparations for the 22nd APEC SME Ministerial Meeting, the 41st APEC SMEWG Meeting and other related activities to be held in Iloilo City, Philippines on September 21-25, 2015. The meeting will have a theme of “Mainstreaming SMEs in the Global Economy” with 3 sub-themes: Promoting Inclusive Growth through Sustainable and Resilient SMEs; Advancing Modernization and Standards and Conformance of SMEs, and, Removing Barriers to Trade including Entry to markets. Two key outcomes will be the Ministerial Statement and the Iloilo Initiative.

Announcement of Hosting Upcoming SMEWG Meetings

Viet Nam informed that they are coordinating with other economies to identify the timing of the 42nd SMEWG Meeting, tentatively from March to May 2016. The venue would either be in Ho Chi Minh City or Nha Trang City.

Peru informed that they will host the 23rd SMEs Ministerial Meeting. They will work with the Philippines and Viet Nam to ensure that SMEs will continue to be a priority in their agenda. The Ministerial Meeting and the 43rd SMEWG Meeting may be held in the 2nd week of September 2016

Remarks by the Invited Guests

Macao, China thanked the United States for the warm hospitality and excellent hosting. They thanked SMEWG members for supporting their guest status in the Working Group. Macao, China has learnt from APEC economies and appreciates the work of the SMEWG, particularly in improving SMEs competitiveness and innovation. Macao, China will continue to participate in the future Meetings.

Endorsement of Meeting Report

The Chair proposed that the draft Summary Report be sent out to members for comments by 17 June and for endorsement by 20 June. He also highlighted following up works to be done by the SMEWG and member economies. The Meeting agreed with the proposal.

Closing Remarks

The Chair thanked member economies for their participation in the 40th SMEWG Meeting and closed the meeting.