



Entrepreneurs, E commerce, and SMEs in APEC



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Session 5 - PECC XIV Hong Kong 29 November 2001



PACIFIC ECONOMIC COOPERATION COUNCIL

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**Key results from the APEC SME
Profile 1990 - 2000**

2

**The Concept for a Consortium for
Entrepreneurship**

1. Key results from the APEC SME Profile 1990 - 2000

Objectives of the APEC SME Profile 1990 - 2000:

to provide a profile of the state of SMEs in APEC. Wherever possible, give an overview of the level of SME activity at three time points:

- 1) from the outset of APEC in the early 1990s,**
- 2) just before the “Asian Crisis” in 1997, and**
- 3) the latest data available - generally about 1998 or 1999.**

to give a broad overview of the “big picture” as it relates to progress on SME issues, and to ultimately provide a central access point for relevant information on APEC SMEs via the APEC and PECC secretariat web pages.

1. MAIN FINDINGS - Structural

SMEs in APEC continue to be structurally important to the APEC economy, especially for jobs. The average SME in APEC employs <10 people:

	1990	latest (1999)
people	2.2 billion	2.5 billion
SMEs priv non agric	37 million	44 million
% private jobs in SMEs	% jobs	% firms
all SMEs	60%	98%
<5 employees <i>micro</i>	20%	73%
5 - 19 employees <i>small</i>	21%	20%
20 - 100 <i>medium</i>	19%	5%

SMEs also continue to be under represented in the international APEC economy:

% trade from SMEs	~30%
% FDI from SMEs	~10%

It is a matter of some concern that there appears to have been very little net real growth in the number of SMEs over the past decade in APEC; after allowing for new members and statistical factors, only about 1.36 million additional SMEs have been created. The number of SMEs has shrunk in Japan and China.

There is a significant shortage of entrepreneur-managers in 2020 economies, and this shortage may impede long term competitiveness and adjustment to change.

There needs to be about 50 to 70 million more SMEs created, especially in China, Vietnam, Russia, Philippines, Thailand.

There are some major structural differences between those economies targeting 2010 and those targeting 2020

2010 Economies

Australia

Canada

Chile

Hong Kong China

Japan

New Zealand

Singapore

Chinese Taipei

USA

2020 Economies

Brunei

China

Indonesia

Korea

Malaysia

Mexico

PNG

Peru

Philippines

Russia

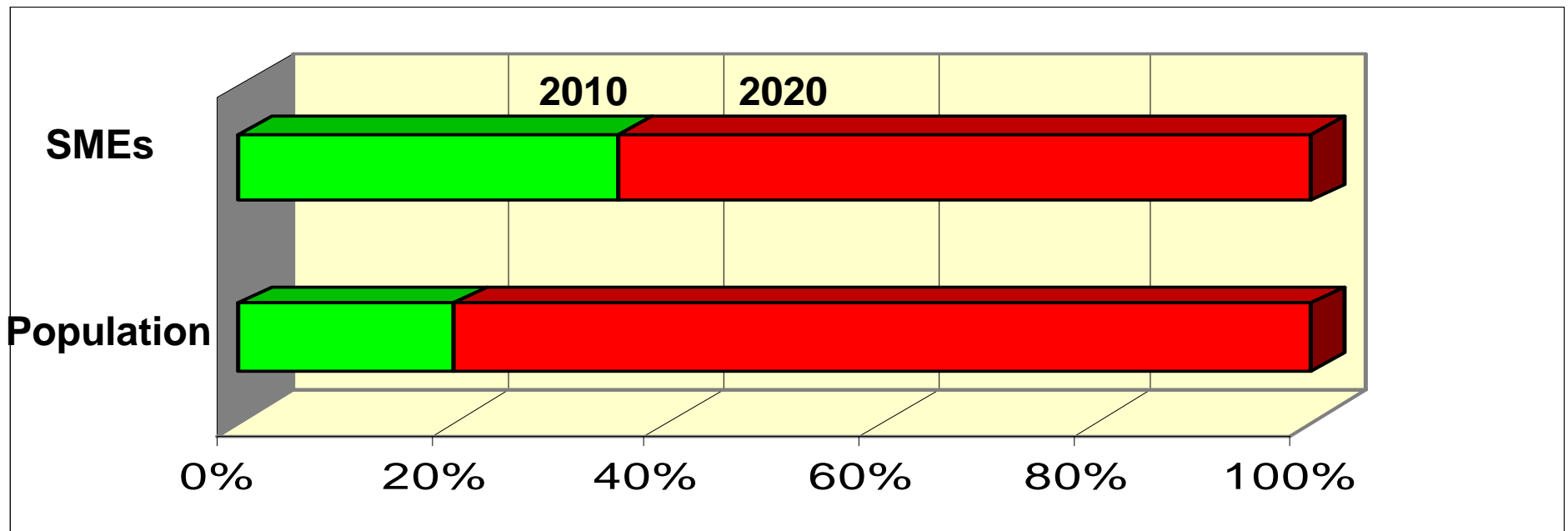
Thailand

Vietnam

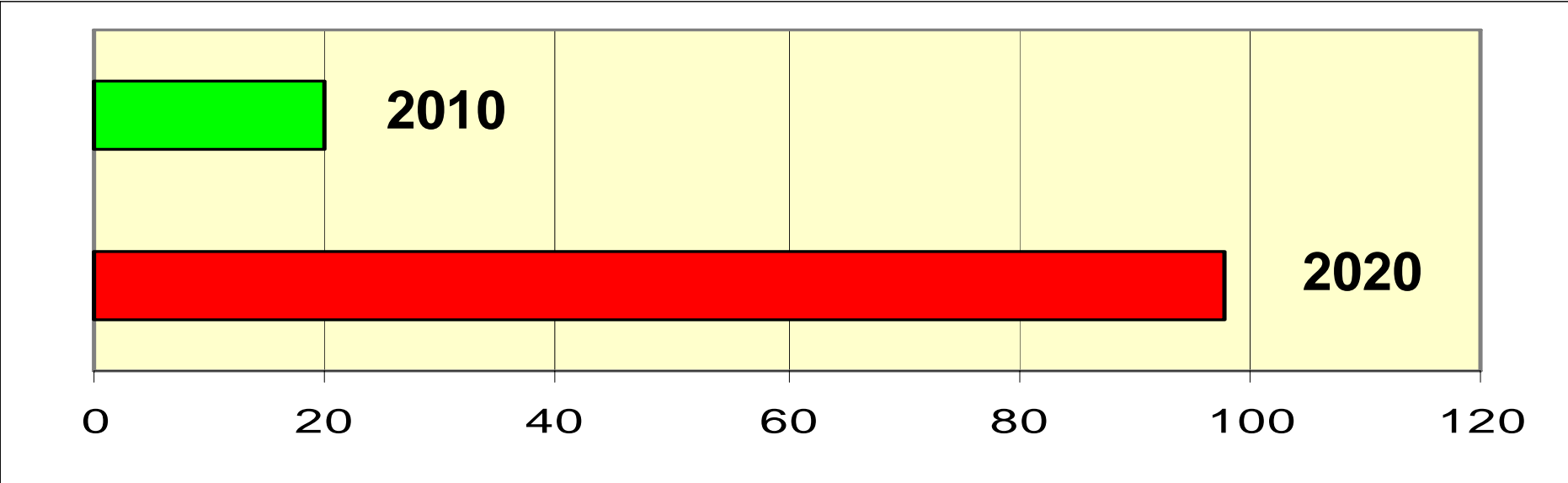
2. MAIN FINDINGS - Imbalances

examples of structural imbalances between 2010 and 2020.....

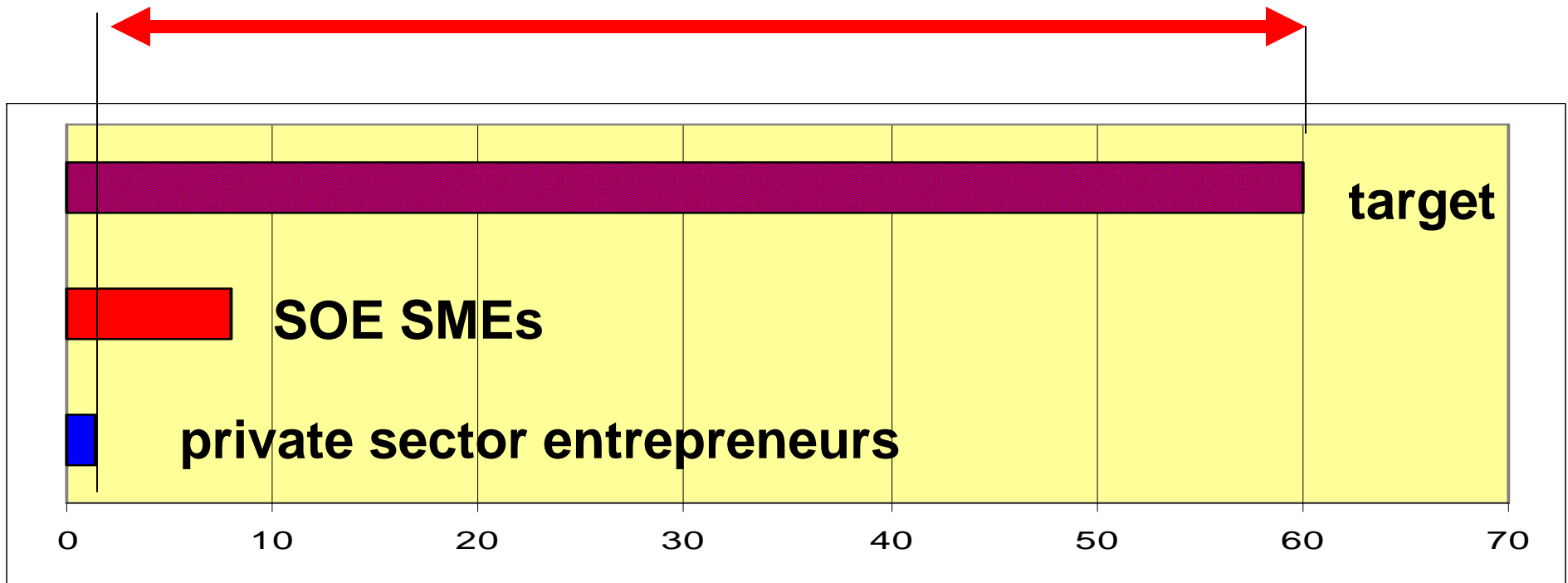
2010 economies have 19% of APEC's human population but have 35% of the SMEs. China has half of APEC's population but only 18% of APEC's SMEs.



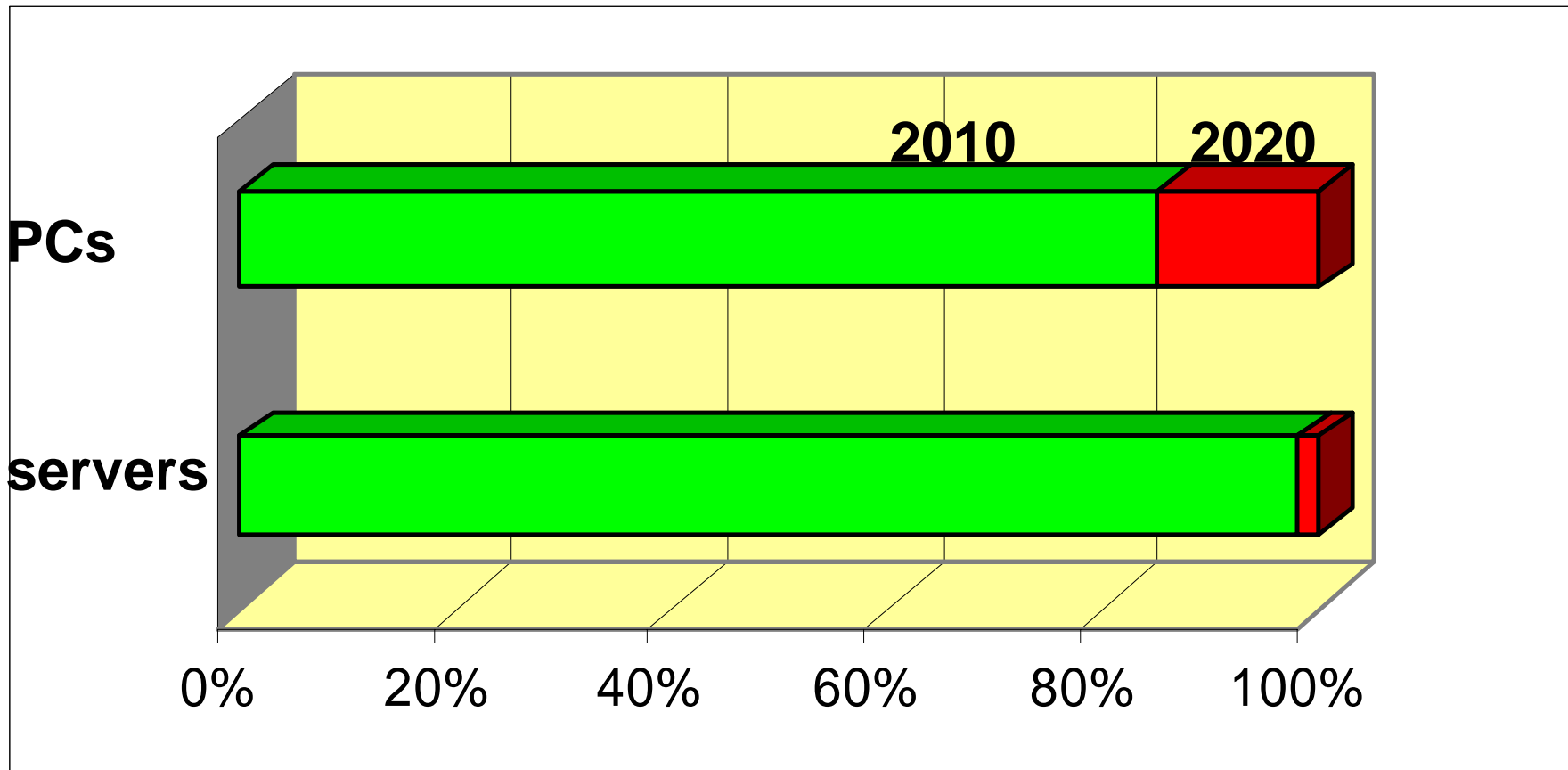
2010 economies have about 20 people per SME, while 2020 economies have about 100 people per SME - there is a shortage of about 70m entrepreneurs in APEC!.....



For example, China has 1.2 billion people. If one in every 20 of those people was an entrepreneur (as is about the case in USA, Canada, Australia etc) then there would be about 60 million entrepreneur managers in China. In fact there are only 8 million SME managers in China, and only 1.4 million of those have real private sector experience. The challenge is to train about 60 million entrepreneurs so that China is competitive in a WTO/2020 world!



2010 economies have 98% of APEC's servers, and 85% of the PCs. The number of internet hosts per SME is 1.3 in 2010 economies and 0.1 in 2020 economies



APEC economies will face increasing pressure to create jobs to replace those lost as a result of changes and increased competition

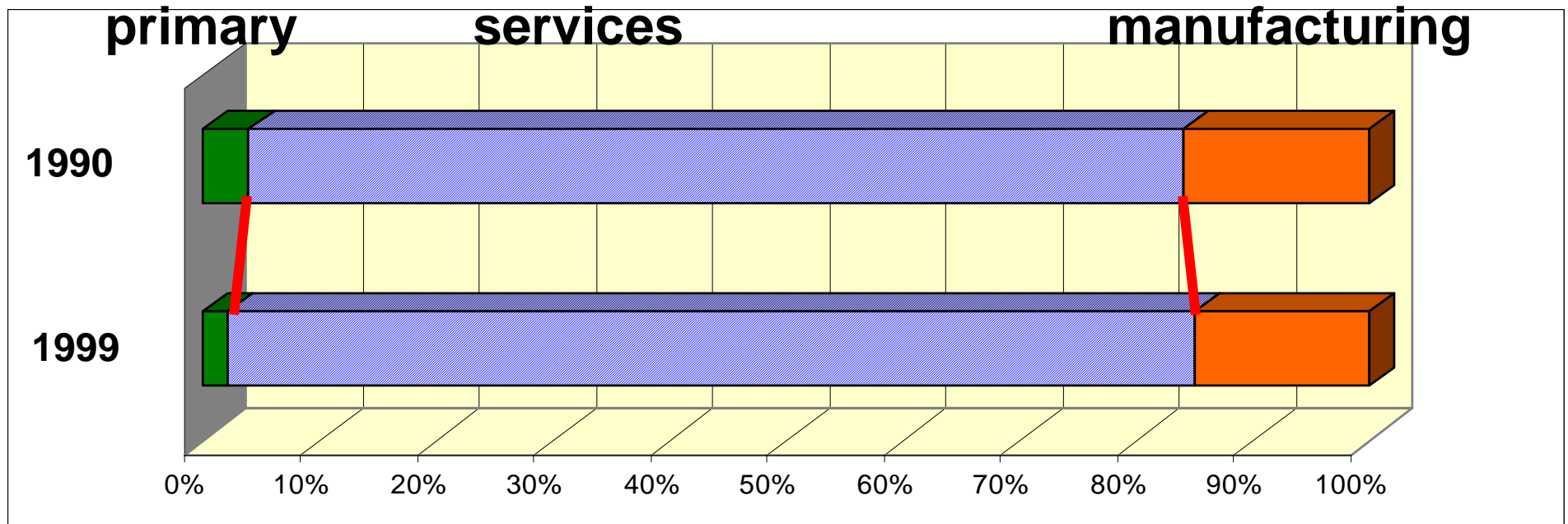
SMEs are very effective at creating jobs; about 70% or more of net new jobs are from SMEs in those economies which have reliable data (Australia, Korea, New Zealand, USA)

How to provide a better entrepreneurial environment is a key issue facing APEC economies

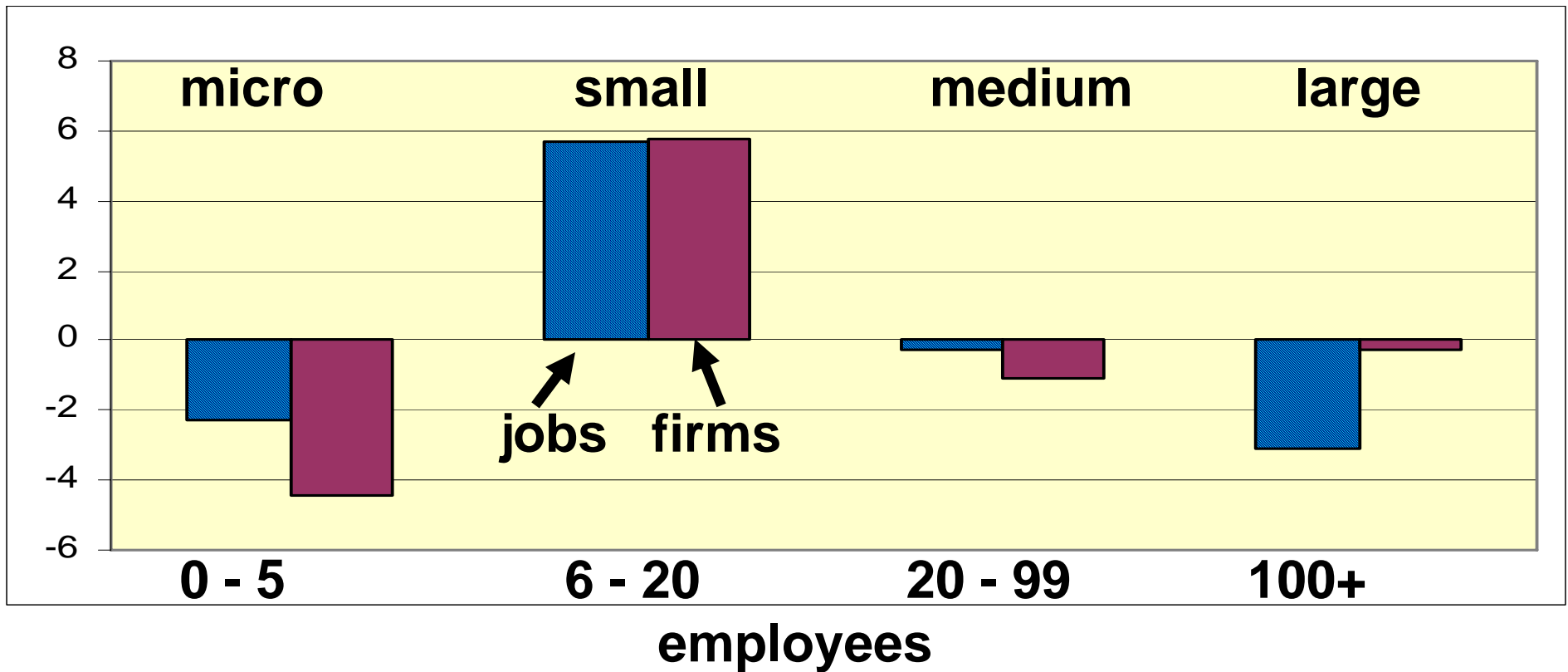
3. MAIN FINDINGS - Dynamics

Missing and incomplete data makes analysis of trends difficult, but important dynamic contributions are...

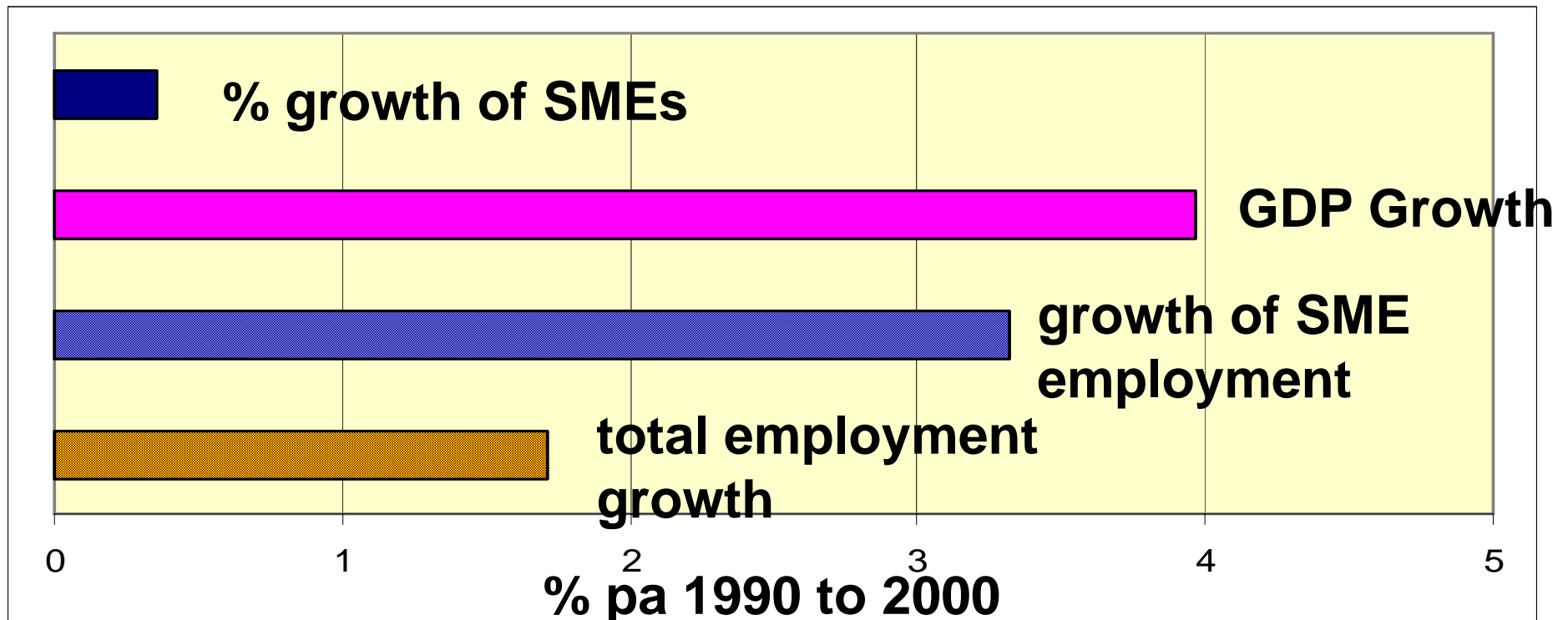
80% of SME jobs were in Services in 1990, and that has increased to 82% in 1999. Manufacturing is now only about 15% of SME jobs, Primary about 4% or less.



Small firms (5 - 19 employees) have increased their share of jobs by about 6% in the last decade, at the expense of micro, medium and large (except in USA, Japan). This seems to reflect increasing international competition.



On very limited evidence, annual growth the total *number* of SMEs has not kept pace with annual GDP growth. SME *employment* growth was less than GDP, but higher than total employment growth. SMEs have been a major engine of job growth, but the lack of growth of SMEs is of concern



2. the concept of a Consortium for Entrepreneurship

Summing up

- 1** SMEs have provided most of the jobs in APEC in the last 10 years, and 80% of these jobs are in services.
- 2** SMEs are important, but underrepresented in international competitiveness.
- 3** There is a shortage of about 70 million entrepreneurs in APEC, and that this will affect the long term competitiveness of China, Vietnam, Russia, Philippines, Indonesia etc.
- 4** That governments cannot possibly hope to train that many entrepreneurs in the next 10 years or so.
- 5** E commerce, wireless and the web could give access to training and advice to entrepreneurs....
- 6** ...but that the digital divide makes it difficult to do this in those economies

**so what steps
might be taken?**

possible initiatives

-  **The entrepreneurial environment in APEC economies needs to be monitored and continually improved - the Scorecard for Entrepreneurial Environment**
-  **Trade and non trade barriers, especially in services (where 80% of SME jobs are) need to be identified and addressed on an ongoing basis**
-  **There needs to be even more cooperation between governments to ensure that regulations, programs, incentives and policies affecting SMEs work in harmony across borders**
-  **There needs to be about 50 to 70 million more SMEs created if 2020 economies are to be really internationally competitive by 2020. The Consortium for Entrepreneurship**

The Consortium for Entrepreneurship - Concept

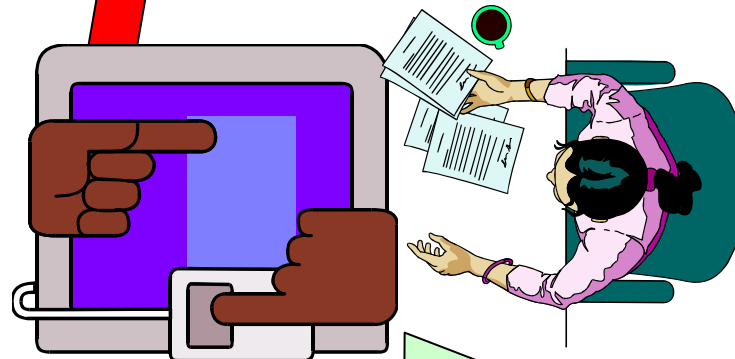
To bring together a loose consortium of:

- hardware producers;
- software developers;
- content providers;
- channel and communication infrastructure providers;
- regulators and government agencies;

to see if it is feasible to develop a suite of products and services aimed at meeting the information, advisory and functional management needs of the emerging generation of managers and entrepreneurs, especially those in developing countries. The “product suite” can be envisaged as something like a Sony Playstation type console which might sell for less than \$100 USD, and give access (via wireless or fixed line through the web) to a range of channels, content, and programs which help meet business development needs (information, training, advice, mentoring, planning, as well as functional programs such as accounts, planning, compliance reporting etc).

From the Entrepreneurs perspective...

access via www to training, information, opportunities, management functions (accounts etc), government



**low cost (>\$US 100)
console to give access via
wireless or fixed line to
www**

From PECC's perspective...

Business

identifies potential consortia members from private sector (hardware, telcos, software, content providers etc) and brings them together



Government

helps governments to articulate concept, options for business model and rules to maximise benefits

Researchers

Research opportunities, problems, solutions and provide content

THANK YOU!