



**Asia-Pacific
Economic Cooperation**



ENHANCING MSMEs' COMPETITIVENESS AND INNOVATION AS A KEY DRIVER OF GROWTH

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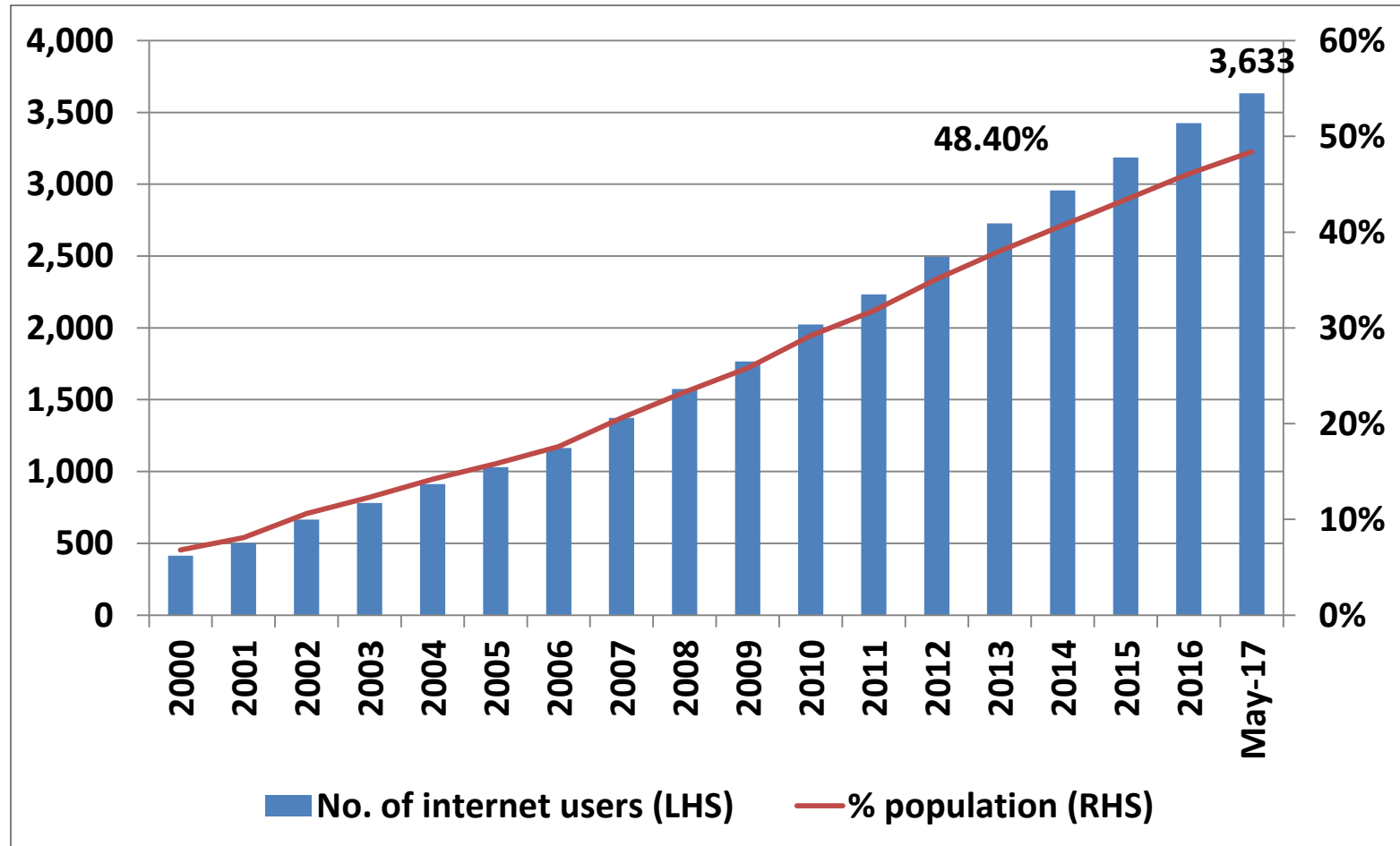
Part I. Background

- ***APEC's mission: to support sustainable economic growth and prosperity in the region.***
- ***APEC's aim: to ensure that the micro, small and medium enterprises (MSMEs) have the ability to take advantage of opportunities for globalizing their activities.***

Part I. Background (2)

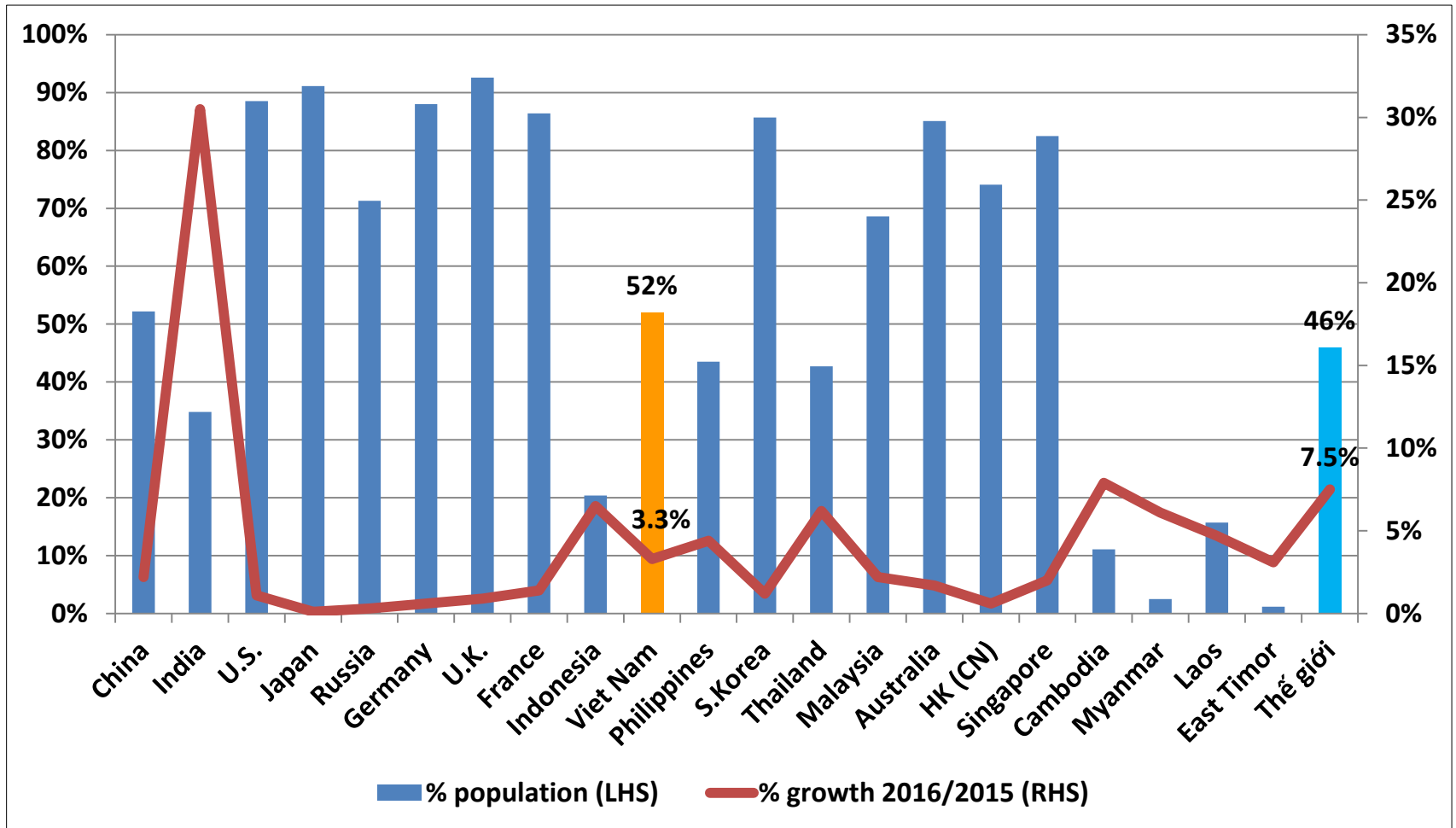
- The **world** is **quickly changing and developing** as a result of scientific and technological applications ("**4th Industrial Revolution**").
- During 2000-2016, the **growth rate of internet users** has been **16.2% p.a** (from just 415 million people to 3.42 billion- **46.7%** of the world population in June 2016); (*figure 1 & 2*).
- **Social network** has become a **popular communication channel** (2.3 billion users - **31.3% of the world population**) (*figure 3*).

Fig.1: Number of internet users



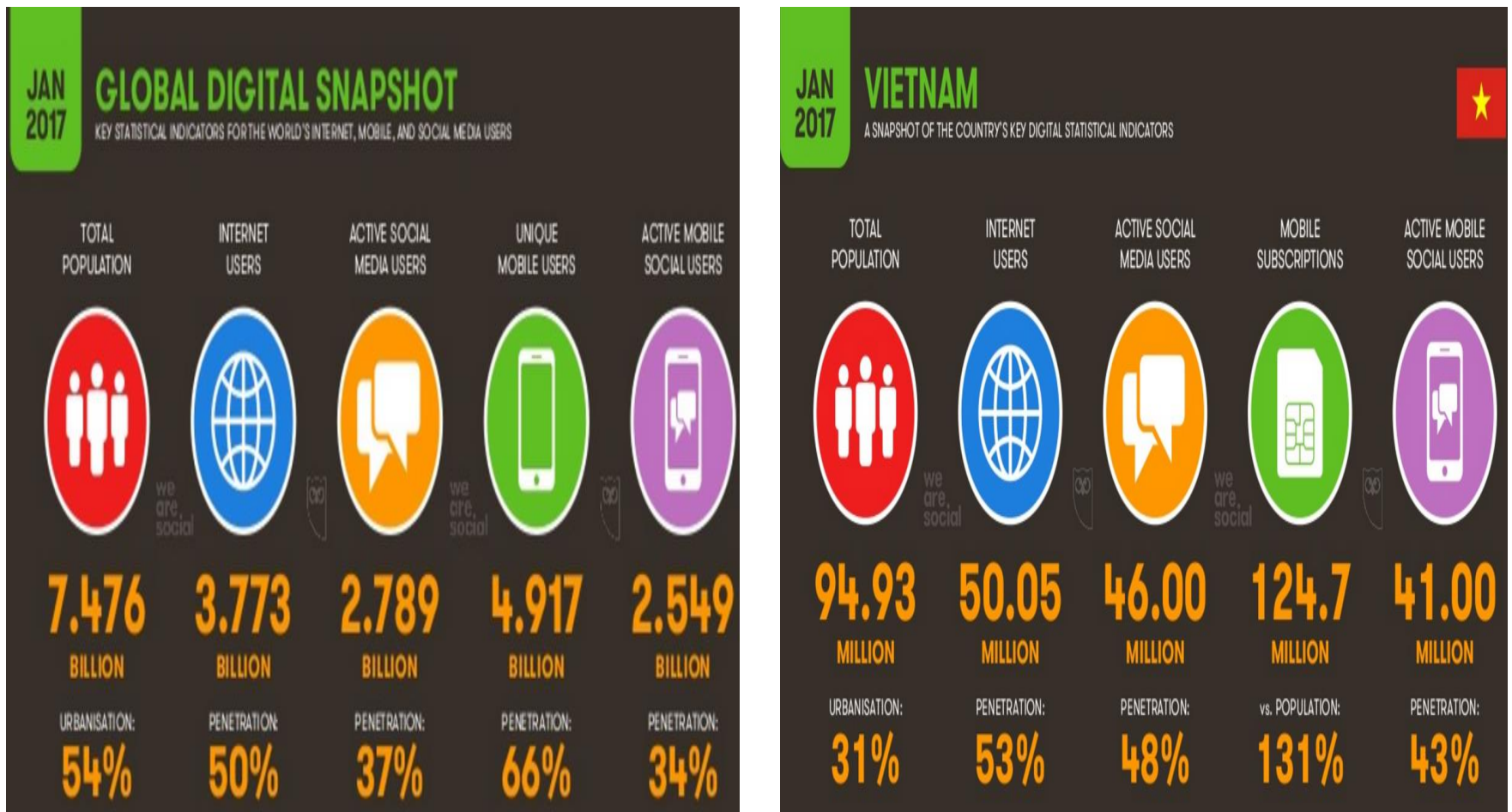
Source: Internetlivestats. As of June 30 annually.

Fig.2: % population using internet 2016



Source: Internetlivestats.

Fig.3: Digital potential globally and in Vietnam



Source: website “We are social”.

Trends in E-commerce

- **Global B2B e-commerce** may reach **USD 6.7 trillion by 2020** (Frost & Sullivan 2015)
- **The Digital commerce** platform market will expand at a CAGR of over **15%** between 2015-2020 (Columbus, 2016).

Part I. Background (3)

Strong technological development in the context of international integration has created *a large number of advantages and opportunities for MSMEs, including:*

- (i) strengthening capacity for accessing information, markets, partners, customers and capital;**
- (ii) reducing operating costs through optimizing operational model, strengthening technological application, increasing labor productivity;**
- (iii) increasing creativity and innovative capacity; and developing new products and services;**
- (iv) opportunities to link, connect, and participate in the regional and global value chains, ...etc.**

Part II. Why MSMEs?

- **MSMEs - the largest proportion of enterprises (around 97% of the total) in APEC economies;**
- **Accounting for 60% of GDP and 60% of total employment;**
- **Considered as a driving force for growth, innovation and creativity in APEC economies.**

Part II. Why MSMEs (2)?

- *Since the Los Carbos Conference (Mexico) in 2002*, APEC leaders have *prioritized cooperation in economic and technological development to enhance MSMEs' capacity*; and **policies on digital platform** to promote trade.

- *APEC Leaders Conference in 2015-2016* continued to focus on globalization and modernization of MSMEs; and *adopted the "Boracay Action Agenda to Globalize MSMEs"* in Manila (11/2015).

Part II. Why MSMEs (3)?

In September 2016 in Peru, SME Ministers endorsed the **Strategic Plan for 2017-2020 of SMEWG**.

SMEWG *focuses on 4 priority areas*, including:

- (i) Promoting entrepreneurship, innovation, and digital economy;
- (ii) Improving access to finance to support business expansion and development of SMEs;
- (iii) Creating an inclusive business ecosystem that supports SME growth;
- (iv) Expanding market access and increasing ability to join global value chains for SMEs.

Part II. Why MSMEs (4)?

The 2016 SME Ministerial Statement acknowledges the fact that modernization of SMEs implies taking concrete steps to increase their innovation capacities; focusing on:

- Fostering **enabling environments and policies, innovation,**
- Reinforcing **access to finance, ICT infrastructure and capacity building,**
- Enhancing participation of SMEs in **e-commerce**, and **Online-to-Offline (O2O) business models** to help them gain access to new markets,
- Reducing **technological gaps** faced by SMEs, and progressively promoting a **more sustainable, eco-friendly and green production.**

Part II. Why MSMEs' competitiveness?

MSMEs' **competitiveness** matters for their success in **export markets, for competitiveness of their countries, for economic growth and inclusiveness.**

MSMEs' competitiveness?

- ***Capacity to compete***
- ***Capacity to connect***
- ***Capacity to change***
- External factors change very rapidly; thus competitiveness implies **adaptation and resilience.**

Table 1: MSMEs' competitiveness indicators

The SME Competitiveness Grid, selection of indicators			
Layers	Pillars		
	Capacity to Compete	Capacity to Connect	Capacity to Change
FIRM LEVEL CAPABILITIES	<ul style="list-style-type: none"> ▪ Quality certification ▪ Bank account ▪ Capacity utilization ▪ Manager's experience <p style="text-align: center;">Innovation capacity</p>	<ul style="list-style-type: none"> ▪ E-mail ▪ Website 	<ul style="list-style-type: none"> ▪ Financial audit ▪ Bank financing ▪ Training ▪ Foreign licences <p style="text-align: center;">Innovation capacity</p>
IMMEDIATE BUSINESS ENVIRONMENT	<ul style="list-style-type: none"> ▪ Power reliability* ▪ Shipping efficiency* ▪ Dealing with regulation* ▪ Customs clearance* 	<ul style="list-style-type: none"> ▪ Cluster development ▪ Marketing ▪ Supplier quality ▪ R&D collaboration 	<ul style="list-style-type: none"> ▪ Access to finance* ▪ Workforce education* ▪ Licensing and permits*
NATIONAL ENVIRONMENT	<ul style="list-style-type: none"> ▪ Getting electricity ▪ Ease of trading ▪ Tariff applied* ▪ Tariff faced* ▪ Logistics ▪ ISO 9001 (quality standards) ▪ ISO 14001(environmental standards) ▪ Governance 	<ul style="list-style-type: none"> ▪ ICT access ▪ ICT use ▪ Government online service index 	<ul style="list-style-type: none"> ▪ Getting credit ▪ Interest rate spread* ▪ School life expectancy ▪ Starting a business ▪ Patent applications ▪ Trademark regulations

Note: The values of indicators with an asterisk (*) are transformed to ensure that a higher score indicates a better outcome.
Source: ITC.

Challenges for MSMEs

MSMEs encounter several key *difficulties and challenges*:

- (i) ever-increasing intense competition;**
- (ii) challenges in scale, human resources, access to finance and support activities, technological platforms;**
- (iii) legal, technological and communication risks**
- (iv) the most vulnerable given the 4th industrial revolution.**

Part III: How to enhance MSMEs' competitiveness?

1. Improving business environment

- **Creating a level-playing field** (especially between private and SOEs);
- **Encouraging innovation and creativity at all levels**, including the government, governmental agencies and firm level;
- **Strengthening legal framework**; including **guidelines and policies facilitating MSME operations and development, including unofficial fees**;
- **Supporting and advising MSMEs in legal, management and information issues**;
- **Enhancing performance of the MSME loan guarantee funds, SME development fund, and venture capital funds...etc;**
- **Improving ICT infrastructure and supporting MSMEs** in applying and developing appropriate technology;
- **Promoting the role of the Chamber of Commerce, industry associations, and SME forum/Academy to enable MSMEs to participate in global value chains.**

How to enhance MSMEs' competitiveness (2)?

2. Enhancing the MSMEs' competitiveness

- Building programs to enhance **corporate governance capacity**, especially in business strategy, management and human resource development;
- **Enhancing more IT applications in operations and supply chain management**;
- Increasing **access to finance** of MSMEs (including provision of knowledge of finance and banking services for MSMEs);
- **Promoting R & D and enhancing opportunities for cooperation** between enterprises in different fields to improve creativity and innovation;
- Supporting **staff training for MSMEs to develop skills in digital technology, risk management, and foster innovation**
- Raising awareness of, and supporting **research capabilities and applying advanced Science and Technology** → to **enhance innovation and creativity** of MSMEs.

How to enhance MSMEs' competitiveness (3)?

3. Strengthening cooperation and connection between MSMEs and other businesses, promoting PPP:

- **Strengthening relationship** between **MSMEs and large enterprises**:
 - *Facilitating technological cooperation;*
 - *Facilitating activities of associations and forums for supporting connections between large enterprises, FIEs and MSMEs;*
 - *Developing business portals; and connections among **universities-research centers-industry-associations**;*
- Promoting **cooperative networks** between **MSMEs and investors, research centers and universities**, etc;
- Strengthening **public – private partnership (PPP)**;
- Implementing measures to promote **connectivity in institutions, infrastructure and workforce**.

How to enhance MSMEs' competitiveness (4)?

4. Promoting APEC entrepreneurial spirit, start-ups, and female leaders of MSMEs:

➤ *Supporting start-ups:*

- Propagandizing; and creating mechanisms and policies to encourage start-up businesses;
- Establishing organizations to support, advise and provide information about start-ups, and access to venture capital funds...etc;

➤ *Creating opportunities and favorable conditions for women to play a leadership role in MSMEs:*

- Following the statement at the APEC forum on women and economy in 2016, **to remove barriers in economic integration for women;**
- **Developing policies and initiatives** such as policies to prioritize training and development, recruitment of women;
- Developing **leadership, management and digital skills** for women, etc.

Q & A

Thank you!