Why the promise of ICT and E Business to increase the international role of SMEs is not being fulfilled, and what APEC can do about it.

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SMEs are under represented in trade and FDI.

SMEs now contribute about 30% of exports and 10% of FDI and this has not changed much in the last 10 years.

If a better business and policy environment for international SMEs allows them to reach the same contribution levels at international levels as SMEs do nationally (ie about 50%) they could add about $1 trillion to APEC exports.
The average SME employs about 5 to 6 people....

...but SMEs engaged in export still employ more than 20. Why?
The Entrepreneurial Engine is underpowered in APEC

A population of about 2.5 billion imply about 0.5 b potential entrepreneurs, but only a few actually seek to start a business.

About 70% + of growth comes from about 5% of firms (2.5m) - which are high growth and internationalised.

About 20% of SMEs are growth oriented.

There are fewer SMEs than there should be - 1/20 rule suggests 100 - 150 million. The bulk (75% or so) of the actual 48 million SMEs in APEC are small and not growth oriented.
The Entrepreneurial Engine in APEC can be enhanced by better use of ICT.

There is the potential for SMEs to add about $1 trillion to trade and another $8 trillion via production per annum if:

- Barriers to international entrepreneurship are reduced.
- Structural changes are made to facilitate growth of SMEs, especially across borders.
- Efforts are made to encourage a culture and conducive environment for startup.
What are the barriers stopping us taking advantage of the potential for SMEs to contribute more ???

- Trade negotiation and moves to free trade, and E commerce are removing some barriers
- Many remaining barriers are government created
- There are few barriers which discriminate by size

1. Barriers which are government responsibility...
   - Tariffs, investment controls
   - Border NTBs
   - Support services
   - Institutional infrastructure

2. Barriers where governments can assist SMEs to cope..
ICT and strategies for export - *distinguish* between:

A. Firms *exporting* ICT - small percentage of advanced technology firms in niche or growth industries (animation, software, security, etc).

B. Firms *using* ICT as a means to assist exports – almost all exporting firms. Exporting SMEs should have gained from better ICT.
Firms exporting ICT - niche or emerging fast growth sectors

Can a start up in 2005 in Seoul or Surabaya become the next Microsoft in 2025? Can new industries to emerge and grow?

A case study of the challenges = Tier-3
SMEs using ICT to help them export *should* be finding it easier...

Because of

1. Access to information

2. Better communications, marketing

3. Easier E govt, less administrative burden

4. Easier E commerce, value chain management

5. Better IP management
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<tr>
<td><strong>1.</strong> Access to information</td>
<td>Massive information overload</td>
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<td><strong>2.</strong> Better communications, marketing</td>
<td>Spam, viruses, worms, trust and fraud issues</td>
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<td><strong>3.</strong> Easier E govt, less administrative burden</td>
<td>Slow use of E govt, complex different regulations</td>
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<td><strong>4.</strong> Easier E commerce, value chain management</td>
<td>Trust issues and fraud, cross border legal disharmony</td>
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<td><strong>5.</strong> Better IP management</td>
<td>Expensive legal processes, complex IP systems</td>
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What can APEC do?
What can APEC do?

Develop systems in cooperation with OECD to identify, monitor and act on impediments to the emergence of new industries.

Make it easier for SMEs to access information from governments.

Best practice guidelines for ICT training.

Better more extensive on-line E-government and infrastructure.

Single business registration, and harmonisation of business registers, compliance reporting.

Work with OECD etc on trust and fraud issues for B2B, B2C.

Improved IP protection for SMEs.