

Realizing the Untapped Potential of MSMEs in APEC

Practical Recommendations for Enhancing Cross-Border Trade

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Trade and globalization have lifted the geographic constraints for businesses of all sizes and created unprecedented opportunities for MSMEs to engage in cross-border trade.

The positive spillover effects that occur when a high number of firms of all sizes engage in cross-border trade are well-known: higher economic growth, faster upgrading of business practices, technology diffusion, and social benefits from higher family incomes, education, and health.



Effective programs and policies in 4 areas empower MSMEs to engage in cross-border trade.

Digital Economy

2x
growth

Digital MSMEs experience twice the growth of non-digital MSMEs. (AMTC, 2018)

\$1 = \$5

Every additional \$1 invested in ICT infrastructure could yield up to \$5 GDP growth by 20205 (Huawei, 2017).

Services-Sector MSMEs



MSMEs who export services pay higher wages, are more innovative, and employ relatively more highly skilled workers (HK Nordás, 2015) (WTO, 2016,).

85%
72%

85% of all micro firms and 72% of SMEs operate in the services sector (WTO, 2016).

MSMEs in GVCs

80%

More than 80% of global trade now occurs within international production networks of MNCs (OECD, Inclusive MSMEs).

>50%

More than 50% of domestic value added to exports is attributed to SMEs (WTO, 2016).

Women-led MSMEs

\$12 trillion

Global GDP could grow by \$12 trillion through gender equality (McKinsey, 2015).



A disproportionately high amount of women's income is reinvested in the home which has significant long-term impacts: higher health and education levels.

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Executive Summary

Economies that promote their MSMEs gain higher economic and social growth rates. Energizing more MSMEs especially those that are women-led to participate in cross-border trade, leads to increased growth for the 97% of enterprises in APEC that are MSMEs. In turn, these MSMEs are more productive, pay higher wages, and are more innovative, creating positive spillover benefits on home economies. Stronger, more inclusive growth comes from supporting and advancing women-led MSMEs.

This report presents a synthesis of almost 600 in depth interviews with a cross-section of participants in MSME ecosystems in all 21 APEC economies. It also incorporates existing research and recommendations on improving MSME engagement in international trade. The research and interviews tell two compelling stories.

One is a story of excitement, of optimism, and of new opportunities for MSMEs, and their economies. Technology and expanding globalization of supply chains have created opportunities for MSMEs to engage in global trade in areas and ways never before possible. Digital technology has reduced trade costs, and expanded the reach of MSMEs. It has increased the advantage of being small, specialized, and best-of breed. It has offered forward-thinking developing APEC economies ways to get out of the low-valued manufacturing sectors that they have been traditionally trapped in.

But the other is a much sadder story; one of frustration and continued disappointment. Our research found that while APEC policy makers are prioritizing, and allocating resources to support, and advance MSMEs real progress is limited. Trade costs remain high. Trading regimes between economies remain a thicket of complex trade procedures, and protectionists measures. This is discouraging to even the largest, and most well-resourced firms, but effectively stop MSMEs in their tracks. Within economies, MSME programs and policies tend to be piece-meal rather than coherent national strategies. There is little agreement on how to create a sustainable supportive ecosystem for MSMEs both among policy makers in general, and also between policy makers and the business sector.

Internationalizing MSMEs enables them to break out of potentially vicious low-growth, low-productivity cycles. It allows MSMEs to access larger markets improving scale. It exposes MSMEs to innovations, technologies, and new business approaches. In turn, these MSMEs bring good practices back to domestic economies that improve domestic productivity and competitiveness. MSMEs are started for many reasons: they are inherently small and lack scale; they often have short lifespans; are resource-constrained; and lack business expertise, technological proficiency, and the ability to onboard and access finance. Few have global entrepreneurial mindsets, most have difficulty engaging with new networks, and many lack new market and opportunity awareness. Further, they are disproportionately affected by inefficient and ineffective regulatory and operating environments. All these factors can quickly combine to trap MSMEs into vicious low growth cycles. Encouraging MSMEs to engage in trade helps them start virtuous growth cycles that come from accessing more demand, improved scale, access to new technologies and innovative ideas, and stronger drives to improve operations to become globally competitive. Firms that engage in cross-border trade bring back spillover benefits that have multiplying effects: new innovations, improved productivity, competitiveness that forces improvements in domestic competitors, and the ability to offer better jobs with higher wages.

Supporting MSME ecosystems to produce economic and social growth must be ongoing. Getting MSMEs into virtuous cycles is challenging and requires the balanced development of supportive ecosystems that provide access to training, technology, capital, foreign market information, advisors and mentoring, incubators and accelerators, along with supportive operating and regulatory environments. Economies need to view the support of their MSMEs in the same way they do education of the young or the aged. Policy makers must recognize that there is a constant “churn” (birth and deaths) of MSMEs, each needing support to grow. However, economies must guard against programs and policies that create MSME dependency.

Research Initiative

What Works and What Does Not

ABAC commissioned the University of Southern California's (USC) Marshall School of Business to identify best practice "what works" programs and policies to empower MSMEs to engage in more cross border trade in the APEC region, with specific focus on the digital economy and inclusive growth via women-led MSMEs. The research focuses on capturing the "voice of business" by interviewing a broad cross-section of APEC business leaders, MSMEs, policy makers, and supporting ecosystem players, with specific attention to women-led MSMEs.

The intended contribution of this research is to ask business people, policy makers, and supporting MSME ecosystem players what works and what does not work. We endeavored to highlight, out of all of the programs and policies, which are good practices and which have negative, unintended consequences.

The research included:

- Interviews with 32 thought leaders and 560 stakeholders in APEC, including MSME leaders, large firm executives, trade association leaders, policy makers, along with 430 questionnaire respondents
- Developing a comprehensive evaluation framework for the barriers, impediments, and enhancers to MSME cross-border trade across six dimensions that capture the entire trade environment.
- Analyzing data across multiple perspectives to understand the complexity of MSME cross-border trade.
- Capturing recommendations for practical solutions to improve the trade environment for MSMEs. These are categorized into two categories: "what works" and "what does not work."



Key Findings

Engaging MSMEs in cross-border trade has enormous potential for all economies. However, impediments and barriers in every APEC economy limit the potential growth opportunities for MSMEs.

Poorly focused MSME programs and policies is the major challenge in hindering real progress for MSMEs. Few APEC economies have clear coherent national strategies for supporting and empowering their MSMEs. While our research found that all APEC economies were devoting time, attention, and resources, to supporting MSMEs, we identified substantial differences in perspectives and approaches, some conflicting, between and among policy makers, and between policy makers and business, on how best to support and advance MSMEs. Approaches taken by many economies were piece-meal and resource-wasteful. Malaysia and New Zealand were identified as having strong coherent national MSME strategies.

Internationalizing MSMEs, either through direct trade or into GVCs, must begin with achieving competitiveness in six key areas: *Business expertise in planning, managing, and good governance, ability to qualify for and accept investment and financing, technological proficiency, entrepreneurial global growth mindset, engagement with business networks, and market and opportunity awareness.* We found across APEC economies that without competitiveness in these six areas there is little chance MSMEs will breakout of low growth, low productivity cycles, let alone even considering engaging in cross-border trade.

Supporting balanced MSME ecosystems is essential. It is much more than ensuring access to MSME financing and investment. While MSMEs want capital; they need training, easy access to information, and awareness of new markets and opportunities much more. Policy makers need to focus on supporting incubators, accelerators, affordable digital technology, and accessible training programs that address all six pillars of MSME competitiveness. A focus must be paid to developing ICT infrastructure, and operating and regulatory environments that support MSME growth.

Global mindset is absent in most MSMEs. Very few MSMEs engage in cross-border trade. For entrepreneurs are globally focused. This particularly acute in developing APEC economies. Most MSMEs are domestically-focused and consider the benefits of global expansion to not be worth the investment risks. Policy makers must focus on programs which increase awareness of market opportunity awareness and the communicating benefits that come from cross-border trade.

The digital economy, service-sector MSMEs, and GVCs are the three biggest contributors to empowering MSME cross-border trade. When MSMEs utilize the digital economy, they grow at least twice as fast and engage in trade with exponentially more economies. The future of the workforce lies in service-sector MSMEs as well as those in GVCs. Interviewed MSMEs in these areas often feel left out of programs and policies, yet these are at the center of global business trends.

E-commerce continues to be an important pathway for MSMEs to benefit from international trade. Engaging MSMEs in cross-border e-commerce yields productivity gains of 6-15%, doubles the participation of women-led MSMEs, and more general increases market opportunities for MSMEs. However, inaccessible ICT, lagging digital training programs, cross-border data restrictions, physical presence requirements, resistance from financial institutions to alternative digital payment systems, and the controlling influence of global e-commerce platforms and market places continue to be obstacles policy makers must address.

E-commerce platforms and marketplace play a critical role in promoting cross-border MSME activities. Access to global market places is critical for cross-border MSME growth. And, market places and platforms are playing an increasingly important role in assisting MSMEs to navigate cross-border trade processes and requirements. However, they are doing it ways that may not align with national interests. Additionally, the increasing power of international market places, and their potential to dominate and lockout smaller domestic rivals, and lock-in MSMEs to their platforms, should be of increasing concern to policy makers.

Trade costs, before the border, at the border, and in foreign markets, overwhelm and discourage MSMEs. Easy access to accurate trade information is not guaranteed in most APEC economies. Additionally, a lack of transparency and cumbersome costly border procedures are major hurdles for MSMEs. From our interviews, MSME owners point to the unpleasant surprises of additional unanticipated trade costs as major disincentives for engaging in cross-border trade. Bringing all trade information online into "Single windows" would be a breakthrough improvement for MSMEs.

Key Findings

Foreign market dispute resolution challenges become overwhelming barriers for MSMEs. Protection against fraud, and an ability to quickly, fairly, and cost-effectively, negotiate disputes, is a major concern for MSMEs. For most it is the main reason they discontinue cross-border trade. Policy makers must make progress on improving cross-border dispute resolution mechanisms to allow MSMEs to capture the opportunities of cross-border trade.

NTBS are particularly problematic for MSMEs. MSMEs lack the scale and the specialist experts to cope with NTBs; specifically access to specific SPS and TBT information, burdensome customs procedures, and costly compliance requirements. Greater transparency, simplified plan-language rules, more timely clearances, and more consistency of enforcement are urgently needed.

FTAs, in general, are not helpful for MSMEs. Our research found few MSMEs use FTA provisions. MSMEs complain that the language is too complex, don't have MSME-specific provisions, and the fear of being fined for incorrect use, discourage them from attempting to use them. Most prefer to pay any tariffs. When provisions for MSMEs are not included in dispute resolution chapters their impact is reduced. Additionally, FTAs and RTAs are negotiated from a large firm perspective with little consideration for the positive or negative impact on MSMEs.

Getting MSMEs into GVCs is not easy. When MSMEs can engage in GVCs they capture the benefits of trade and the accompanying virtuous cycles. However, "beachhead" costs in the form of improving systems, training, obtaining certifications, etc., are major barriers for MSMEs, especially when contracts with larger GVC firms are not guaranteed. Additionally, the power differential between MSMEs and MNCs in payment terms and in dispute resolution is a major challenge for MSMEs. These are areas in need of policy maker attention.

Services, particularly B2B services, offer MSMEs major cross-border growth opportunities. Engaging services offers MSMEs an opportunity to capture the benefits of trade without many of typical trade costs. The intersection of services, digital technologies, and cross-border GVCs, are the "next big thing(s)" for MSMEs. However, foreign market services-trade restrictiveness challenges are major hurdles for MSMEs. Complying with physical presence requirements is beyond most MSMEs.

Stronger more inclusive growth comes from supporting and advancing women-led MSMEs. Our interviews, supported by empirical research, conclude that economies would experience greater economic and social growth outcomes if more resources were directed explicitly to helping women-led MSMEs. Perceptions of the supportiveness of ecosystems for women-led MSMEs vary considerably across APEC economies; with men in most economies believing that things are much better than they really are. Women-led MSMEs, overall, provide better returns on investment, and return proportionally more resources to their families for better health and education.

Women-led MSMEs are underrepresented in trade. Women-led MSMEs are disproportionately fewer in the small number of MSMEs that do engage in cross-border trade. Across the board, women entrepreneurs and MSMEs owners find it more difficult to access training, financing, and business networks. Fewer women have a global mindset. Programs and policies that are gender-neutral are not sufficient to advance women-led MSMEs. Cultural biases in all APEC economies, to a greater or less extent, continue to disadvantage women-led MSMEs. Support programs that focus explicitly on women-led MSMEs need to be developed.

The best programs and policies to empower MSMEs are practical and share similar characteristics. They all:

- **Avoid contributing to market dominance and market distortions by energizing, rather than propping up, virtuous cycles of growth.** In practice, beneficial programs and policies provide the training, funding, and mentorship MSMEs need for their specific growth stage and sector. They are affordable, well-publicized, of good quality, and up-to-date.
- **Inspire MSME resiliency by requiring small risk-taking through well-crafted applications, reasonable fees, or attendance and completion requirements.**
- **Address, first, supportive regulatory and operating environments.** Transparency and consistency of law, easy business formation processes, well-built physical infrastructure, functioning logistics providers, universal quality education, and business-friendly tax policies must be in place before MSMEs can engage in cross-border trade.
- **Appreciate that successful 21st century firms are digital.** Without access to affordable and reliable ICT, MSMEs cannot enter virtuous cycles. Without policy-maker comprehension of the digital economy's enablers and barriers, MSMEs cannot survive. Trainings are cognizant of B2B and service-focused MSMEs in the digital economy.

Key Findings

- **Foster inclusive growth, especially for women-led MSMEs.** Differential challenges are faced by MSMEs in general and women-led MSMEs experience even stronger challenges. All APEC economies can benefit from policies and programs that accept the explicit and implicit cultural biases that exist in all APEC economies, consider how those affect women in cross-border trade, and then amend or create programs and policies focused on inclusive growth.
- **Support MSMEs' learning, through training and promotion of MSME-friendly GVCs.** Formal upskilling trainings help, and many MSMEs expressed interest in them. Additionally, promoting GVCs who support their MSME partners increases quality, standards compliance, and MSMEs' learning.
- **Increase the scale of impact.** Economies efforts are well appreciated but across most economies, the same MSMEs continually take advantage of programs and policies. The digital economy, including e-payments, e-government, and e-commerce, enable policy-driven programs to reach many MSMEs at a manageable cost.

Small changes to improve MSME productivity, competitiveness, and readiness create great impacts.

Action Agenda: APEC and ABAC

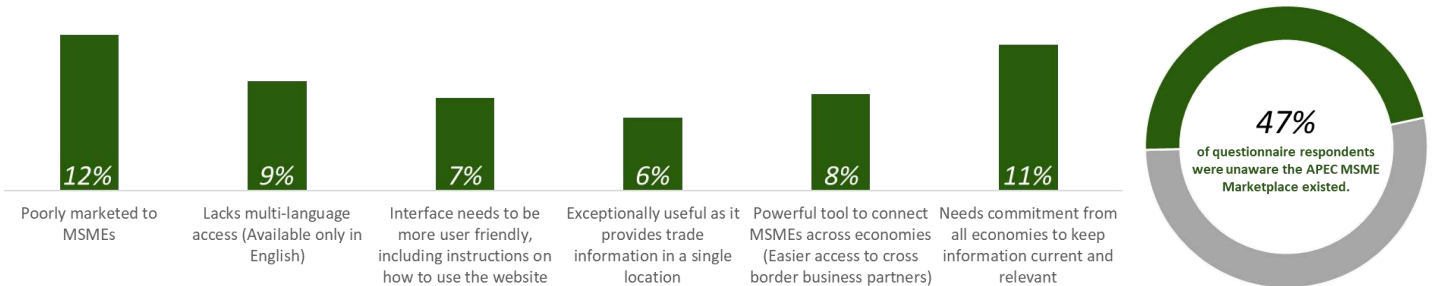
The Role in Supporting MSMEs to Engage in Cross-Border Trade

Both APEC and ABAC play critical roles in providing an enabling environment for MSMEs to access and engage in cross-border trade opportunities. Substantial work has been done in both APEC and ABAC on good practices for improving the environment for services, facilitating trade, and improving many other critical trade areas. Nevertheless, more work remains to be done on facilitating trade across APEC and internationalizing MSMEs. Our research has identified several key areas where further APEC/ABAC work is needed, as well as issues to consider when formulating policy going forward.

Prioritize reducing and eliminating trade barriers and trade costs. Reducing trade barriers and trade costs, and improving customs and border facilitation matters much more for MSMEs. With thin margins and low scale operations, even the smallest trade barriers and cost prevent MSMEs from profitably engaging in cross-border trade. Eliminating protectionist barriers, streamlining customs, improving NTM compliance procedures, simplifying trade requirement language and making it all available online in a single location, must be priorities for APEC and all its economies; especially developing economies. If APEC is serious about realizing the untapped potential of its MSMEs, then it must get serious about trade liberalization.

Keep MSMEs at the table when taking initiative to liberalize trade. As APEC continues to work on sharing information on FTAs/RTAs and realizing a free trade area of the Pacific (FTAAP), it is critical to keep MSMEs and MSME associations engaged. A majority of MSMEs surveyed for our research did not understand FTAs/RTAs or how to use them. Any additional policy around FTAs/RTAs should include the input of MSMEs or MSME trade associations in order to ensure that MSMEs are not left behind.

Expand the awareness of the APEC MSME Marketplace. When asked their views of the platform, 47% of questionnaire respondents did not know it existed. Of those that did know, most saw clear areas of improvement.



Continue work to find alternative methods of dispute resolution. Across every level of the trade pipeline, access to easy, low-cost dispute resolution was consistently identified as an issue for MSMEs engaged in trade. Interviews with MSMEs engaged in cross-border trade, business leaders, and policymakers in the 21 APEC economies made it clear that MSMEs either did not engage in dispute resolution at all, or tried to mediate any conflict themselves. Few, if any MSMEs used existing methods of arbitration and legal settlement available due to their perceived complexity and cost. Efforts should continue on the ODR initiative led by APEC Hong Kong and full adoption by member economies of dispute resolution mechanisms that are helpful for MSMEs.

Foster the continued sharing of good practices from around APEC and the world. The good practices highlighted in this research represent the findings of our meta-analysis, thought leader interviews, in-person interviews, and questionnaire. It is not an exhaustive and comprehensive list. APEC and ABAC can continue to support research representing the “voice of business;” hold in-person meetings and conferences that bring together innovative, ambitious, and dedicated MSMEs, policy makers, and supporting players to share good practices; and convey good practices on digital platforms, including via social media.

Lead the creation of guidelines for digital interoperability. APEC and ABAC can coordinate efforts and bring together good practices from across the region to create standards and guidelines to ensure digital systems can be interoperable. Interoperability increases the effectiveness of information sources, e-customs, e-government, national payment gateways, and other forms of e-payments.

Find a new sponsor for the APEC STAR Database. The APEC STAR Database, discontinued in 2016, was a repository for services trade access information. Access to information, especially for services-sector MSMEs is a critical trade barrier. Identifying foreign market opportunities, understanding foreign regulations, and complying with service trade requirements are extreme opportunity costs that disincentivize MSMEs internationalizing. Although the APEC STAR database was archived at the recommendation of the project sponsor (Australia), APEC should work to find another sponsor for the database.

Action Agenda: Policymakers

Policymakers Need Focus and Collaboration to Empower MSMEs

The advances in the digital economy have reduced or eliminated barriers to engaging globally and vastly increased opportunities to engage in trade. Policy makers in the 21 APEC economies are now uniquely positioned to empower—or impede—MSMEs attempting to trade across borders. Economies can elevate MSMEs into virtuous cycles by putting greater focus on MSMEs and their specific needs while maintaining light-touch regulatory frameworks that allow MSMEs to leverage the benefits of the digital economy or they can pursue digitally-restrictive and fragmented policies that continue to keep MSMEs stuck in the low-margin, low productivity vicious cycles that are characteristic of most MSMEs today. The following recommendations, informed by interviews in the APEC economies and our research questionnaire, are areas of critical focus for policy makers.

Develop and maintain a national strategy related to MSMEs. Helping MSMEs is challenging due, in part, to the differing perspectives of the role of MSMEs in each economy. While some economies may view MSMEs as a source of competitiveness and economic growth, other economies may see MSMEs as vehicles for providing employment. Economies can also pursue strategies where successful MSMEs are the focus of support or, conversely, where all MSMEs receive support regardless of success. To avoid market distortions and dependent MSMEs, policy makers must first establish coherent national priorities regarding MSMEs in their economy and then execute on this strategy by allocating the necessary focus and resources required to fulfill priorities.

Meet MSMEs where they are and seek greater understanding on the challenges faced by MSMEs. Understanding the challenges that MSMEs face when attempting to scale and engage in cross-border trade is critical to allocating resources effectively to create a measurable GDP or social growth impact. Too often, we have seen examples of programs that are well-intended but fail because they do not take into account the inherent challenges faced by MSMEs. Programs that involved substantial amounts of training, for example, tend to be ineffective for MSMEs as they impose large opportunity costs for MSME owners who must spend time away from their business to attend them. Economies should work to build profiles of the MSMEs in their economy and then provide MSMEs with tailored programs that effectively address their needs and take into account the challenges they face both in domestic operations and cross-border trade.

Work to establish alternative methods of credit-worthiness. The liabilities of “newness” and informality were commonly raised in our research as major impediments and barriers for MSMEs to access financing and escalate into virtuous, high-growth cycles. Newly formed MSMEs or those that have little to no formal records of business are often shut out from traditional methods of financing. Policymakers must continue to partner with banks, technology companies, and other lending partners to establish additional ways for these MSMEs to establish themselves as credit-worthy and obtain the capital needed to grow.

Leverage technology to make doing business easier for MSMEs, with a particular focus on mobile. Many MSMEs, particularly those in developing economies, are very reliant on mobile technology as a means to do business. Policy makers can take steps to simplify processes for these firms by allowing them to operate using their mobile devices. Enabling MSMEs to keep digital records on their devices, eliminating paper-based business documentation requirements, and transitioning toward e-government processes that are mobile-friendly can be hugely beneficial for MSMEs without forcing them to invest in costly hardware and software programs.

Increase outreach to promote existing good practice programs that help MSMEs with capacity building and trade. Across both developed and developing economies, it is clear that many MSMEs are wholly unaware of many beneficial existing programs. Interviews with government stakeholders found that programs targeting MSMEs were generally underutilized, and many MSMEs expressed frustration about the lack of programs available to help them. Increasing marketing and outreach to MSMEs is a critical step to getting further usage of programs as well as understanding the effectiveness of the programs in solving MSME challenges.

Pursue meaningful partnerships with the private sector. Private sector stakeholders are often key to helping MSMEs with the trade process. More than ever, companies are offering innovative payment, logistics, and e-commerce solutions to MSMEs seeking to sell to foreign markets. Identifying and partnering with these service providers is a way for governments to avoid redundant offerings while helping MSMEs access these solutions.

Action Agenda: Business Leaders

Business Leaders Play a Critical Role in Supporting Inclusive Growth

Business leaders have a critical role in supporting MSMEs and fostering inclusive growth. Leaders of large firms provide meaningful opportunities for MSMEs to engage across borders via global value chains. Leaders of firms of all sizes wield significant influence to foster supportive ecosystems for business. Business leaders from both large firms and MSMEs must be willing to use that influence to ensure that operating and regulatory environments in the APEC economies are conducive to inclusive growth.

Set standards for timely payment of MSME suppliers. MSMEs engaged in global value chains reported that timely payment by large enterprises was a challenge. For MSMEs, who often have difficulties accessing working capital and managing cash flow, the inability to collect payments can be devastating. Business leaders of large enterprises across industries should work to set standards for timely payment of MSME suppliers to ensure that these enterprises are adequately able to participate in and benefit from global value chains.

Advocate for business-friendly environments. Interviews across the APEC economies indicated that business leaders are not always actively engaged in the policy process. It is critical that business leaders share “the voice of business” and help policymakers understand policy impacts on the general business ecosystem. Business leaders must engage with policy stakeholders when called upon and also take proactive steps to reach out and educate policymakers on the needs and challenges faced by businesses large and small.

Foster the global entrepreneurial mindset at the economy level and especially for MSMEs. As global value chains continue to become longer and more complex, new opportunities will open for both goods and services-sector MSMEs. These GVCs allow MSMEs to specialize by focusing on specific parts of the value chain. However, MSMEs will not be able to capitalize these opportunities if they continue to, on the whole, lack a global entrepreneurial mindset. This mindset inspires business people to grow their enterprises and take advantage of opportunities outside their immediate domestic markets. Business leaders can address this issue by encourage MSMEs to specialize and take calculated risks as well as become familiar with the benefits of involvement in global value chains.

Provide input on free trade agreements. A vast majority of MSMEs interviewed in the 21 APEC economies did not understand how to take advantage of potentially beneficial provisions in free trade agreements. While large businesses are often involved in free trade negotiations, MSME associations and business groups must reach out to current stakeholders to ensure that the voice of MSMEs is reflected in these agreements. Doing so is a critical step toward greater utilization of FTAs by MSMEs looking to trade.



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University of Southern California—ABAC Coordination

Since 2003, the Asia-Pacific Economic Cooperation’s Business Advisory Council (ABAC) has engaged the University of Southern California in an annual research study on a topic of special interest to that year. Twelve University of Southern California MBA students are selected to conduct the study under the guidance of ABAC leaders and faculty advisors.

As part of the research, each MBA researcher travels on a fact-finding mission to APEC economies to meet and interview business and policy leaders. Through these candid, anonymous interviews, the research team gains a unique perspective to capture and report the voice of business. After synthesizing the feedback from the interviews and finishing a comprehensive report, the research team travels to the ABAC meeting and presents their findings. The research is included in the annual prioritized advice report that ABAC provides to the 21 APEC economies.

Topics that University of Southern California research teams have tackled in the past include foreign direct investment, the investment landscape of sustainable energy, and trade in services across APEC.

Reports can be found at both the APEC Secretariat and USC.

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Acronyms

ABAC	Asia-Pacific Economic Cooperation Business Advisory Council
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
B2C	Business to Consumer
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GVC	Global Value Chain
ICT	Information and Communications Technology
KPI	Key performance Indicator
MNC	Multinational Corporation
MSME	Micro-, Small-, Medium-Sized Enterprises
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
PPPs	Public-Private Partnerships
RTA	Regional Trade Agreement
STEM	Science, Technology, Engineering, and Math
STEAM	Science, Technology, Engineering, Arts, and Math
USC	University of Southern California
WEF	World Economic Forum
WTO	World Trade Organization



Introduction

Introduction

As we reflect on our nine months of research on MSMEs in APEC economies, we find ourselves with two stories to tell. It is a fascinating story where the ending has not yet been written.

One is a story of excitement, of hope, and an emerging new world where technology has created opportunities and broken down old barriers. We have found stories of innovative entrepreneurs who have built new business models that have changed industries and invigorated economies. We have talked with large, established global firms who are reinventing themselves by engaging best-in-the-world MSMEs all along their global supply chains. We have found new innovative and supportive programs and policies by governments and trade associations and public private partnerships that are stimulating MSMEs to be more ambitious. This is a story where MSMEs are engaged in cross-border virtuous cycles that are having truly impactful effects on domestic economies leading to more inclusive growth. But this story is not an assumed outcome.

However, and very sadly, we have also heard a story of frustration and discouragement of MSMEs trapped in vicious low-growth cycles; of MSMEs stuck into low value-added sectors of supply chains; and of MSMEs that are overwhelmed by unnecessary trade costs, impediments, and barriers that prevent them from engaging in the virtuous cycles from internationalization. We have heard differing opinions between business people and policy makers. Even within these two groups, there are distinct opinions on good practices for programs and policies. Without focus, results are poor. A cohesive strategy must be built within and across business and policy ecosystems.

This second story is a story of MSMEs feeling like they must pull themselves up by their boot straps in an environment where there are so many different programs and policies designed to help them. It is a story of misaligned and unfocused programs and policies. Of patchworks of overlapping and conflicting policies. Of policies that are too specific or too general to actually help MSMEs. It is a story of economies that are trying to use MSMEs and trade policies to fix domestic problems of gender disparity and income, inequality, and inclusiveness, where the rush to open markets for trade opportunities has been done without careful consideration of how FTAs and RTAs can help or hurt MSMEs. It is a story of exciting, well-meaning programs for MSMEs that create market distortions and MSME dependencies on those programs.

Sadly, this could be a story of misused opportunity, once again. We will disappoint the hundreds of MSME owners and policy makers who gave us hundreds of hours of their time to share their ideas about what really works and would really work to help MSMEs engage in virtuous cycles. This will be a story of misused opportunity if this research does not start to create momentum for change toward better, more effective policies and programs for MSMEs.

Through this research project, our team catalogued an array of insightful, well thought-out recommendations, if implemented would make highly impactful differences. The digital economy has changed the competitive game. The advantage is now with nimble, small, efficient MSMEs.

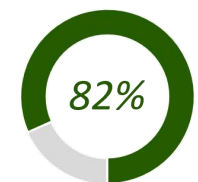
When we began this research project, we anticipated offering our own set of recommendations, but we have come away from this project with a clear understanding that the problem is not one of knowing what to do—it is rather one of action to make differences. Hence, this report steps back from making new recommendations. Rather, it focuses and highlights what MSME owners, business executives, MSME trade associations, and policy makers told us actually works and what programs and policies are not effective and do not work.

“MSMEs [will] become even more important into the future than they are today because people will operate solo or in small groups, rather than large organizations.”

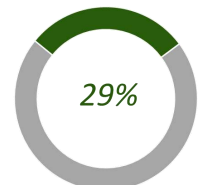
- Executive, Australia



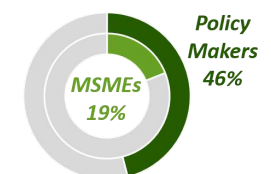
of respondents think that MSMEs are "Important" or "Critically important"



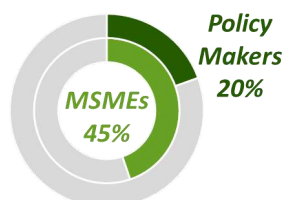
of respondents think MSMEs will increase in importance



of respondents say their economy has clear national policies and programs for MSMEs



Only 19% of MSME respondents believe their economies have made promoting MSMEs a priority with appropriate resources, compared to 46% of policy makers



45% of MSMEs believe that their economy is behind the policy efforts of other economies in promoting MSMEs in trade and GVCs while only 20% policy makers share that opinion

Immense Benefits of MSMEs in Global Trade

Business executives across economies confirmed that, yes, big firms have a positive impact on economies, but under-appreciating the benefits of MSMEs foregoes important forms of inclusive growth. MSMEs make up a great proportion of APEC economies. Businesses told us that to wait for MSMEs to grow big to capture the benefits of global growth is a mistake. Economies must act now to harness the energy and potential of MSMEs. There is immense underutilized potential of cross-border trade to enable MSME growth. Inclusive growth can be realized through the empowerment of cross-border women-led MSMEs.

MSME Growth Through Cross-Border Trade:

- **Creates jobs and increases GDP.** MSMEs account for over 95% of all businesses in APEC. They contribute 20-50% of all economic activity in APEC economies. MSMEs account for more than 40% of APEC GDP.
- **Creates more opportunities for women.**
- **Creates greater growth from trade and investment in services.** MSMEs are disproportionately engaged in providing services that provide a stronger source of economic growth than traditional industries.

Internationalization of MSMEs is associated with higher productivity, higher wages, and more innovation (WTO, 2018).

Greater national trade improves MSMEs performance through:

- Providing access to larger markets
- Allowing MSMEs to exploit economies of scale
- Exposing MSMEs to international best practices
- Promoting learning and technology transfer
- Encouraging improvements in products and services

MSME engagement in GVCs improves performance through:

- Increasing demand for products and services
- Allowing MSMEs to achieve better economies of scale
- Transferring improved operating procedures to MSMEs
- Improving of quality standards to global levels

Trading internationally improves MSME's survivability.

Internationalization helps diversify and mitigate risks for MSMEs.

Internationalization of MSMEs creates positive externalities.

MSMEs bring good global practices to domestic operations, increasing their competitiveness.

Trade is imperative for all economies.

Considerable Effort for Disappointing Outcomes

Much effort is made by every APEC economy to empower MSMEs for cross-border trade, but helping MSMEs is challenging due to their inherent characteristics.

It is not for lack of energy and resources. All APEC economies have programs and policies for MSMEs. Compared to the rest of the world, APEC leads in several fundamental business indices on competitiveness, digital readiness, and ease of doing business. Yet there are disappointing outcomes. Policy makers, along with the private sector, continue to spend huge amounts of time and financial resources to energize MSMEs. Across our interviews with APEC stakeholders, two broad concerns emerged. Both concerns lead to programs and policies whose outcomes appear to be sinkholes of hard-earned resources.

First, there is confusion and a lack of clear thinking about MSMEs. MSMEs have unique characteristics resulting from their smallness. They are new, need innovative funding, are often informal, lack scale, face high MSME owner opportunity costs, are specialized but without specialists, and face high “churn” rates. Too often, programs and policies are designed to help all MSMEs through a “one-sized fits all” approach and disappointing outcomes result due to MSMEs’ inherent characteristics. Similarly, the MSME ecosystem needs continual support. A “one and done” approach also leads to disappointing outcomes.

Second, there are significant deeply-held differences of opinion on the best approaches to supporting and enabling MSMEs. We found this not only between public and private sectors but also within sectors. Across numerous areas of our thought leader interviews, in-economy interviews, and questionnaire data, it was confirmed that many different perspectives exist. Without a cohesive national strategy formed through collaboration, economies will suffer the effects of misdirection and misallocated resources.

This introduction will define the challenges MSMEs face, discuss the differing perspectives economies take to addressing these challenges, and present the path forward for all economies to empower their MSMEs: cross-border trade.

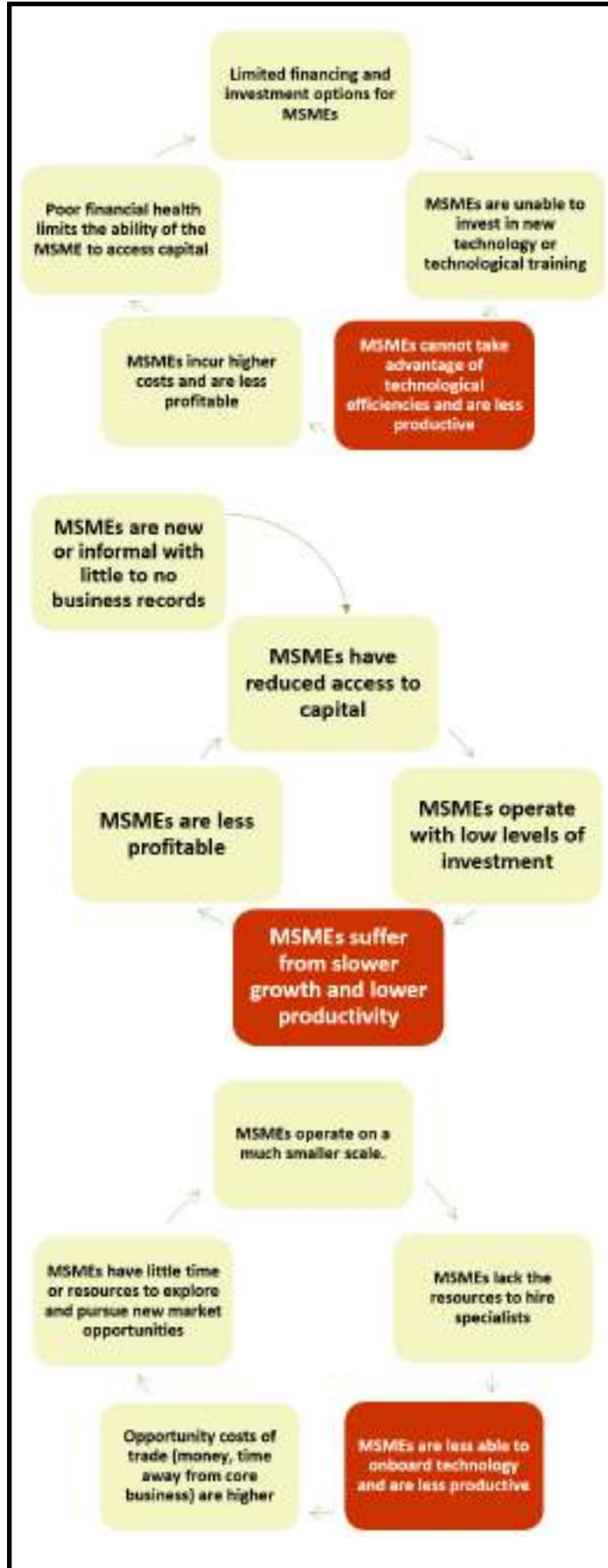
This section ends with the action agenda for APEC and ABAC, economies’ policymakers, and the business community.

Defining the MSME Challenge

Recognizing that MSMEs are not small versions of MNCs at the beginning of their growth trajectory is only the start. MSMEs have unique characteristics that tend to trap MSMEs in vicious cycles of low growth and productivity. These make it difficult to design programs and policies that produce sustained success.

Owners start MSMEs mostly out of necessity and usually not for innovative entrepreneurial reasons. While MSMEs focus and specialize, they lack the scale to employ functional specialists, limiting opportunities to engage in new activities that require technical expertise. Across APEC, significant levels of informal MSMEs are present, which limits them in accessing financing and support programs. They have scale and liability of newness challenges. Small size prohibits most from overcoming the high “beachhead” costs of entering high growth sectors. Newness means no track record and inherent challenges in accessing affordable financing.

Further, the constant “churn” of MSME “births” and “deaths” makes it difficult for venture capitalists and banks to identify the MSMEs with viable business models and for governments and NGOs to target support resources effectively. However, there is



much hope to be had across APEC. Economies’ policy makers, business people, and supporting ecosystem players are working hard to develop good practices for what works to empower MSMEs in cross-border trade.

Low Growth, Low Productivity: Vicious Cycles

Many different varieties of vicious cycles exist and trap MSMEs, and their economies, in low growth and low productivity cycles. The following figure illustrates multiple vicious cycles that exist for MSMEs.

Getting MSMEs into Virtuous Cycles is Important for Inclusive Growth

Improving MSME performance improves the distribution of incomes that improves inclusive growth. This is especially the case with women-led MSMEs where increased household income has been directly linked to improved health and education within families.

Engaging MSMEs in Cross-Border Trade

Breaking MSMEs out of vicious cycles of low productivity is not easy. It is not just a recommendation of “give MSMEs easy access to financing.” Improvements in productivity require improvements in all dimensions of MSME operation and management. What we know is that only the most productive MSMEs can engage in trade, whether that is direct cross-border exporting or importing or through engagement in GVCs. Getting into cross-border trade is associated with higher productivity, higher wages, and more innovation (WTO, 2018, p. 27).

Defining the MSME Challenge

Overcoming “Beachhead Costs”

To trade or engage in a GVC, MSMEs need to deal with extra fixed costs- “beachhead costs.” This includes market research, adapting products and services to foreign regulations or GVC requirements, transportation and logistics costs, costs of setting up distribution networks, complying with regulations, and creating brand recognition (WTO, 2018, p. 65).

Trade-Enhanced Virtuous Cycles

For MSMEs that can, engaging in cross-border trade and/or participation in GVCs leads to increases in market size that im-

proves economies of scale, exposes them to global good practices which promotes learning, stimulates technology upgrading, and improves product and services quality. Overall competitiveness and productivity levels improve, allowing for even greater participation in global market opportunities.

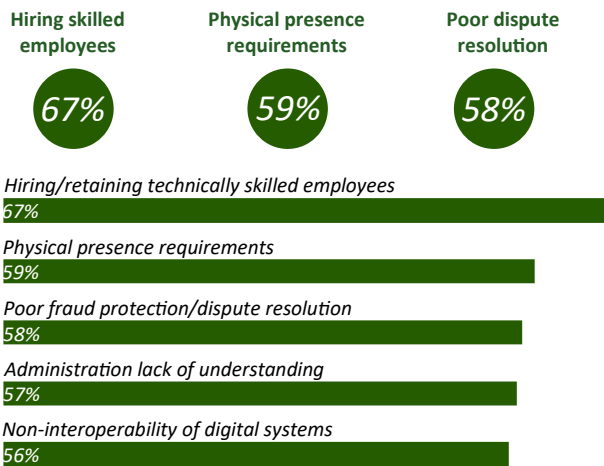
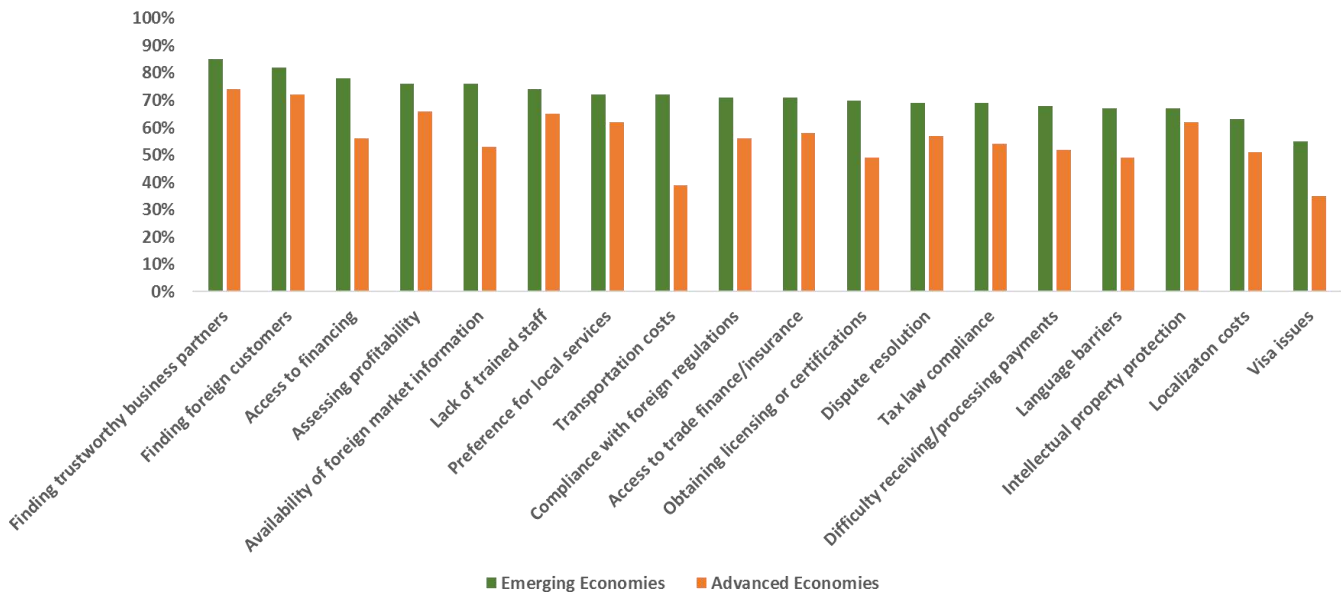
Getting to Global: Grow Big First or Anticipate Growth

Getting MSMEs into global trade is not easy, and only the most productive succeed. Overcoming the beachhead costs of global expansion and ongoing costs of global trade is very challenging, even for

large firms.

For most MSMEs, the pathway to cross-border trade is to first improve productivity and grow to a scale that enables them to bear the market entry costs. However, there are real opportunities for MSMEs to engage in cross-border trade by anticipating the growth-induced benefits of trade. MSMEs can potentially improve their scale and overall productivity levels by expanding quickly into foreign markets in anticipation of capturing the benefits that come from larger market size. This in turn can get them into cross-border trade.

Trade Challenges are Difficult for Service-Sector MSMEs in E

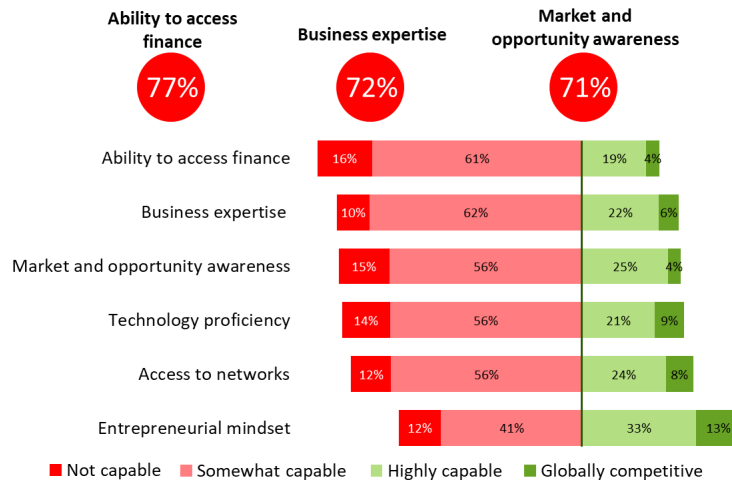


Top 3 approaches that questionnaire participants think have "Major improvement" or "Breakthrough improvement" helping engage MSMEs in GVCs



Defining the MSME Challenge

MSMEs Need Improvement in Capabilities Across all Readiness Areas. The Top Areas for Improvement are:



MSME Inherent Characteristics

Newness. All MSMEs, at some point in their existence, must overcome the challenges that attend newness. A lack of accumulated assets and the absence of a track record of months and years of receivables make it difficult for financial institutions to assess credit worthiness. Available financing typically comes with risk premiums contributing to the difficulties of MSMEs to grow quickly.

Funding innovativeness. By definition, truly innovative entrepreneurial products, services, and business models are different. As a consequence, their merits are hard to accurately assess, especially by institutions with established criteria for evaluating new ventures. Almost to an entrepreneur, they believe that with sufficient funding and support they will succeed and grow into profitable, sustainable firms. Much of the criticism leveled at banks, financial institutions, and venture capitalists by entrepreneurs that there is a lack of capital for MSMEs comes because investors do not share the same optimism for success held by entrepreneurs. Entrepreneurs are reluctant to share too much of their innovative ideas for fear of leakage, but without full information, investors and bankers are unable to actually assess the needs of MSMEs. This asymmetry creates real challenges. Sorting the

truly novel and innovative MSMEs from the shams is not an easy task, but it is an inherent challenge to the MSME ecosystem.

Informality. Informality is a debilitating characteristic of many MSMEs. Many choose to remain informal to avoid tax and regulatory requirements. Many manage and engage with business partners in informal ways. However, informality locks MSMEs into vicious cycles. It limits access to formal sources of financing and discourages owners from accessing policy-created programs, including subsidized training programs.

Scale. MSMEs face real challenges when large upfront investments are required to enter a business sector or expand into new markets, especially international markets. The small size of most MSMEs limits their ability to scale with market opportunities. For example, most MSMEs are overwhelmed by the “beachhead” costs of market research, adopting products to new market requirements, transportation and logistics, setting up distribution networks, and building brand recognition. Fraud or potential fraud in foreign markets can be debilitating for MSMEs who cannot absorb the business loss.

MSME-owner opportunity cost. Survival is, or can be, an overwhelming concern for most MSME-owners. Survivability con-

cerns preclude many MSMEs from making new investments in technology and taking time off for training and skill-enhancement. Weighing the future unknown benefits of investments in technology, new systems, new management approaches, learning how to trade internationally, and skills training against current revenue-generating requirements is a decision many MSME owners find very difficult.

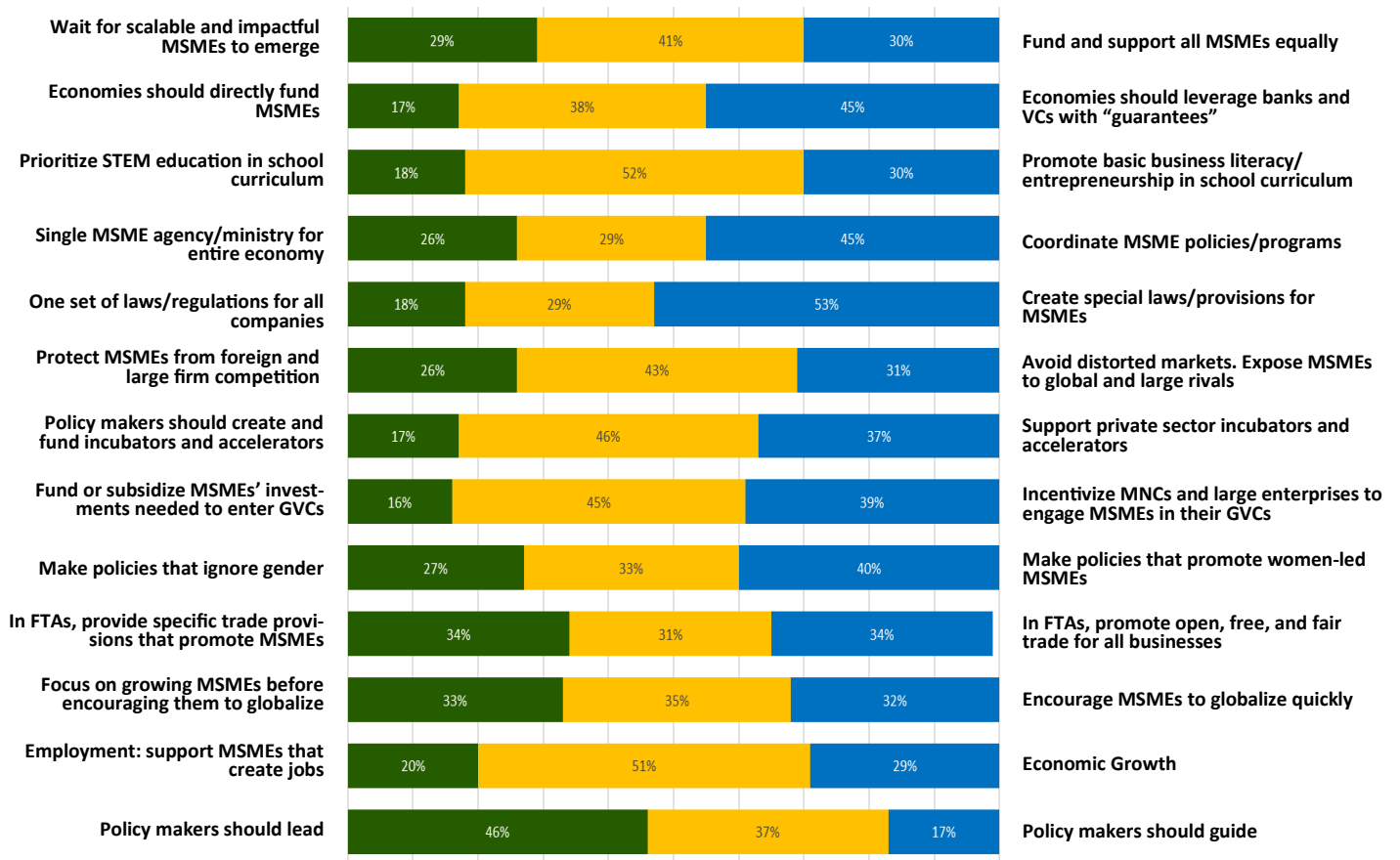
Specialized but without specialists. While MSMEs specialize, their small size generally limits the number of skilled specialists that can be employed. MSMEs lack specific skills. An inability to afford the cost of hiring IT and trade specialists limits the growth opportunities of most MSMEs.

MSME “churn.” Recurring estimates across most economies point that 90% of MSMEs fail or are abandoned within the first two years. Against this reality of continual “births” and “deaths” of MSMEs, it is extremely difficult for government agencies, private associations, and financial institutions to best allocate scarce resources to produce even modest returns. However, the inevitable “churn” of MSME replacements creates an imperative for on-going MSME support. New MSMEs require support and guidance to grow effectively and move out of vicious cycles into virtuous growth cycles.

Differing Opinions Deflate Outcomes

Outcomes of programs and policies are destined to be poor if they are not developed from a cohesive and consistent economy-level strategy for energizing MSMEs into cross-border trade.

When we asked business people and policy makers “what works,” we got a litany of contradictory opinions. Through our research, we found differing opinions among policy makers, NGOs, academics, and leaders of enterprises of all sizes. When viewed together, they give a clear picture as to why there is such little progress to energize MSMEs into cross-border trade. These differing opinions are one reason why business executives in MSMEs complain there is a patchwork of non-interoperable, often wasteful programs. For example, our questionnaire asked if policy makers should lead or act as guiding hands. The questionnaire gave respondents the option to select “both” opinions. All questions had sizable portions of respondents who felt that both conflicting perspectives should be pursued. These are alternative approaches. It is wasteful and ineffective when economies and business ecosystems try to do both. This figure shows the differing opinions. Questionnaire respondents could choose the left or right option or the center option to indicate they felt both options were the most useful.



Policies that don't work distort markets and trap MSMEs in a cycle of dependency. To capture the broad benefits of virtuous cycles, programs and policies need to be catalysts. They need to be springboards, not safety nets.

Economies must have a strategy. Economies need to align their focus and have a consistent opinion about the best way to energize MSMEs into cross-border trade. Resources are often wasted and do not adequately address MSME challenges. This is not a problem only economies face. Most large firms also do not have cohesive and consistent strategies. Economies must align their strategy for energizing MSMEs into cross-border trade by collaborating across the policy and business ecosystems. Both sectors need to have a seat at the table and collaborate.

One of our interviewees, a Mexican MSME owner, said that if she was head of state for one day, she would eliminate all programs designed to help MSMEs and focus on a handful of impactful programs. “We have too many programs that overlap, conflict, waste resources, and don't have the impact they are expected to have. We need to have government and business focused on the same things.”

New Zealand and Malaysia have cohesive strategies for empowering MSMEs and exemplify the differing strategies economies can implement if they collaborate within and across sectors.

New Zealand: Focus on Successful MSMEs

- New Zealand Trade and Enterprise targets its cross-border support programs to a portfolio of firms called the “Focus 700.” This group of 700 companies has been identified as having high growth potential and the ability to compete internationally. They have also been drawn from a specific diverse set of industries and groups such as ICT, specialized food and beverage, manufacturing, and Māori firms.
- New Zealand creates a business-friendly environment, ranking first globally on the World Bank’s 2018 Ease of Doing Business Rankings, and has dedicated efforts to the implementation of e-government services, including online tax filing and business formation processes.
- Infrastructure and ICT are accessible and affordable to best support all MSMEs. The administration has initiated public-private partnerships with utility and telecoms firms to ensure widespread access to high speed Internet.

Malaysia: Focus on All MSMEs

- Malaysia offers varying approaches for different types of MSMEs. Enterprises receive assessments and incentives based on size and growth stage.
- To enable support for all MSMEs, Malaysia has several programs and processes to assess and track MSMEs, including the SCORE program.
- Development of ICT varies across the economy. Surveys are conducted to determine the best use of resources to expand affordable and accessible ICT.



Advantage MSMEs: Hopeful New Opportunities

Technology and globalization have changed the competitive landscape for MSMEs, potentially in their favor. This has created opportunities for MSMEs from emerging economies to participate in higher value-added activities in GVCs. However labeled, the digital revolution or industrial revolution 4.0, has greatly reduced the challenges of physical distance. The advantages of size and substantial resources, which were once the prerequisites for global business, have been greatly reduced. Globalization has also led to increasingly geographically dispersed global supply chains, creating opportunities for specialist MSMEs to participate in and capture the benefits of supplying GVCs.

GVC demands for increased specialization give advantages to best of breed MSME suppliers and “nano” MNCs. As MNCs expand their supply chains globally in pursuit of better costs and improved quality, they are increasingly seeking “best-in-the-world” suppliers who can offer competitively priced highly specialized products and services. Enabled by the global digital ecosystem, MSMEs can now compete domestically and globally. Trends are toward increasingly focused highly technical specialized firms.

Virtual MSME enterprises with global specialists, and global reach. Digital technology has created opportunities for entrepreneurs to assemble best-of-breed teams of specialists regardless of geography. Innovative MSMEs are engaging specialists into virtual organizations, either temporarily or permanently, to provide products and services to end-users in multiple different economies. Additionally, smaller firms can virtually collaborate with other smaller firms regardless of geography to offer more complex solutions for end users. Blockchain technology offers opportunities to enhance the trustworthiness of partners in global supply chains. Innovative MSME entrepreneurs are increasingly tapping into crowd-sourced information and specialist skills to provide better solutions at more competitive costs to end users all over the world.

Importance of competitive clusters, skills education, and supportive regulatory environments. For MSMEs to be able to leverage these new global opportunities, policy makers need to focus on programs that increase the supply of highly skilled workers. Education programs must support STEM and entrepreneurship education. It cannot be either/or. Policy makers

need to be aware of the conditions that must be developed to encourage competitive clusters of technological excellence, appropriate incentives, and supporting regulations.

The intersection of B2B services, digital technology, and GVCs is the next big thing. Imagination has been captured by B2C e-commerce and its potential. However, the opportunity presented by MSMEs' contributions to B2B services, especially to GVCs, is a magnitude larger. It provides real opportunities for emerging economies to escape the vicious cycles of low valued-added manufacturing segments of GVCs. MSMEs that specialize in research, design, market research, branding, and engineering services participate in high valued activities.





Research Objective, Design, and Method

Research Objective, Design, and Method

Research Objective

The APEC Business Advisory Council requested the University of Southern California Marshall School of Business to interview APEC business leaders to capture the business perspective on the challenges and opportunities of cross-border trade for MSMEs, in particular women-led MSMEs, in APEC economies. ABAC commissioned this study because they believe that an APEC-wide connected environment is the most effective way to increase opportunities for MSMEs.

Specifically undertaken for ABAC, University of Southern California—ABAC field studies focus on obtaining extensive interviews with business executives in the APEC region. These field studies have as their goal gathering and reporting the APEC business perspective, in contrast to government perspectives, on trade and investment topics in APEC. They are specifically designed to complement existing policy and academic research. By highlighting the points of pain and frustration encountered by business, the hope is to better inform policy makers of the real issues that can then be more effectively addressed to strengthen and improve an economy's investment environment.

The goal of the University of Southern California—ABAC study is to identify, from a business perspective, what factors create or inhibit a strong cross-border trade ecosystem and what all businesses, including MSMEs, can do to participate. This report is intended to contribute to the emerging stream of research on the impact of cross-border trade on MSMEs. In line with ABAC's role within APEC, the goal is to offer policy makers a richer, more fine-grained business perspective on specific problems and challenges that can better inform policy discussions focused on growing cross-border trade for MSMEs.

Design and Methodology

The research design had four major phases. See Appendix III for research limitations. First, we completed a full analysis of existing reports and interviewed over 32 thought leaders.

Second, based on existing research we developed an analytical conceptual framework which organized the barriers, impediments, and enhancers for MSMEs to engage in cross-border trade into six main areas: MSME Readiness, the Digital Economy, the Trade Environment, Foreign Market Challenges, and the supporting bases of Operating and Regulatory Environments.

Third, we created interview protocols and a questionnaire to identify relative importance of barriers and impediments in cross-border trade for MSMEs.

Economy	# People Interviewed	# Organizations Interviewed
Australia	24	23
Brunei	43	28
Canada	5	5
Chile	32	25
China	22	15
Hong Kong	19	19
Indonesia	28	20
Japan	38	25
Korea	31	27
Malaysia	35	20
Mexico	57	36
New Zealand	29	24
Papua New Guinea	19	18
Peru	24	19
Philippines	28	22
Russia	9	7
Singapore	26	23
Chinese Taipei	30	22
Thailand	25	20
USA	25	23
Viet Nam	11	9
Thought Leaders	32	32
Total:	592	462

Fourth, we validated the data with available secondary information. Four hundred and forty two questionnaire responses provided substantive data, with 285 providing full questionnaire responses.

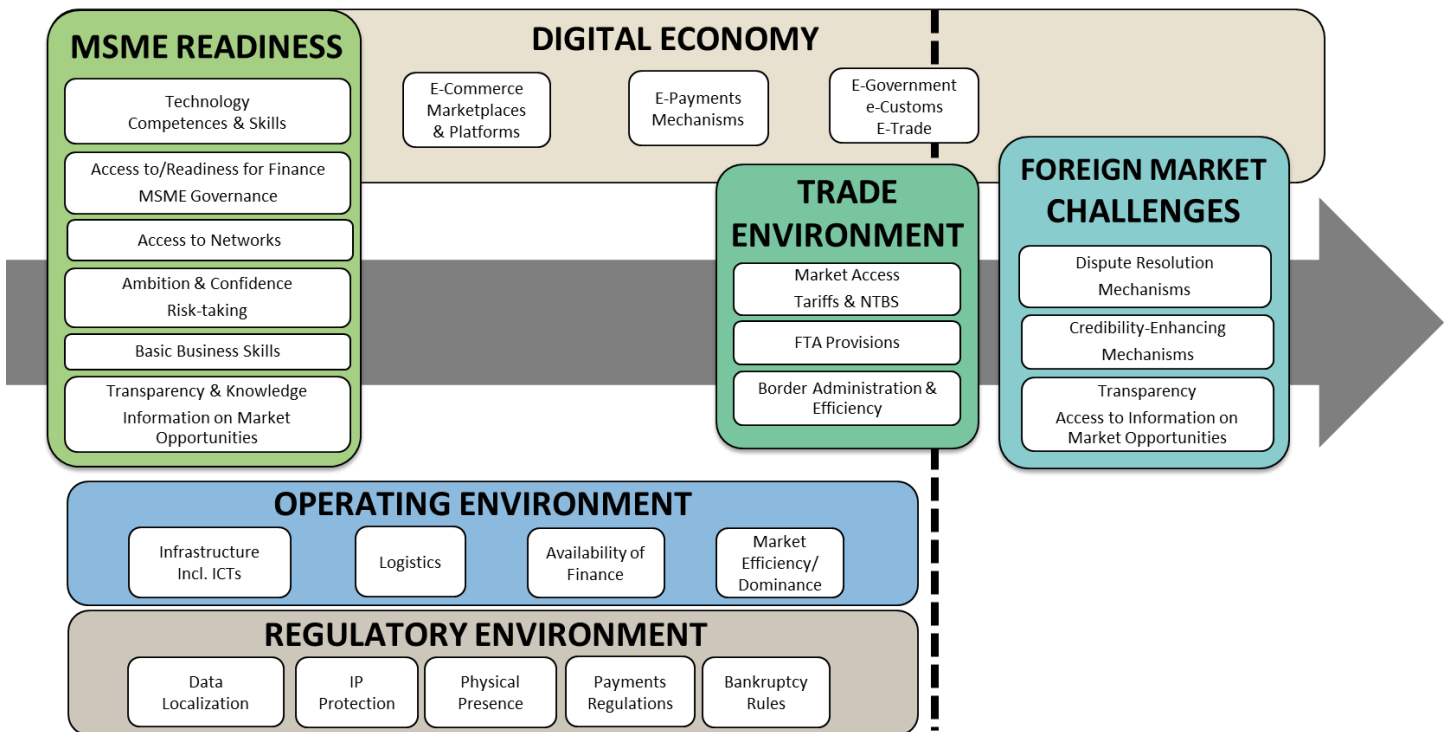
Based on the summarization of our research, we created an assessment of all

21 APEC economies. Refer to the Appendix for individual economy scores and analyses.

Implicit in this research are recommendations for “what works” to empower MSMEs to engage in cross-border trade. These recommendations are represented in two areas of the report’s

sections; first, in the meta-analysis of the six areas with recommendations made to date and second, from our extensive interviews and questionnaire responses.

Conceptual Framework for MSME Cross-Border Trade Key Barriers, Impediments, and Enhancers

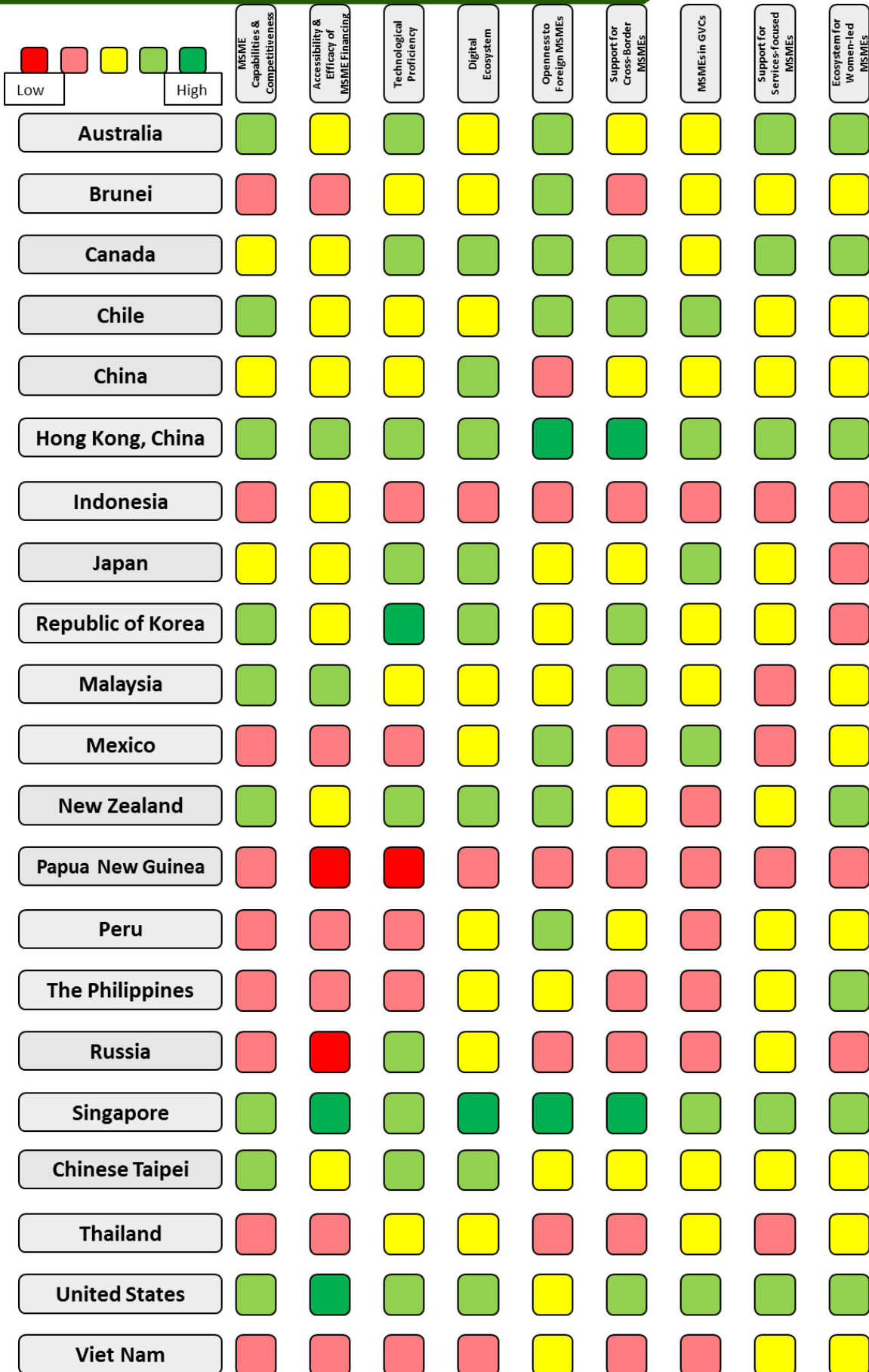


We formed the conceptual framework after a thorough meta-analysis gathered from existing research and thought leader interviews. We synthesized eight areas of barriers, impediments, and enhancers to MSME cross-border trade. To empower MSMEs, economies must create business-friendly and supportive regulatory and operating systems. Infrastructure, logistics, availability of finance, market efficiency, and legal structures impact businesses of all sizes, regardless of cross-border activity. Similarly, the digital economy stretches across domestic and cross-border trade and encompasses both e-commerce and platforms for e-government and e-payments.

Once MSMEs engage in cross-border trade, they first face enhancers, impediments, and barriers at the border. Finding foreign markets and then making use of FTA provisions and border processes can severely impede MSMEs. If these elements of trade are not debilitating, they encounter challenges in the foreign market, including dispute resolution, credibility enhancing mechanisms, and transparency.

The following page highlights the 21-economy assessment overview. It is based on nine assessment areas gathered from interviews, questionnaire responses, and external data. See Appendix for the full assessment information.

Assessment for APEC MSME Supporting Ecosystems



01 MSME Readiness: The Starting Point

02 Digital MSMEs: The Biggest Multiplier

03 Enabling MSMEs: Throughout the Trade Pipeline

04 Service-sector MSMEs: The Next Big Opportunity

05 GVCs: The Unsung Enabler

06 Women-Led MSMEs in Trade: Still at the Starting Point



MSME Readiness: The Starting Point

MSME Readiness: The Starting Point

01

Unlocking the prize of MSMEs starts with a strong base and competencies in key readiness areas. Without these, MSMEs will rarely develop the productivity needed to enter the virtuous cycles of cross-border trade.

To increase MSME participation in cross-border trade, economies must create business-friendly operating and regulatory environments while simultaneously enhancing MSME capabilities across six areas of readiness: business expertise; the ability to access and onboard finance; technological proficiency; entrepreneurial mindset; engagement with networks; and market and opportunity awareness. Without support in these areas, MSMEs will remain in a vicious cycle where one deficiency feeds into another, leading to minimized chances for escape into a stage of growth and trade.

Programs and policies exist in every APEC economy that aim to support MSMEs, but progress towards greater MSME engagement with the global economy has not occurred. This limits the prize of : accelerated and amplified economic and social growth from being reached. Many programs today are one-offs or only address one area, which perpetuates vicious cycles.

MSME entry into cross-border trade and the accompanying virtuous cycles cannot happen if MSMEs are deficient in one or more competency area. Programs and policies must be designed as comprehensive support systems for MSMEs as they grow internationally.

The Continual churn of MSMEs demands consistent, and up to date, readiness support. Most MSMEs have short lifespans, creating a constant “churn” of businesses—and business people—entering and leaving the ecosystem that results in inconsistent knowledge and experience levels. A majority of MSMEs reside in the readiness and capacity building stage. Less than 10% of MSMEs make it to the top of the pyramid, to cross-border trade. To unlock the virtuous cycles of trade and support the journey to the top of the pyramid for more MSMEs, there must be comprehensive and continual support at the lower stages.

Support for MSMEs must have a solid foundation. Similar to a house, MSMEs need to have a solid foundation before any pillars can be put in place. For all businesses, this foundation is composed of the economy’s regulatory and operating environment. These areas must be stable, predictable, and business friendly before programs to develop the pillars of MSME competency can have meaningful impact.

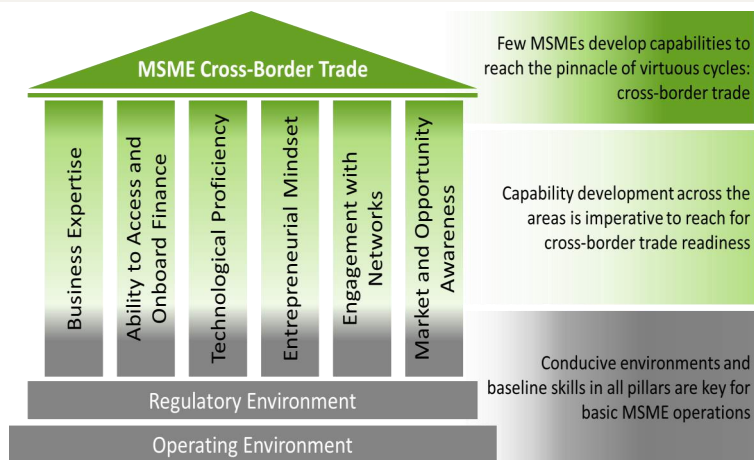
After the economy’s foundation is in place, MSMEs can grow and succeed. Growth is driven by improvements in the

six competency pillars. MSMEs must have strength in all six pillars, else their growth and success in cross-border trade is not supported and topples down.

MSMEs can rarely build competencies in all pillars on their own. Due to their size,

MSMEs have inherent characteristics that limit scale, resources, and expertise. These constraints reduce the time and resources that MSMEs can take away from day-to-day business operations and put towards capacity improvements.

Programs and policies must address MSME needs and provide comprehensive support. This report’s “What Not To Do” recommendations are largely the result of policies and programs that were not developed to address MSMEs’ concerns. MSMEs must be engaged in policy and program conversations.



This section contains a meta-analysis of existing literature; recommendations for the regulatory and operating environments as well as for the six competency pillars. This is followed by an overview of current challenges and recommendations on what works to enable MSMEs to build readiness for trade.

Operating and Regulatory Environments, Business Expertise: Meta-analysis



OPERATING ENVIRONMENT

The operating environment has enormous potential to either inhibit or enable MSMEs. It includes quality of infrastructure, logistics, the educational system, workforce competency, level of corruption, and the strength of financial institutions.

Infrastructure and logistics performance have a vital impact on MSME performance. Compared to large firms, when infrastructure is deficient, MSME operations are differentially impeded (The World Bank, 2018a, p. 2).

ICT infrastructure must be accessible, reliable and affordable. ICT allows economies, and MSMEs, to leapfrog into new frontiers. Accessible, reliable, and affordable infrastructure is necessary to enable this. ICT can lead to higher-quality products, higher productivity, and increased market reach (ADB, 2015, p. 117).

Administrative and bureaucratic corruption adversely affect MSMEs more than larger businesses. 38% of small and medium enterprises report that corruption is a major barrier to doing business (Martini, 2013, p. 2). Fewer MSMEs are found in economies with greater levels of corruption (The World Bank, 2010b, p. 7).

Skill shortages and subpar workforce training limit MSME productivity and innovation. MSMEs face not just challenges in attracting and retaining talent, but also have limited resources to develop talent in-house (OECD, 2017a, p. 16).

Where strong credit bureaus and other financial infrastructure do not exist, MSME access to credit is reduced. MSME loan applications tend to lack reliable, verified information. This increases processing costs, making banks more reluctant to lend to MSMEs.

Current recommendations for improving the operating environment include creating stability, competitive workforces, and fostering MSMEs with growth potential.

Promote collaborative development of technologies or products between MSMEs and universities. Collaborations between these groups strengthen both MSMEs' access to resources and knowledge as well as provide students with exposure to entrepreneurs (ADB, 2015, p. 120).

Improve and encourage higher level education. Ambitious, growth-oriented entrepreneurs tend to have higher levels of education (World Economic Forum, 2015a, p. 4). STEM and business education helps provide entrepreneurs with skills and innovative mindsets.

Encourage the establishment of economy-wide commercial credit reporting companies. These companies enable better data availability and provide a source of reliable information for lenders.

Comprehensive logistics strategies are key to economy-wide growth and competitiveness. Patchwork approaches continue to impede MSMEs. (The World Bank, 2018a, p. 2).

Build public-private partnerships to develop infrastructure. Many economies need infrastructure development as populations grow and urbanization continues. Many economies do not have the financial resources needed to develop this infrastructure and public-private partnerships can help fill this gap (World Economic Forum, 2013, p. 8).



REGULATORY ENVIRONMENT

An economy's ease of doing business largely results from regulatory environment factors. Reducing complexity and focusing on using regulations to promote business will allow MSMEs to grow.

Regulatory uncertainty, complexity, and inconsistency affect MSMEs disproportionately (OECD, 2017a, p. 14). MSMEs are limited in resources – making overcoming regulatory bureaucracy, understanding compliance and dealing with unnecessary complexity major hurdles. When business regulation is cumbersome, entrepreneurs and workers are pushed out of the formal sector and resort to operating in the informal sector (The World Bank, 2018b, p. 8).



Operating and Regulatory Environments, Business Expertise: Meta-analysis

Updating and creating regulations with a focus on reducing barriers, corruption, and the cost of doing business will encourage MSME growth. Simplification of processes, including those related to obtaining permits and formalizing a business increases employment, productivity, and the number of firms (APEC, 2018, p. 22, 25).

Dispute resolution processes can be time consuming, complex, and costly. The average time to enforce contracts in APEC in 2018 was over 450 days (The World Bank, 2018b, p. 56). The lengthy enforcement process, coupled with high cost leaves the process of going through dispute resolution unattractive to MSMEs.

Effective insolvency legislation can spur entrepreneurship and reduce risk to MSME owners. Better legislation can reduce the cost of credit and enable more MSMEs to use insolvency procedures rather than liquidation (The World Bank, 2017, p. 8).

Current recommendations for improving the regulatory environment include removing impediments to starting and operating a formal business.

Simplify the process to start a business and obtain permits. MSMEs are differentially impacted by complex processes. Process simplification encourages more MSMEs to enter the formal economy (The World Bank, 2018b, p. 8).

Ensure taxes are clearly defined and easy to administer and collect. Tax reforms have been shown to increase formalization which increases businesses' access to resources. This improves their potential to have a positive impact on the economy (The World Bank, 2018b, p. 20).

Design an effective alternate dispute resolution process to minimize time and capital requirements. Traditional dispute resolution litigation is costly and time consuming, often making it, not a real option for MSMEs (Horst et al., 2006, p. 5). Alternative dispute resolution processes can provide another option and enable MSMEs to stay in business.

Enact reforms to make it easier to resolve insolvency. Complex bankruptcy processes inhibit a strong entrepreneurial ecosystem. Reforms encourage lending, decrease the failure rate of insolvent firms, and reduce the cost of credit. (The World Bank, 2018b, p. 56)



BUSINESS EXPERTISE

MSMEs lack specialists and are often led by people who are new to business planning, cash flow and feasibility analysis. These and other core business concepts are essential but are not always a strength for entrepreneurs.

Startup and basic business skills are essential for MSMEs' success. Running a successful business requires basic business skills including marketing, financial tracking, and operations management. These skills enable businesses to grow due to having an improved ability to apply for finance, attract larger customer bases, and drive greater production efficiencies. MSMEs must also be able to understand regulations in order to avoid fees and penalties for unintended non-compliance (SBDC, *8 Steps, Essential*).

Current recommendations for improving business expertise focus on supporting education and training.

Offer tax credits for educational expenses. Tax credits and other methods of reducing the cost of education and training lower the hurdle faced by resource constrained MSMEs (Ács et al., 2018, p. 13).

Make high school business education mandatory; include the identification of profitable opportunities. Ensure the population receives business education to reduce the knowledge gap and encourage students to learn and experience business concepts in secondary school (Ács et al., 2018, p. 13).

Fund regional initiatives to encourage student entrepreneurship. Promoting entrepreneurship among youth encourages that students apply business concepts and have a better understanding of their application (Ács et al., 2018, p. 13).

"I spent over a month going to 7 offices to get the licenses to start my business. They said I could file online, but when I did that, they never responded. I returned to one office over 20 times.

I ended up having to print the online application and bring it into the office to fill out in front of them before they would stamp it. After a year, I got letters from two new agencies saying I had to cease operations instantly or be fined, because I did not have licenses from them as well."

- Southeast Asia MSME owner

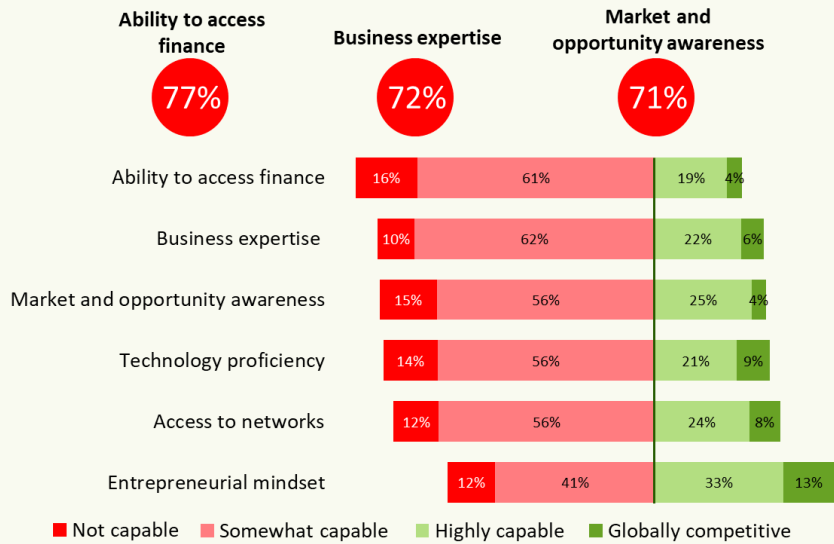
Ability to Access and Use Finance: Meta-analysis

MSMEs’ ability to access to finance is a two edged sword and is the most often cited challenge across all economies.

Challenge 1: MSMEs lack the ability to successfully apply for finance. Related to a lack of business expertise, MSMEs lack financial literacy, book keeping, and accounting skills. As shown in the figure to the right, MSMEs need competency in different areas of finance, and the importance of these changes with the growth stage of the business (OECD, 2018, p. 13). When any area is missing, MSMEs become disadvantaged in both managing their business and in applying for finance.

Challenge 2: Lending institutions are unwilling to serve MSMEs. Banks and other lenders require that customers have strong cash flows, good credit scores and collateral—requirements which MSMEs often have difficulty fulfilling. Processing loans for MSMEs requires the same amount of labor as it does for a larger loan—the transaction cost of a \$2 million loan is the same as for a small \$100,000 loan (Kumar et al., 2018, p. 3). Regulations stipulating bank lending to MSMEs are often ineffective—banks would rather pay fines than take on the additional work and risk associated with serving the MSME segment.

The top areas for improvement in MSME capabilities across all readiness areas.



These challenges have resulted in about 50% of MSMEs in East and South Asia being unserved or underserved. A funding gap of more than \$2 trillion exists for small businesses in emerging markets alone (World Economic Forum, 2015b, p. 7).

Economic downturns are detrimental to MSME lending, causing MSMEs to become more vulnerable during these periods. Bank lending to MSMEs decreased after 2008 (AMTC, 2018, p. 17).

Some banks have recognized the large segment that MSMEs represent and have made changes in their application processes to better serve them (see Figure 4). However, these changes are not yet the norm.

Fintech solutions and government loan backing have potential to help bridge some of the finance gap. Fintech lenders tend to have faster application times, broader data that they accept for the application, and may offer lower rates than traditional lenders (SBDC, *Essential*).

Government backed loans enable MSMEs to overcome the collateral hurdle (EY, 2017, pg. 8). Government loan guarantee programs are effective in protecting banks from the risk associated with MSME lending.



Ability to Access and Use Finance: Meta-analysis

Current recommendations addressing the two challenges for MSME access to finance:

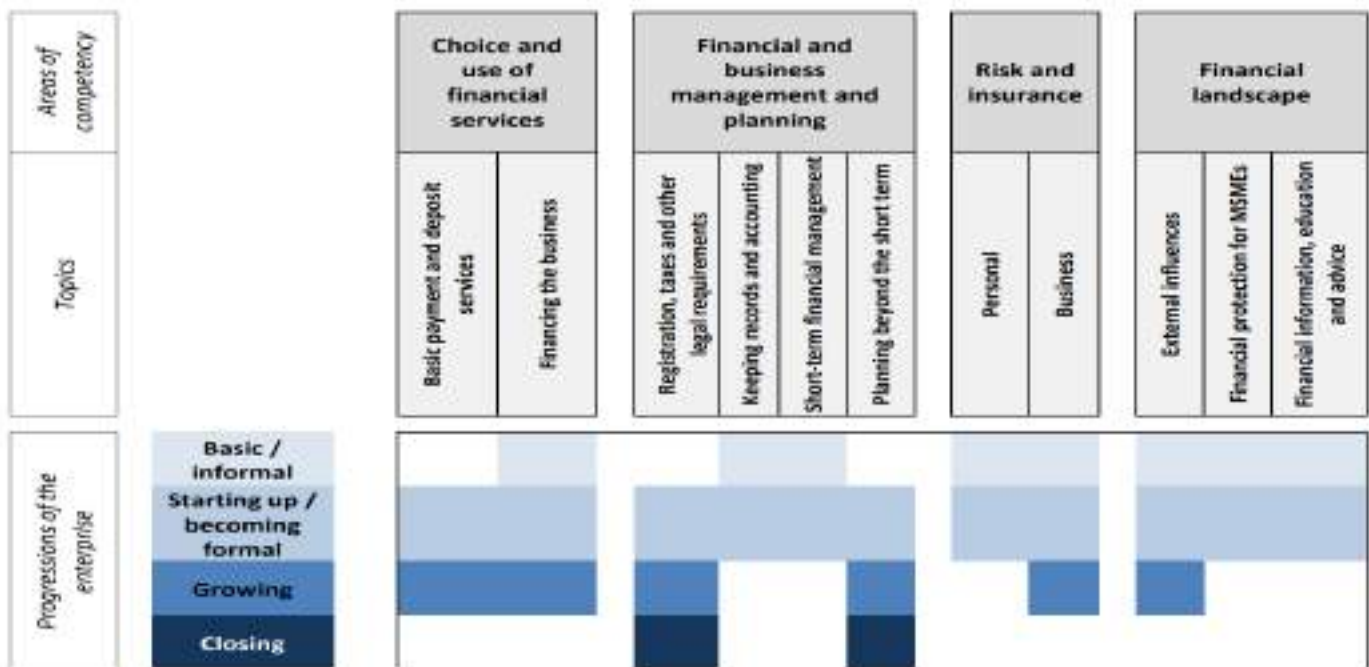
Ensure financial literacy trainings incorporate components which their increase effectiveness for MSMEs (OECD, 2017b, p. 28). Programs which target specific MSME groups can be more tailored and thus, address significant need areas. The focus of trainings must be on applicable business skills, rather than theoretical or general financial literacy. Utilizing a variety of delivery channels, including classroom, one-on-one, and online settings, allows MSMEs to choose to learn in a method that works best and is most convenient for them. Individualized mentorship programs help address specific needs that larger, generalized programs may not.

Evaluate training programs post hoc and follow up with participants. Programs should be continually revised to ensure they are relevant for participants. Follow-ups with participants can ensure MSMEs utilize the knowledge they have gained and can be a feedback mechanism for the usefulness of the training (Kusz et al., 2016, p. 24).

Combine financial education initiatives with qualification for public funds (Atkinson, 2017, p. 47). Requiring that MSMEs participate in educational trainings prior to eligibility for public funding ensures that MSMEs build literacy and do not become reliant on government assistance but instead they become more self-sufficient.

Develop policies which encourage the development and utilization of alternative forms of financing. MSMEs are often less aware of alternatives to traditional bank loans, like asset based financing (OECD, 2015, p. 17). These options have great potential to enabling MSME access to credit, but regulations must first enable their usage and promote their development.

**“Borrowing 5,000 or 100,000 baht, the work is the same”
- Former banker, Thailand**



Ability to Access and Use Finance: Meta-analysis

MSME Lending: Examples of Initiatives and Innovations by Proactive Banks

Barclays/HSBC	Barclays launched 'MyBusinessWorks' a fee-based service for the business start-up customers.
	HSBC opened its e-Masterclass-Global Knowledge Center for the SMEs' learning. The Center also has free learning modules.
Royal Bank of Scotland	Refers its SME clients, who have been turned down for loans, to P2P lenders—Assetz Capital and Funding Circle.
Wells Fargo	Offers business owners an online financial education portal, Business Insight Resource Center, relevant award-winning articles, videos, podcasts, and other resources. SME owners can also access a Business Credit Center through these resources.
BankInter	SME customers can use the banks virtual channels to interact with bank staff via online video conferencing.
	BankInter also launched a 'Mobile Virtual network' in partnership with the Dutch telecom operator KPN. This partnership reduces data transfer costs for customers.
Leumi Bank	Israel's leading commercial bank launched 'Leumi V'; an application that delivers face-to-face contact for customers at their desktop and through desktop and mobile devices.
Jack Henry and Associates	Introduced a 'Commercial Lending Center', a hosted portal to allow community financial institutions to attract more business borrowers by enabling a more convenient loan application and management cycle. Using the Center, community institutions can accept commercial loan applications 24/7, online, and better manage workflow processes—thereby enabling faster response times.
	The center enables financial institutions to compete with alternative lenders and also expand their relationships with businesses that do not generally qualify for traditional loans.
HSBC	HSBC increased its lending to UK SMEs by more than 25% in 2015. HSBC also waives some fees on SME loans.
	They developed an SME version of their popular PNC Virtual Wallet online tool to help the SMEs better manage their finances.
SunTrust	The "Business Class Banking" program offers SME customers business advice and enables a better understanding of the industry-based cash flow cycles and debt management programs.
Royal Bank of Canada	Uses 'Nomis Price Optimizer 3.3' across multiple lines of business to better execute a customer-centric approach and quickly identify opportunities to help SME businesses grow.

(Kumar et al., 2018, p.7)

Technological Proficiency and Entrepreneurial Mindset: Meta-analysis



TECHNOLOGICAL PROFICIENCY

Most MSMEs can not afford investments into new technology and the corresponding training necessary to fully utilize it. This traps MSMEs into a vicious cycle where they are unable to improve their productivity and keep pace with larger companies.

MSMEs find it harder than large firms to keep up with technological change

(World Trade Organization, 2016, p. 20). Maintaining competitiveness requires that businesses continually upgrade technology. To do this, small businesses must overcome high set-up costs, and a lack of adequate infrastructure and ICT skills (ADB, 2015, p. 17).

Accessible and affordable ICT is critical for business. MSMEs with high internet use grow twice as quickly, export twice as much, create twice as many jobs and increase their productivity faster than their peers (AMTC, 2018, p. 18).

Current recommendations to improve MSME technological proficiency start from basic ICT and trainings:

To enable MSMEs to overcome tech adoption hurdles, governments must ensure that the following areas are in place. Ensure access to reliable, secure ICT networks. Support a strong IT education and ecosystem. Reduce taxes and other costs associated with technology. Support policies that address privacy and data security concerns. Provide accessible educational trainings and seminars (Michael et al., 2013, p. 18-20).

Establish local technology centers in various parts of an economy to make technology accessible to MSMEs (ADB, 2015, p. 120). Technology centers enable industries to upgrade technology and train employees. Centers which coordinate with industry associations, vocational training schools, and universities can bring innovation and talent to MSMEs. This coordination also ensures that the centers stay relevant and can adapt to MSMEs' needs.



ENTREPRENEURIAL MINDSET

A widespread entrepreneurial mindset is key to the development of innovative, growth oriented MSMEs. Entrepreneurial mindsets thrive when the regulatory and operating environment are stable and there is access to technology, networks and opportunities. The ecosystem must be business friendly and the culture supportive of risk taking.

Economies benefit from MSMEs that have entrepreneurial mindsets. Ambitious MSMEs are more likely to participate in activities that have benefits for employees and the economy, like exporting, providing training and innovating (Levie et al., 2015, p. 57).

Entrepreneurial motivation stems from necessity and opportunity. Research shows that only opportunity driven entrepreneurship is positively correlated to economic growth (Ács et al., 2018, p. 17).

Risk tolerance is low in many economies across APEC. It can be improved through customized policy interventions (Ács et al., 2018, p. 17). Policy changes to encourage the growth of opportunity driven entrepreneurship must be customized to address weaknesses specific to the economy. Governments must design programs targeted to the entrepreneurial ecosystem currently in place (World Economic Forum, 2015a, p.33).

Current recommendations to grow entrepreneurial mindsets start with economy-level changes:

Improving the regulatory and operational environments are key to enhancing the entrepreneurial mindset (Ács et al., 2018, p. 14). Entrepreneurial MSMEs are encouraged when economies have stable regulatory systems with minimal corruption.

The Global Entrepreneurship Index measures the health of the entrepreneurial ecosystem within economies.

Economy	APEC Ranking	Overall Ranking	GEI Rating
Australia	3	5	75%
Brunei	11	53	34%
Canada	2	3	79%
Chile	6	19	59%
China	10	43	41%
Hong Kong, China	4	13	67%
Indonesia	19	94	21%
Japan	9	28	52%
Korea	7	24	54%
Malaysia	12	58	33%
Mexico	15	75	26%
Peru	13	67	28%
The Philippines	17	84	24%
Russia	16	78	25%
Singapore	8	27	53%
Chinese Taipei	5	18	59%
Thailand	14	71	27%
United States	1	1	84%
Viet Nam	18	87	23%

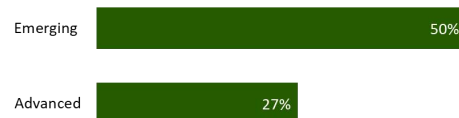
The latest version of the index, published in 2018, quantified 14 pillars of entrepreneurship across 137 economies. The table presents the ranking of APEC economies. The GEI ranking columns shows the composite score of each economy across all of the 14 areas.

*Papua New Guinea and New Zealand have not been ranked by the GEI in this or previous versions of the report.

*See Appendix for criteria.

“Education in Singapore is a problem. Young people don't want to work for a small company. Their goal is to work in an MNC in the central business district and wear nice shoes, not to start a business.”
- A Trade Expert, Singapore

Emerging economies have more room for improvement in providing MSMEs access to affordable ICT



Questionnaire participants who said MSMEs are "Not capable" or "Somewhat capable" in this area

Networking Engagement and Market and Opportunity Awareness: Meta-analysis



NETWORKING ENGAGEMENT

Engaging with networks is key for MSMEs to develop contacts who not only provide advice and resources but also open the doors to new opportunities and customers.

Formal and informal networks and mentoring provide MSMEs with essential guidance, resources, and knowledge that hastens virtuous cycles. The primary sources of business support for most MSMEs are their friends, acquaintances, and relatives. These sources provide essential information, loans, advice, contacts, and human resources (Jamak et al., 2017, p. 587).

MSMEs face challenges in identifying and connecting to knowledge with partners and networks. MSMEs lack time, capital, and understanding of the benefits of networks (OECD, 2017a, p. 7).

Mentoring brings a “big picture” view to mentees. Entrepreneurs can build on mentors’ experiences to develop goals and plans for the competitiveness of their own businesses (Jamak et al., 2017, p. 586).

GVC networks enable MSMEs to achieve knowledge benefits from upstream and downstream businesses, and to have greater access to information and technology (ADB, 2015, p. 11). These learning opportunities improve overall MSME competitiveness, setting the stage for cross-border trade.

Current recommendations to improve MSMEs’ engagement with networks.

Create incubation spaces. Open areas for business ideation and creation that are available to potential entrepreneurs help these future business owners to build connections (Ács et al., 2018, p. 14).

Improve ICT infrastructure. Digital technologies allow MSMEs to access knowledge networks at a relatively low cost, but must be accessible and reliable (OECD, 2017a, p. 12).



MARKET AND OPPORTUNITY AWARENESS

Breaking the cycle of low growth and underperformance requires that MSMEs become aware of and understand opportunities and potential markets.

Access to information about opportunities is necessary for success.

Improved access to information leads businesses to have greater incentives to grow and expand, both domestically and internationally. Global expansion leads to the virtuous cycles of job creation and economic growth (World Trade Organization, 2016, p. 8).

Entrepreneurs need to positively perceive opportunities. Opportunities come when entrepreneurs recognize a market inefficiency and develop ideas for correction. The value of opportunities relies on institutional variables including economic freedom and property rights (Ács et al., 2018, p. 13), (Knowledge@Wharton, 2009).

Current recommendations to improve market and opportunity awareness focus on digital.

Digital resources have potential to increase access to information. The internet can bridge the knowledge gap by enabling MSMEs to quickly find information and search for new customers and business partners. To fully take advantage of the internet’s potential, economies must have strong communications infrastructure in place (OECD, 2017a, p. 12).



Domestic Regulatory and Operating Environments: Best Practices from the Voice of Business

The next sections illustrate ‘What Works’ and ‘What Doesn’t Work’ to improve MSME competitiveness in the Operating Environment, the Regulatory Environment, and in each pillar.

Regulatory Environment: What Works

Basic ICT infrastructure enables inclusive growth. Low cost and fast internet speeds enable MSMEs to participate in the digital economy, especially women-led MSMEs, who often work remotely and from home.

PPP focused on infrastructure development. Effective programs that build quality infrastructure to enable private sector growth have ancillary public benefits which benefit MSMEs and the overall economy.

A robust digital economy improves both physical and virtual aspects of the operating environment. E-government, e-

payments, competitive online marketplaces, and digitized logistics improve efficiency for all companies, including MSMEs, and reduce corruption.

Well-developed last mile logistics enable domestic and cross-border trade. Digital platforms have arisen to address last-mile

logistics needs. Without the ability to locally deliver goods and services, all other efforts towards a MSME-supported ecosystem are negated. Digital logistics increase transparency and predictability, thereby decreasing corruption.

Emerging economies have more room for improvement in providing MSMEs access to networking programs.



Questionnaire participants who said MSMEs are "Not capable" or "Somewhat capable" in this area



Domestic Regulatory and Operating Environments: Best Practices from the Voice of Business

Regulatory Environment: What Works

MSMEs enter virtuous cycles when regulations support competitive, innovative, and responsible businesses by focusing on reducing corruption and the barriers and impediments to trade.

MSMEs are differentially impacted by the impact of stifling and unclear regulations.

Clear and transparent tax policies.

Reasonable timelines and filing procedures, easily accessible to information and transparent tax law encourages business formalization and the subsequent payment of taxes.

Consistent regulations across domestic jurisdictions. Harmonization of local and regional jurisdictions promote the growth of MSMEs by reducing both the time and cost of compliance.

Regulations focused on inclusive growth. Regulations which provide women parity to men in all business processes enable the full potential of the entire population.

MSMEs having a presence in policy and regulatory conversations. Ensuring that MSMEs have a voice in regulatory decisions will reduce the prevalence of laws being passed which have a differentially harmful impact on MSMEs compared to large corporations.

Simplifying and streamlining processes and procedures. Increasing the ability of MSMEs to navigate the regulatory environment can be done by implementing up to date e-government single windows for business start-up, licensing procedures, and tax payments.

Digitally fluent policy makers. The digital economy can multiply MSME growth, but policy makers must fully understand new technologies in order to write effective regulations that encourage digitization and digital innovation.

Regulatory sandboxes which enable Fintech and other upcoming technologies. Innovation and global competitiveness are stifled by lagging regulatory environments. Regulatory sandboxes provide an opportunity for MSMEs to experiment in loosely regulated yet watched spaces.

Expanding e-government and e-payments. E-payments for taxes, licensing, and filing fees increase transparency and reduce corruption.

Consistent and reasonable licensing and permitting costs to increase trust in officials. Increased trust leads to higher rates of formalization, tax payments, and participation in policy-created programs.

What Does Not Work

Harsh bankruptcy regulations that hamper entrepreneurship. Bankruptcy laws that link business failure to personal credit ratings and reputational damage reduce incentives to start businesses and seek formal sources of capital.

AT&T and Mexico's Partnership – How a PPP helps an economy accelerate its infrastructure development

AT&T Inc. is the world's largest telecommunications company and provides wireless, high-speed internet, voice, and cloud-based services.

In June, 2015, AT&T and the Mexican government announced AT&T's plan to invest US\$3 billion to extend its high-speed mobile internet service to Mexico (AT&T, 2015). Since then, Mexico's ICT development has drastically improved. Internet usage grew by 26 million people, increasing from 44% of the population in 2014 to 64% in 2017, and leading to a 9-place increase for Mexico on International Telecommunication Union's ICT development index, from 96 to 87 (ITU, 2017).

This partnership sets an example of how foreign companies and policy makers can collaborate to create "thoughtful and balanced regulation" to enable business investments, improve services for consumers, and create inclusive job growth. AT&T collaborated with colleges with the launch of "Women of AT&T" to recruit female students in STEM fields and empower them in business. This program has had a significant impact on leadership at AT&T. When AT&T started operating in Mexico, 10% of the company's leadership positions were held by women. In April 2018, 35% of leadership positions in Mexico were held by women, largely a result of AT&T's dedication to inclusion (AT&T, 2015), (AT&T, 2018).

Website: <http://www.att.com>

Business Expertise: Best Practices from the Voice of Business

Business Expertise: What Works

Collaboration between public and private sectors for training programs. Programs run by people with hands-on business experience and broad exposure to various industries offer practical, relevant skill building.

A focus on real-life application. Programs with deliverables, such as business plan creation or cash flow checklists, can help MSMEs put trainings into practice.

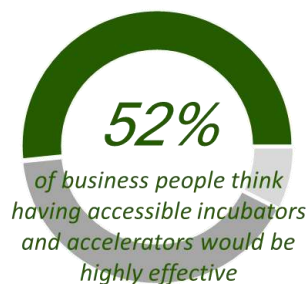
Enhancing training program accessibility. After-hours trainings, online education, video recordings and interactive lectures provide flexibility to meet MSMEs' varied schedules and learning paces.

Increasing marketing of training programs. Advertising within and outside of government channels as well as promotion of success stories enhances utilization.

Incentivizing MSMEs to participate in continuing education. Subsidized fees, refunds based on participation or passing tests, and increased access to funding will motivate participation and completion.

Incorporation of business skills and entrepreneurship into primary and secondary education. Financial literacy and other basic business skills are necessary in all professions, but especially for entrepreneurs and MSME leaders.

Improving foreign language skills through promotion of international exchange programs. Language courses in primary and secondary school, study abroad and international internship programs courses promote language skills as well as cultural knowledge.



Business Expertise—What Does Not Work

Programs that incentivize dependency. Dependencies are created through programs that provide too much 'free money', including no-cost trade missions and higher-level trainings that are completely free. Investments made by programs and policies into MSMEs must be reciprocated by MSMEs' dedication to outcomes. Dedication from MSMEs can be shown through appropriately rigorous application processes, paying a reasonable access fee, or subsidization based on completion of the program.

Malaysian Global Innovation and Creativity Centre

The Malaysian Global Innovation and Creativity Centre (MaGIC) accelerates business growth for MSMEs by addressing their inherent characteristics. The holistic, ecosystem-wide approach to promoting entrepreneurship and MSME growth in Malaysia is backed by data-driven impact analysis. MSMEs in Malaysia have doubled in number since 2005. Malaysian MSMEs make increasing contributions to GDP (37%) and exports (19.5%), with MSME GDP outperforming the rest of Malaysian GDP since 2004.

Training: Enterprise capabilities are enhanced through easy to access online and in-person trainings on 100+ subjects, including basic business skills, technology, and design thinking. Through boot camps and accelerator programs, including one in partnership with Stanford University, entrepreneurs receive a host of training and mentorship resources.

Online Appointment Booking: Information about trainings can be easily found online. Appointments can be made through Facebook Messenger chatbots for MaGIC's in-person services as well as those of its partner organizations.

Networks: Expansion of networks is facilitated through in-person events, provision of subsidized co-working spaces, and mentorship with private sector leaders. The Corporate Entrepreneurship Responsibility (CER) program connects entrepreneurs to private sector networks and mentors, as well as large corporations looking for opportunities.

PPPs for Cross-border Support: MaGIC hosts the PPP online platform "Grill or Chill," a virtual networking space for entrepreneurs to post products and get feedback from experts. MaGIC expands Malaysian entrepreneurs reach across borders by providing a startup support services platform through ASEAN Centre for Entrepreneurship (ACE), facilitating connection to resources and partnership for MSMEs to expand regionally and globally, with specific guides for expansion to 9 other ASEAN countries.

National Regulatory Sandbox: MaGIC is partnering with the Ministry of Finance's National Blue Ocean Strategy and the Transformasi Nasional 2050 program on a national regulatory sandbox to encourage innovation in 16 key sectors starting in 2018, with more than 40 corporations already on board for the initiative.

Entrepreneurial Mindset: MaGIC builds a culture of entrepreneurship in Malaysia by hosting events and highlighting MSME success stories online, in social media, and through its publications.

Access to Financing: Entrepreneurs are guided to utilize MaGIC's sources of financing including travel grants, stipends to offset the real and opportunity costs of education.

Access to Finance: Best Practices from the Voice of Business

Access to Finance: What Works

Trainings in financial and operations management. Cash flow and accounting management are paramount to improving MSMEs' credibility. Training MSMEs to streamline operations also helps to lower their inherent risk, which is a large impediment for banks and other lenders.

Providing tax incentives to large firms and financial institutions who fund or lend to MSMEs. Tax benefits to MSME financiers can increase access for MSMEs. Additionally, unlike direct government investment in MSMEs, this approach allows the market to select promising MSMEs, enabling competition and avoiding market distortions.

Partnerships between MNCs and MSMEs increases MSMEs' credibility. Participation in GVCs, long-term contracts, and alliances with MNCs improves MSMEs' credibility and access to knowledge, thereby increasing their chances for success when applying for finance.

Accessible incubators and accelerators build credibility, networks, and knowledge. Start-up and scale-up incubators increase financing options for MSMEs along with other benefits including greater networks, assistance with developing business plans, and access to mentors.

Fintech solutions increase MSMEs' access to finance. As with other technology applications, fintech solutions can increase transparency and reduce cost of capital for MSMEs. Digitally literate policy makers are crucial for enabling a regulatory environment that is conducive for Fintech.

MSMEs in emerging economies have more room for improvement in access to finance.



Questionnaire participants who said MSMEs are "Not capable" or "Somewhat capable" in this readiness area

Access to Finance - What Does Not Work

Laws requiring that banks lend to MSMEs are ineffective and weakly enforced. Financial institutions have no economic incentive to provide better rates and, in many cases, would rather pay a fine than provide high risk, low reward loans.

Financial institutions that value MSMEs solely on tangible assets. MSMEs with some of the greatest potential for growth are firms in services and in the digital economy, however, these firms have few tangible assets. Financial providers do not appropriately value service sector and technologically-oriented firms when solely focused on tangible assets.

Underdeveloped angel and venture capital ecosystems. VC and angel investors fulfill financing needs unmet by traditional financial institutions. Businesses exploring new blue-sky areas and emerging technologies are often left without sources of capital when these players are not present.

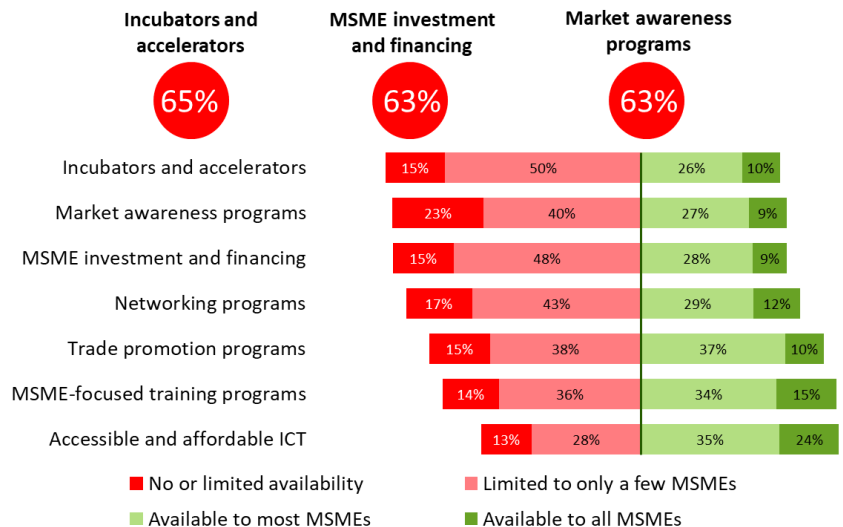
Complex government funding programs. Lengthy periods from application to receipt, complex application and fund usage processes, and biases towards businesses that have previously received government funding prevent competitive MSME ecosystems.

MYSMEBANK: One-Stop Shop Debt Finance Applications in Malaysia

In Malaysia, the MYSMEBANK has simplified the process of applying for financing for MSMEs. Instead of applying in person multiple times to different banks, MSME owners can instead complete one online application that is then sent to multiple banks and other financiers.

Website: <https://www.smebank.com.my>

MSMEs lack access to:



Technological Proficiency: Best Practices from the Voice of Business

Technological Proficiency: What Works

Reliable, affordable ICT infrastructure opens technological opportunities for MSMEs. The ability to utilize ICT in business is one of the first requirements to enable MSMEs to develop their technology skills.

Training programs with various skill levels and practical learning sessions: Offering multiple levels of training so that MSMEs can customize their learning and achieve greater benefits.

Accessible training programs: Hosting programs in locations and at times that

MSMEs can access, as well as online, pre-recorded sessions for initial skill development enables access for busy business owners.

Reduced cost for MSMEs to access technology upgrades: Technology grants and low/interest-free financing enable access to upgrades which increase productivity. Ensuring accessibility by implementing simple application procedures and appropriate restrictions and oversight on fund accessibility encourage usage of funds.

Public-private collaborations bring technology upgrade sponsorships to MSMEs, enabling both productivity improvement and networking opportunities.

Technology education programs tailored towards individual economy environments have greater impact. Programs taught by people from advanced economies may not be applicable for business owners in emerging economies.

52%

of business people think reducing the cost of technology through MNC-MSME partnerships would be highly effective

Business Link Pacific in Papua New Guinea: Business Advisory Services Build MSME Resiliency and Technology Proficiency

Business Link Pacific (BLP) is a multi-country program operating in the Pacific Island countries and funded by New Zealand to foster the economic growth of the Pacific SME sector. Launched in 2017, the program has two goals. First, increase awareness of the value and opportunity of local professional business advisory services, while encouraging affordable, good quality, and appropriate advisors to enter the market. Second, enable SME growth by subsidizing 50% of the cost of the vetted affordable, quality, and appropriate business advisory services. By empowering both the supply and demand sides of business advisory services, market distortions are avoided and resilient SMEs are built. With the subsidy, SMEs benefit from the services to realize profit gains and cost reductions that can fund long-term relationships with business advisors, eliminating the need for continuous policy-funded subsidies. The Papua New Guinea mission launched in 2018 and is already working with 20 contracted service providers, who each have the capacity to advise multiple SMEs. In this way BLP aims to support more than 500 SMEs to access business advisory services and support over the next three years.

Most advisory outcomes focus on finance, particularly record-keeping and statement analysis. Cloud platforms like QuickBooks Online and XERO are commonly implemented for accounting, customer management, invoicing, inventory, and payroll platform. For SMEs, cloud services lower costs and protect data.

Scalable programs that support ecosystems enable many SMEs to enter into virtuous cycles and bring the multiplicative impacts of economic and social growth to their economies.

Website: <http://www.businesslinkpacific.com>

Entrepreneurial Mindset: Best Practices from the Voice of Business

Entrepreneurial Mindset: What Works

Early establishment of a mindset of calculated risk taking. Revising school curriculum to encourage creativity and thinking outside the box while avoiding exams based on rote memorization fosters the mindset needed by early entrepreneurs. Creativity increases innovation and differentiation, which are increasingly important factors as globalization drives competitiveness.

Fostering an encouraging regulatory environment. Relaxing bankruptcy rules and other recommendations mentioned in the Regulatory section of this report lower the hurdles MSMEs face and encourage entrepreneurialism.

Advertising the benefits of entrepreneurship. Government-led marketing efforts which highlight successful entrepreneurs that are placed in highly trafficked areas, both public and online, can create more openness to establishing new businesses.

Entrepreneurial Mindset - What Does Not Work

Business owners who are satisfied with their current business and have a lack of desire to scale are unlikely to do so. Programs designed to help MSMEs must target MSMEs who have the potential and/or interest in engaging in cross-border trade.

Cultural pressures inhibiting entrepreneurship. Business people told us that fear of failure inhibits people from leaving a job to start their own business. Pressures from family and friends decrease the entrepreneurial mindset. Potential entrepreneurs have a deep fear of a failed venture, impeding them from taking the risk of starting a business.

A one-sized-fits-all MSMEs approach. Businesses in economies with large populations tend to have a domestic focus. Some economies have regulations that incentive businesses to stay small. Entrepreneurs do not have the financial means or competencies needed to expand and thus are intimidated to start the process.

“Most entrepreneurs just want to support their families, not go abroad.” - Business Person, Philippines

Building the Entrepreneurial Mindset in Singapore: Trade and Education are Positively Correlated

“In this era of a globalized knowledge economy, the education system, by shaping a country’s human capital, may exert significant influences on its comparative advantages in international trade. And conversely, a country’s trade pattern and intensity may affect how its education system is run.” (Chang et al., p. 1251)

Singapore has a 97.5% literacy rate among residents aged 15 years and over. More than 54% of residents over the age of 25 have a post-secondary qualification (Department of Statistics Singapore, 2018). The Ministry of Education Singapore (MOE) develops students for “21st century competencies” (21CC). “Guided by this framework, our approach towards nurturing an enterprising spirit among students focuses on developing both critical and inventive thinking skills, and cultivating an innovative mindset in all our students, and is embedded in all subjects.” (Ministry of Education)

An entrepreneurial mindset is cultivated through:

Building basic financial literacy through coursework: The ability to think critically in the context of financial management at the “personal and national level” enables sound decision making. The data from the 2015 national standard exam, the Programme for International Student Assessment (PISA), shows that students have a strong ability to collaborate, problem-solve, and take initiative, as measured by critical thinking questions.

Real-world applications: The Applied Learning Program in Business and Entrepreneurship, for secondary school students, and Innovation and Enterprise, for primary school students, provide students with opportunities to apply knowledge by creating business ideas to address social issues like food waste.

In-school applications: Students in the entrepreneurship and innovation-related Co-Curricular Activities and Values-in-Action projects participate in activities such as organising school carnivals and bazaars, managing cooperatives, and working with the community/industry partners on social entrepreneurship projects. The Economics and Elements of Business Skills (EBS) program introduces upper secondary level students to marketing and customer relations fundamentals in service industries, enabling students to make business process recommendations.

As research has shown, small changes or comparative advantages in education system are amplified through cross-border trade (Chang et al., p. 1251). Economies can identify their current state or desired comparative advantages and develop a workforce, through an education system, that is ready to fulfil those ambitions.

Networking Engagement: Best Practices from the Voice of Business

Networking Engagement: What Works

Understand the gaps MSMEs face in networks. Ensure current programs are meeting expectations through anonymous surveys. Gather information on business size pre- and post-participation as a measure of effectiveness.

Ensure mentors have expertise in the same industries and technology as MSME mentees. MSMEs exist in every industry and have heterogeneous experiences and needs. Mentor-mentee matching is crucial.

Partner MSMEs with mentors who have international business experience. Mentors who have experience growing a business across borders are the best fit for MSMEs seeking to grow internationally.

Establish volunteer mentor programs for retired and semi-retired executives. Retired executives have extensive experience and knowledge that can help MSMEs.

Subsidize network memberships. Fees can inhibit MSMEs from joining formal networking associations. Micro-businesses, especially, do not have the resources necessary to network as much as small and medium businesses do.

Ensure promotion of inclusive growth within networking groups. Providing sponsorship to groups which meet standardized diversity and inclusion criteria incentivizes diversity.

Develop business matching programs. Reducing the time hurdle that MSMEs face through assistance with identifying business opportunities in virtual or in-economy meetings, trade fairs, and trade missions enables them to strengthen their network.

Foster co-working, accelerator, and incubator spaces. 24/7, physical spaces where entrepreneurs can develop and initiate business ideas enable collaboration, networking, and mentorship. Opening incubation centers in economically depressed areas is important to ensure access to populations who can benefit the most.

Experts at Developing Expertise: Co-working spaces, incubators and accelerators

Policy makers must create an ecosystem which encourages physical spaces for MSMEs to work, expand networks, and gain training.

MSMEs face many challenges in attaining proficiency in the competitiveness pillars. Co-working spaces, incubators, and accelerators help MSMEs bridge gaps in networks, access to resources, and in some cases, financial backing. These spaces have been found across all APEC economies, but the most effective ones were those led by private organizations.

Policy makers can offer incentives for the private sector operators of these spaces with tax incentives, subsidized rent, and professional networking support. MSMEs will benefit through having cheaper working spaces, greater networking opportunities, and increased opportunities to learn about and apply for funding opportunities.

Google Campus Six locations worldwide

Google Campuses provide entrepreneurs with free working spaces, networking opportunities, and resources to develop innovative ideas. MSMEs selected for the Campus Residency program receive additional resources and legitimacy, boosting the business' productivity and enabling them to successfully access finance, hire employees and grow.

Garage Café Beijing, China

The Garage Café started with the idea of providing investors a place to meet promising entrepreneurs. Since 2012, it has provided start-ups with a place to work for an entire day for just the cost of a cup of coffee. The space encourages networking and collaborative brainstorming and even has a jobs board for startups looking to hire.

500 Start-ups Viet Nam

500 Start-ups entered the Viet Namese market in 2016 with a \$10M USD investment. The fund provides more than just funding – it also seeks to develop the local ecosystem through mentorship and connections.

Endeavor Over 30 Countries

Endeavor is a non-profit, start-up accelerator which aims to identify and support entrepreneurs who have high potential to create economic growth in their region. The accelerator started in Chile but has now grown to over 30 countries. Endeavor uses its connections with seasoned business leaders to provide mentoring, networking, advice, access to talent, skills, and inspiration to selected start-ups. Endeavor supported businesses average over 50% growth during their first two years with Endeavor and generated \$15B in 2017. Over 1.5 million jobs have been created

Websites:

<https://www.campus.co/>

<https://500startups.com.vn/>

<http://www.chekucafe.com/>

<https://endeavor.org>

Networking Engagement - What Does Not Work

Recurring events with the same agenda: MSME concerns and market forces are constantly changing. Networking opportunities must mirror these changes to be effective.

Market and Opportunity Awareness: Best Practices from the Voice of Business

Market and Opportunity Awareness: What Works

Government programs in some economies are valuable to business people for identifying new opportunities: South Korea's KOTRA and Singapore's SME Centers were referenced by business people for their programs and funding that enabled them to grow their businesses. Other economies have programs that help businesses by bringing in international companies to help local ones with market access, including the Japan Chamber of Commerce and Industry.

Training sessions for technology use: Teaching MSMEs how to better utilize technology to grow their business and to find new opportunities enables them to be self-sufficient in finding customers and business partners. Hosting training sessions outside of normal business hours and online increase accessibility.

Single sources for foreign market information: When comprehensive information on foreign markets including size, tariffs, FTAs, regulations and contacts is in a single location, businesses know where to go and can find information easily. Economies must ensure that information is updated on a consistent basis.

Encouraging MNCs to work with MSMEs: MNC open houses to attract potential MSMEs into MNC supply chains can build GVC connections. Tax and other incentives for MNCs who incorporate MSMEs into their supply chains can further open this opportunity.

Market and Opportunity Awareness— What Does Not Work

Lack of a global mindset leads to bias towards local market size: Businesses in economies with large markets focus on opportunities domestically. In contrast, business people in smaller markets, like Hong Kong and South Korea, tend to focus on international markets.

Lack of information on business opportunities and regulations: Business people stated that it is difficult for them to determine who to partner with and how to find customers. Business people are not always aware of or qualify for programs that help with identifying business opportunities. Clarity on international regulations is also desired.

Start-Up Chile:

An innovative incubator promoting further innovation through MSME growth

Policy makers must create an ecosystem which encourages physical spaces for MSMEs to work, expand networks, and gain training.

Among the programs that we saw across APEC economies to promote innovation and entrepreneurship, Start-Up Chile stood out. While most economies have some form of a start-up accelerator, few have been able to generate the traction that Start-Up Chile has achieved. Since its inception in 2010, it has supported 1400+ startups from 79 countries with a current formal valuation of \$1.35B USD and survival rate of 51%.

Start-up Chile offers equity-free money, training and mentorship, and access to communities and networks. Many leading technology firms from around the world have partnered with Start-up Chile and offer their services to participating companies while they scale up. Many of our interviews in the neighboring economy, Peru, mentioned that it was their aspiration to be picked up in Start-Up Chile. The program's track record for producing quality, high-potential companies means that acceptance into the program is a sign of validation. Many businesses in the accelerator have gone on to receive more support outside the program.

One of the important highlights of Start-Up Chile is its internationalization. The program is not just open to foreign entrepreneurs, but is encouraging of their participation. The program offers one-year working visa and a soft landing for foreign entrepreneurs to start their business in Chile. This has created a diverse and innovative environment which has helped open up the entrepreneurial ecosystem in Chile.

As the world evolves through technology and globalization continues, initiatives like Start-Up Chile which understands and taps into the opportunities of globalization will capture MSME growth. The success metrics behind the program clearly underscores these benefits.

Website: <http://www.startupchile.org>

“Odds of success go up 50% if you have a mentor as a startup.”

- Economic development expert, United States



Digital MSMEs: The Biggest Multiplier

Digital MSMEs: The Biggest Multiplier

Digitizing MSMEs is the largest contributor to kick-starting virtuous cycles, especially for those engaging in cross-border trade.

Digital technologies and platforms streamline cross-border trade for MSMEs, reducing exporting costs by up to 82%, increasing the number of economies reached by 10x, and doubling growth when compared to non-digital MSMEs. Continued growth of cross-border e-commerce yields further productivity gains of 6-15% for MSMEs, doubles participation of women-led MSMEs, and constitutes a major source of business for micro and small enterprises.

However, significant obstacles persist to inhibit MSME engagement in cross-border trade: inaccessible ICT, lagging digital training programs, cross-border data restrictions, physical presence requirements, and the controlling influence of platforms, marketplaces, and financial institutions. Economies must work closely with MSMEs and MNCs alike to address these issues, maintaining a light regulatory touch while allowing for innovation and risk-taking.

Continued investment in ICT infrastructure, uptake, and training is essential to keep pace with technological change, and the promotion of interoperable e-payment and e-government systems must be prioritized to enable growing domestic MSMEs to cross-borders with ease.

Digital technologies and services allow MSMEs to overcome the inherent disadvantages of smallness. When MSMEs aggressively adopt these tools, growth is accelerated and export costs fall. Market entry costs are nearly completely absolved and foreign market operation costs fall by more than half.

Digital technologies also enable inclusive growth. The digital divide between men and women is pronounced and persistent. Ensuring ICT access and digital literacy is available and affordable to all helps to shrink the digital divide. It also enables women-led MSMEs to leapfrog development stages and enter new markets.

Nonetheless, digitization must be well-understood by policy makers and MSMEs. Many options for programs and policies exist for digitization and stakeholders must be well-informed. Our interviews with business leaders and trade experts confirmed that digital economy regulations are not well-understood and that restrictions on free flows of data are a growing threat to businesses of all sizes.

The digital economy and its many opportunities must be accessible through modern ICT infrastructure, platforms, and providers. Especially in emerging economies, the prize of the digital economy and digitized businesses remains elusive due to irregular or unaffordable ICT access. Further investment must be made, either by policy makers or through PPPs.

“I think that the Internet has lowered the barriers in a lot of ways to trade.”
- Lobbyist/advocate, New Zealand

“Even I, as an ex-director of research, find it incredibly frustrating to find relevant information.”
- Entrepreneur, New Zealand

MSMEs can innovate and grow faster if they have access to competitive platforms, e-payments, and e-government. Restrictive regulations, uncompetitive markets, and a lack of funding limit these options for many MSMEs. Policy makers can work in conjunction with the private sector to capitalize on the biggest technology enablers: ICT, e-commerce platforms, e-payments, and e-government. An ecosystem of support must be present to fully capture the prize of the digital economy.

Much research has been done on the benefits to MSMEs of engaging with the digital economy. The next section summarizes the salient facts through a meta-analysis of the digital ecosystem for MSMEs and the supporting infrastructure, including e-commerce, e-payments, and e-government, as well as the cross-APEC operating and regulatory environment. This section then highlights successful examples of “what works” for cross-border MSMEs, as well as unsuccessful “what does not work” examples, accompanied by supporting data from our research questionnaire.

Digital MSMEs: Meta-analysis

Research has clearly identified the benefits that the digital economy brings to MSMEs, markets and societies.

The largest barriers faced by MSMEs are ICT infrastructure and regulatory restrictions. Global B2C cross-border e-commerce will be worth \$1 trillion by 2020 (ABAC-USC, 2015, p. 3). This is not an opportunity APEC economies can afford to miss.

Research shows that MSMEs engaging in the digital economy experience 2x growth of non-digital MSMEs, regardless of industry, and realize substantial cost savings, including 82% reduction in exporting costs, 29% reduction in time, 86% savings in market entry costs, and 59% in foreign market operations costs (AMTC, 2018, p. 3, 7, 27).

Aggressive adoption of technology has an accelerating impact on MSMEs. Early MSME adopters of technology experience 13-15% greater revenue growth and 4-10% greater job growth than their tech-laggard peers (BCG, 2018, p. 8).

“Micro MNCs” and cross-border digital MSMEs are the future of e-commerce.

More than 80% of firms engaging solely in cross-border e-commerce are micro- or small-sized firms. Cross-border digital MSMEs will have 2x the growth rate through 2020 of domestic e-commerce MSMEs (ICT, 2017, p. 1, 4).

The digital economy has changed the nature of work itself for entrepreneurs, creating 72M new jobs with \$2.7 trillion GDP increase from platforms. This global GDP increase results from two areas. First, online talent platforms like Monster.com and LinkedIn that connect qualified candidates with jobs. Second, “gig economy” platforms like Uber and Upwork. Online outsourcing has a 25% annual growth rate. 40 million people will experience increased work outcomes (UNCTAD, 2017a, p. 47, 50).

E-commerce enables MSMEs to expand faster and into more markets. MSMEs who utilize e-commerce experience 6-15% productivity gains and reach 27-36 more economies over non-e-commerce MSMEs (WTO, 2016, p. 98; ABAC-USC, 2015, p. 4).

E-commerce platforms come with their own fixed costs, posing risks to continued MSME growth. Commissions are an impediment to MSME growth and range from 7-15% for large international platforms, or up to 40% for others (ITC, 2017, p. 12). Past ABAC research has shown that 44% of APEC stakeholders think the potential for e-commerce marketplaces to become too controlling is a major problem, and half think the difficulty listing products or services on multiple marketplaces is a major problem (ABAC-USC, 2015, p. 40).

E-payments are the future of the global economy. 41% of cross-border e-commerce shoppers prefer e-wallets to credit cards (33%) and debit cards/bank transfers (18%). (UNCTAD, 2017a, p. 8) Strong e-commerce adds to GDP growth, with a 1% change in online retail sales equaling at least 0.175% growth in GDP per capita (APEC, 2016, p. 3).

E-payments are especially vital to MSMEs and the ecosystem is lacking. 33% of MSMEs report a lack of e-payment providers or online banking systems as their top bottlenecks in international payment



“If you have problems behind the border, it’s hard to make incremental change over the border.”

- Administration Official, Australia

Digital MSMEs: Meta-analysis

(WTO, 2016, p. 15). 23% of MSMEs report issues with the link between e-payment providers and banks. This is even more prominent in developing countries (26%) than in developed (16%) (APEC, 2016, p. 15).

E-government unlocks significant efficiency gains, enabling economy-wide growth and allowing MSMEs to conduct business across borders more easily. The global benefits of e-government programs will be \$50 billion annually by 2020 (Mourtada, 2018). Economic growth can be \$2.9 trillion by 2025 from the global use of digitally optimized government processes (Huawei, 2018, p. 34).

Conservative digital regulations are harming MSMEs, and conflicting regulatory approaches make compliance difficult. 28% of services-based cross-border MSMEs report data localization requirements as their biggest bottleneck (WTO, 2016, p. 19). 50% of APEC economies have passed data protection laws, but definitions of “personal data” are inconsistent (APEC, 2017, p. 23).

The benefits of digital technology have not been shared equally with women-led MSMEs. 25% fewer women worldwide have access to the Internet than men. Women are 21% less likely to own a mobile phone globally, and 37% in South Asia (BCG, 2017, p. 21).

E-commerce is a path to the prize of levelling the playing field for women-led MSMEs. Twice as many women-owned firms trade via cross-border e-commerce versus offline trade (WTO, 2016, p. 5). Women are 1.5 times more likely to have considered engaging in e-commerce than male peers (ITC, 2017, p. 4).

Research has recommended both policy-driven and private-sector programs to empower MSMEs in the digital economy. Many success stories are present — as are stories of misallocated resources.

Basic access to digital infrastructure and networks must be improved, but debate remains over how to fund it.



Public-private partnerships ensure business perspectives are considered, but many economies impose burdensome restrictions on foreign investment in ICT infrastructure (UNCTAD, 2017b, p. 200). Reduced taxes on mobile devices can enable basic connectivity, especially in emerging economies. (WTO, 2017, p. 201).

Establishing a culture of innovation, risk-taking, and aggressive tech adoption is difficult, but many paths have been recommended. This can provide a long-term pipeline of digitally-skilled talent to keep up with new technology trends. Existing recommendations include a re-examination of basic education curricula to teach students the skills needed in the digital economy (UNCTAD, 2017a p. 67), establishment of APEC-funded Digital Opportunity Centers, (APEC, 2017, p. 41) and support for innovation hubs, startup incubators, and MSME accelerators. A loosening of capital markets through dedicated government innovation funds, support for new financing models (e.g. crowdfunding), and improvements to venture capital markets could also spur further innovation and entrepreneurialism (Mourtada, 2018).

Significant action has been taken to promote cross-border e-commerce uptake among MSMEs. APEC has sponsored the Cross-Border E-commerce Training (CBET) program, launched the APEC MSME Marketplace, and adopted the APEC Internet and Digital Economy Roadmap (ABAC-USC, 2015, p. 98). ABAC

has previously proposed an APEC-wide action plan for the creation of an e-commerce policy framework (ABAC-USC, 2015, p. 109). Proposals have also been put forth to increase de minimis values and streamline customs clearance procedures, as these have been shown to help lower MSMEs inherent costs (AMTC, 2017, p. 42). Recommendations have also been made for harmonization of region-wide e-commerce regulations on e-payments, e-signatures, and customer protections (ABAC-USC, 2015, p. 43, 48).

Research consistently supports increased region-wide dialogue, cooperation, and transparency. Many topics with unclear legal, ethical, and commercial implications such as data privacy, consumer protection, and cybersecurity as well as emerging technologies, such as blockchain and AI require APEC-wide discussion (WTO, 2016, p. 140) (ABAC-USC, 2015, p. 110) (UNCTAD, 2017a, p. 75).

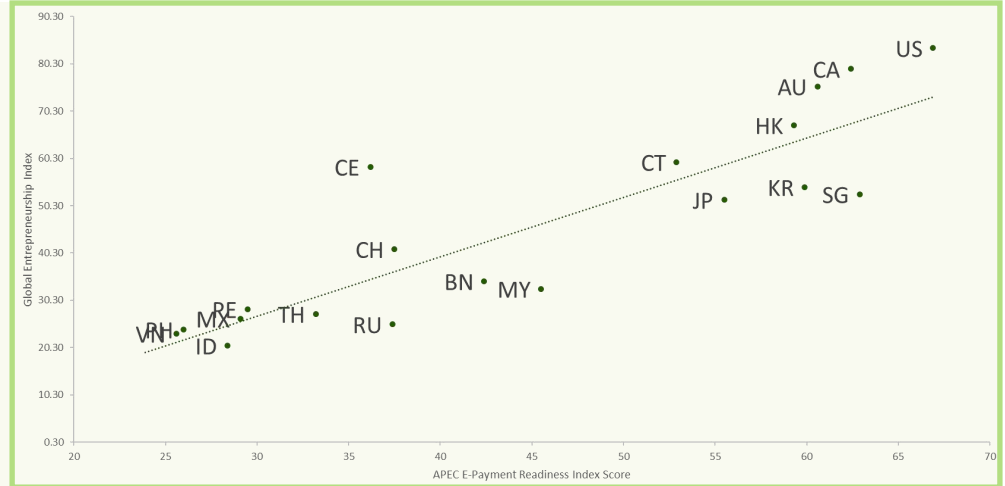
There is a strong desire for further development of e-government capabilities. While most APEC economies have begun the process to digitalization of government processes, much work remains. Unmet MSME needs must be more directly addressed, rather than simply bringing information online. Previous proposals have called for an independent central government unit dedicated to national digital transformation, charged with removing obstacles and accelerating digitalization (Mourtada, 2018).

Digital MSMEs: Meta-analysis—External Indices

E-payments are linked to entrepreneurship

The Global Entrepreneurship Index measures different aspects of an economy’s entrepreneurial ecosystem. It is composed of three sub-indices that track entrepreneurial attitudes, entrepreneurial abilities, and entrepreneurial aspirations. Higher scores indicate an enabling environment for MSMEs.

When charted against the APEC E-Payment Readiness Index Score (see Figure 2.2 below), two distinct groups of economies emerge, with a pronounced gap between advanced and emerging economies.



APEC E-Payment Readiness Index, 2018 Global Entrepreneurship Index
 [Data unavailable for New Zealand, Papua New Guinea in 2018 Global Entrepreneurship Index]

APEC economies fall into three “clusters” of e-payments usage

The APEC Fintech E-Payment Readiness Index measures the readiness and future potential of the 21 APEC economies to use e-payments and take advantage of the various socioeconomic benefits facilitated by e-payment adoption. The Index shows that APEC economies fall into three “clusters”: Advanced (green), Transitioning (yellow), and Nascent (red).

Source: APEC (2016). APEC Fintech E-Payment Readiness Index – Ecosystem Assessment and Status Report. Asia Pacific Economic Cooperation.

Economy	E-Payment Readiness Index - APEC Rank	E-Payment Readiness Score
Australia	4	60.6
Brunei	11	42.4
Canada	3	62.4
Chile	14	36.2
China	12	37.5
Hong Kong, China	7	59.3
Indonesia	18	28.4
Japan	8	55.5
Korea	6	59.9
Malaysia	10	45.5
Mexico	17	29.1
New Zealand	5	60.4
Papua New Guinea	21	23.9
Peru	16	29.5
The Philippines	19	26
Russia	13	37.4
Singapore	2	62.9
Chinese Taipei	9	52.9
Thailand	15	33.2
United States	1	66.9
Viet Nam	10	25.6

2016 APEC Fintech E-Payment Readiness Index

APEC performs well on e-government, but significant room for improvement remains

The United Nations E-Government Development Index (EGDI) analyzes UN Member States’ progress in using e-government relative to their peers (rather than an absolute measurement). Rankings are based on UN assessments of ICT infrastructure, use and promotion of ICTs, and availability of online services and content. UN research shows a positive correlation between an economy’s EGDI Scores and its GDP.

Source: UN (2018). United Nations E-Government Survey 2018. United Nations, New York.

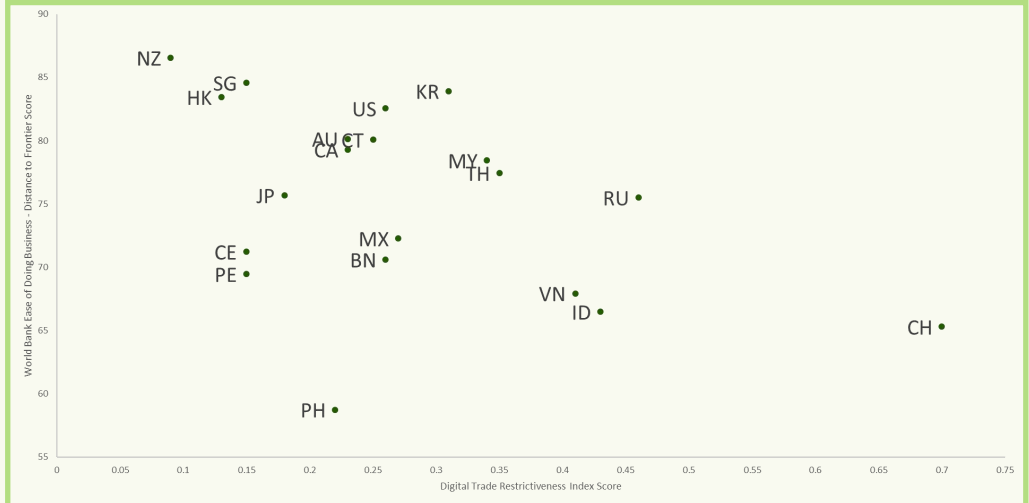
Economy	UN E-Government Index - APEC Rank	UN E-Government Index - World Rank
Australia	1	2
Brunei	11	59
Canada	7	23
Chile	9	42
China	13	65
Hong Kong, China	N/A	N/A
Indonesia	18	107
Japan	5	10
Korea	2	3
Malaysia	10	48
Mexico	12	64
New Zealand	4	8
Papua New Guinea	19	171
Peru	16	77
The Philippines	15	75
Russia	8	32
Singapore	3	7
Chinese Taipei	N/A	N/A
Thailand	14	73
United States	6	11
Viet Nam	17	88

2018 United Nations E-Government Development Index

Digital MSMEs: Meta-analysis—External Indices

Restrictiveness in digital trade impacts economy competitiveness and ease of doing business

The 2018 World Bank Ease of Doing Business Report tracks economies across 41 indicators on 10 “Doing Business” topics, such as “Starting a business”, “Getting credit”, and “Trading across borders”. The Distance to the Frontier score captures the gap between an economy’s current performance and that of the category leader in each indicator.



2018 Digital Trade Restrictiveness Index, 2018 Ease of Doing Business Distance to Frontier Score
 [Data unavailable for Papua New Guinea in 2018 Digital Trade Restrictiveness Index]
 Source: The World Bank (2018). Doing Business 2018: Reforming to Create Jobs. World Bank Publications, USA.

This aggregate Distance to the Frontier Score, when charted against an economy’s score on the 2018 Digital Trade Restrictiveness Index (see Figure 2.5 below), reveals the impact that cumbersome digital regulations can have on the APEC business environment. Economies with high aggregate Distance to the Frontier scores tend to also have few restrictions on digital trade.

“Don’t fight the tech, don’t re-invent the tech.”
 - Entrepreneur, New Zealand

“Digital overcomes the tyranny of distance.”
 - Business Association Representative, Australia

Digital restrictiveness is not limited to emerging economies

The Digital Trade Restrictiveness Index (DTRI) measures the impact of an economy’s digital trade policies across four areas: fiscal restrictions, establishment restrictions, restrictions on data, and trading restrictions. A higher rank denotes a more restrictive digital trade environment.

Colors indicate an economy’s deviation above/below the mean DTRI score, with green signifying well below the mean (least digitally restrictive) and red signifying well above the mean (most digitally restrictive)

Source: ECIPE (2018). Digital Trade Restrictiveness Index. European Centre for International Political Economy, Brussels.

Economy	DTRI - APEC Rank	DTRI - World Rank
Australia	12	27
Brunei	9	20
Canada	13	29
Chile	16	56
China	1	1
Hong Kong, China	19	61
Indonesia	3	4
Japan	15	50
Korea	7	15
Malaysia	6	11
Mexico	8	18
New Zealand	20	65
Papua New Guinea	N/A	N/A
Peru	18	58
The Philippines	14	32
Russia	2	2
Singapore	17	57
Chinese Taipei	11	23
Thailand	5	10
United States	10	22
Viet Nam	4	5

European Centre for International Political Economy 2018 Digital Trade Restrictiveness Index

Digital MSMEs: Best Practices from the Voice of Business

“I’ve still got clients in their 60s that say ‘I don’t use Internet banking, I don’t trust the Internet’”
-Trade Association Representative, Australia

Prioritizing affordable, inclusive, high-speed Internet access is the first and most important step to enable the success of MSMEs today, both domestically and in trade. Even in developed economies, businesses reported problems with Internet coverage, broadband speeds, and ICT infrastructure.

Improving levels of digital literacy is crucial, even in economies with widespread affordable ICT access. Creating avenues for young or under-employed citizens to digitally upskill better prepares them for entrepreneurial opportunities of the future. There is a strong desire to integrate digital literacy into education curricula, and to provide better digital training in general.

MSMEs must be educated on the opportunities and benefits of cross-border e-commerce. E-commerce marketplaces and platforms enable MSMEs to cross borders more easily by streamlining many of the processes that are most burdensome to MSMEs, such as customs clearance, fraud protection, and aggregation of information, among others. However, many business owners remain unaware of the opportunities available to them. Others have tried to pursue cross-border e-commerce, but built websites without having a strong understanding of their target market, language and cultural differences, or local consumer preferences. Additionally, a generational divide exists among MSMEs, with older entrepreneurs being less aware or less trusting of the opportunities presented by the digital economy than their younger counterparts. Young entrepreneurs are more likely to start “born global” businesses—those that plan to trade across borders from conception—and aggressively adopt digital tools.

DHGate & CBET in APEC

In collaboration with e-commerce firm DHGate, and led by ABAC China, the APEC Cross-Border E-commerce Training (CBET) program provides training and industry knowledge to APEC MSMEs in an effort to cultivate increased engagement in online cross-border e-commerce. By connecting MSMEs to successful entrepreneurs, introducing them to the e-commerce value chain, and training them on best practices for selling online, CBET has trained over 10,000 entrepreneurs and helped launch hundreds of successful online businesses throughout the APEC region. CBET has partnered with Brunei Darussalam, Chile, China, New Zealand, and Papua New Guinea to host boot camps and training programs. Recent proposals from DHGate have sought to upgrade the CBET Program to include the establishment of several MSME incubation centers across Asia.

Website: apeccbet.com

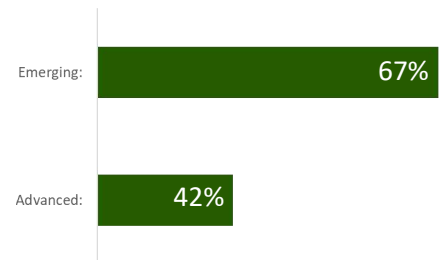


Digital economy training would be “Highly Effective” in impacting MSMEs

Government focus on digital upskilling of employees is needed for an effective digital transformation. Just as MSMEs need a solid foundation of digital skills to successfully engage in cross-border trade, an economy with public-sector employees at the digital frontier is best suited to administer and legislate a rapidly changing digital economy. Hiring, retaining, and upskilling talented employees is essential, as is developing a culture of innovation and entrepreneurialism. Not only does this provide further credibility to government efforts, but it signals to the business community that further development of ICT skills is a government priority.

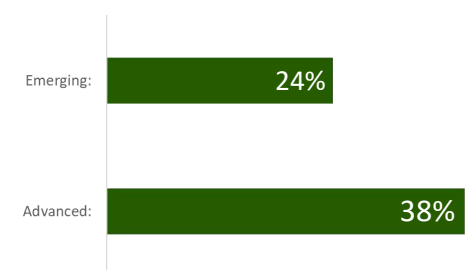
Clear, focused plans for digital transformation at the economy level. Economies must take a step-by-step approach to developing digital ecosystems, rather than seeking to overhaul everything at once. This not only recognizes path dependency in developing digital ecosystems, but also provides clarity to the business community. Priority must be placed on scalable, high value investments with broad applications, such as ICT infrastructure, cybersecurity, digital identity, and e-payments.

Poor understanding of the digital economy among administration officials is a major problem—Emerging vs Advanced economies



Continued development and promotion of e-government services is essential to the continued growth of cross-border trade, but is largely under-utilized and under-supported. Putting relevant business and trade information online is only the first step. Government websites and e-government services must also be accessible, user-friendly, and easy-to-navigate. The information presented must be understandable and actionable for MSMEs.

Economies with e-government considered “well developed” or “extremely developed” -Emerging and Advanced Economies



Digital MSMEs: Best Practices from the Voice of Business

“Like anyone in small business, you only have time to be aware of the regulations when they hit you in the face”

- Entrepreneur, Australia

Digital policies that keep pace with technological changes. Conservative approaches to data regulations are hurting MSMEs seeking to cross borders. There is a strong desire for a reduction in protectionist data localization and data sovereignty policies in foreign markets.

A lack of regulatory support in emerging economies for e-signatures, e-payments, and alternative financing methods such as crowdfunding inhibits further growth of the digital economy.

Regulatory sandboxes encourage innovation and lower risks for MSMEs. A light regulatory touch is essential, given that emerging technologies still have uncertain legal, ethical, and commercial implications. A heavy-handed approach can inhibit innovation and harm potential high-growth MSMEs

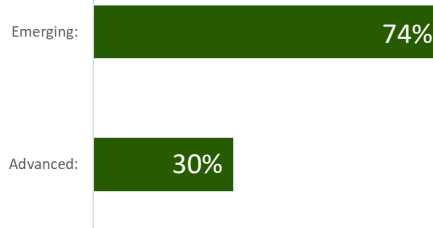
Availability of multiple competitive platforms and marketplaces. Platforms and marketplaces fulfill important roles for cross-border MSMEs: aggregating information and services, creating business efficiencies, assisting with payment processing, and reducing distances and transaction costs.

Platforms and marketplaces streamline cross-border trade processes for MSMEs. Importantly, they act as both adjudicator and guarantor in cross-border dispute resolution and assist with fraud protection. This is an enabler for emerging economy MSMEs especially, as they face greater difficulties in these areas. APEC economies should encourage and support platforms and marketplaces in their continued engagement with MSMEs.

“Customers suffer from closed ecosystems”

- Entrepreneur, United States

Inadequate fraud protection and digital dispute resolution mechanisms are a “major” or “severe” problem—Emerging and Advanced economies



However, the self-interests of these platforms do not always align with a pro-competitive environment for APEC MSMEs. The market dominance of some marketplaces has raised concerns over monopolistic practices and potential harm to MSMEs. Where they encounter a lack of competitive platforms and marketplaces, MSMEs face higher commissions and fees, high switching costs between dominant providers, and lack of control over market access. Platforms may restrict which markets an MSME can list their goods in, or which economies they can accept payments from, acting as de facto trade policymakers. Many MSMEs are opting to sell through social media platforms to avoid the transaction costs associated with platforms.

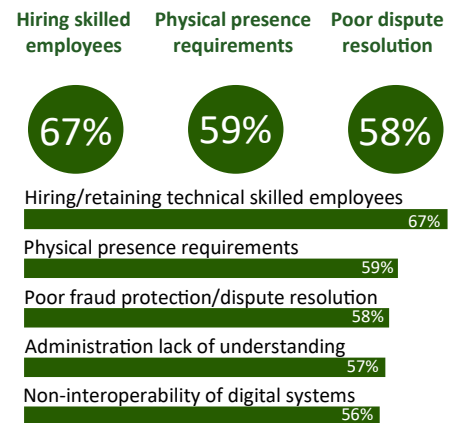
MSMEs that can easily switch between marketplace providers without facing compliance issues or transaction costs have the flexibility to choose the platform that works best for their business needs. This allows MSMEs to compete more effectively and set their own business strategy, while still taking advantage of the myriad benefits offered by these platforms.

Promotion of viable, efficient e-payment systems. E-payments that are streamlined, interoperable, and unencumbered by the pressures of dominant financial institutions are best suited to serve the needs of MSMEs. They expand financing options, reduce repayment periods, and support unbanked and disenfranchised populations. However, banks and incum-

bent financial institutions must not act as gatekeepers. Forcing MSMEs to use bank accounts, credit cards, or other established finance mechanisms as a means of accessing e-payments is unnecessarily burdensome and counterproductive to inclusive growth. Even where successful e-payment platforms exist, there is hesitation among MSMEs to utilize them due to perceived risks of formalization and exposure to taxation.

Promotion of accessible, inclusive alternative financing systems. Many MSMEs have expressed a desire for access to new alternative financing methods made possible by the growth of the digital economy, such as crowdfunding or peer-to-peer lending. However, many obstacles inhibit these businesses, including uncertainty of how to use these new financing tools, a lack of awareness of the relevant regulations (if any exist at all), and in some economies a lack of any available alternatives. APEC should promote further growth of alternative financing.

Top 5 “major” or “severe” digital economy problems, APEC-wide:



Regulatory Sandboxes for Promoting MSME Innovation

Fintech in Australia

In an effort to capitalize on its already-strong finance sector and become the Fintech hub of Asia, the Australian government has established a regulatory sandbox to support the growth of Fintech startups. The Australian Securities & Investments Commission (ASIC) has established a waiver for eligible Fintech businesses to test new services for up to 12 months without having to obtain an Australian financial services or credit license. ASIC also works with eligible firms to provide certain regulatory exemptions, allowing them to better manage risks during the testing stage, reduce costs, and decrease time to market.

In addition to the regulatory sandbox, the Australian government is exploring other innovations in digital financial services, such as an expansion of crowdfunding availability, removal of “double taxation” on digital currencies, increase in uptake of Fintech services by public agencies for procurement purposes, and establishment of an industry-led Cyber Security Growth Center.

Websites:

<https://treasury.gov.au/publication/backing-australian-fintech/australias-fintech-priorities/>

<https://asic.gov.au/for-business/your-business/innovation-hub/regulatory-sandbox/>

Sources:

APEC Fintech E-payment Readiness Index, 2016. APEC.

AgriDigital and Blockchain

Blockchain and distributed ledger technologies have huge potential to disrupt industries ranging from banking and payments to insurance to video games, among many others. One of the areas with the greatest potential impact for MSMEs is in agricultural supply chain traceability. Australian startup AgriDigital, founded in 2015, seeks to bring greater levels of transparency and trust to the grain supply chain in an effort to protect against counterfeit goods, command fair prices for premium grain products, and ensure food security.

In a pilot test using AgriDigital’s own blockchain application and commodity management platform, Australian oats processor Blue Lake Milling was able to ensure secure title transfers from growers to buyers, track the movement and treatment of oats throughout the growing, production, and transportation processes, and determine that its oats were organic at the farmgate. During this pilot period, transactions that typically took place over a period of days were reduced to less than one second.

AgriDigital has also been a beneficiary of Australia’s “regulatory sandbox” for Fintech. The company participated in the Stone & Chalk Fintech Hub--a not-for-profit accelerator for Australian Fintech startups--and received an “Accelerating Commercialisation” grant from the Australian government.

Website: <https://www.agridigital.io/>

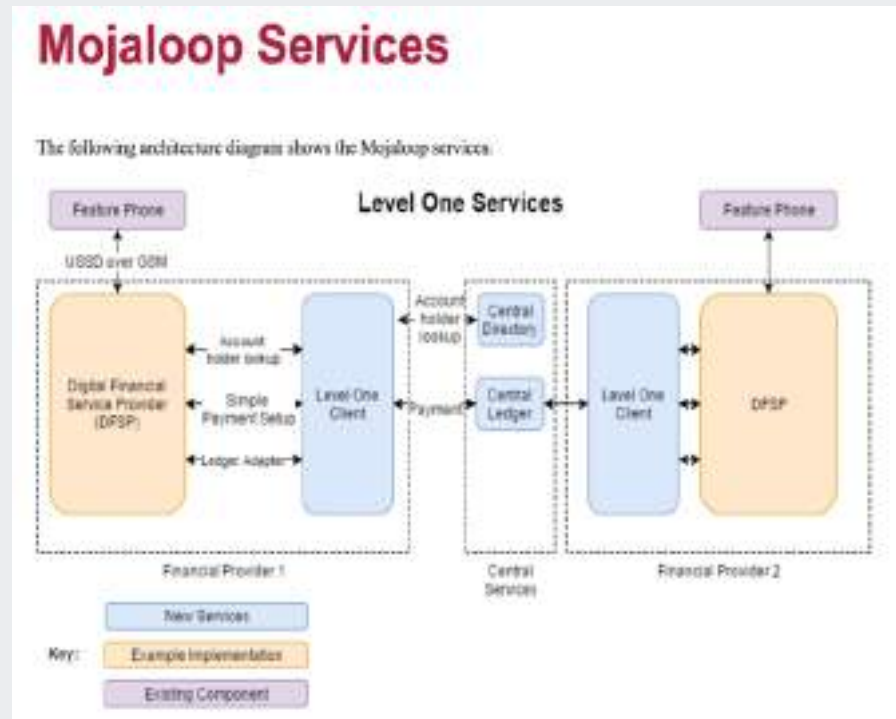
Transactions that typically took place over a period of days were reduced to less than one second.

Digital MSMEs: Best Practices from the Voice of Business

Using E-payments to Promote Financial Inclusion: Mojaloop

Built in collaboration with The Bill & Melinda Gates Foundation and a group of leading Fintech firms, Mojaloop seeks to address the problems of interoperability and financial inclusion in e-payments systems. Mojaloop's software allows for construction of interoperable e-payments platforms at a national scale. The open-source nature of the software allows central banks, regulators, payments processors, startups, and others to adapt or add on to the code, creating new products and services best suited to their economy's needs.

Website: <http://mojaloop.io/>



What Does Not Work

Digital training programs must not be outdated or lack focus on bleeding edge digital innovations. Economies and trade associations must keep pace with technological change in order to effectively support MSMEs.

Too much or too little centralization of oversight and control in economy-level digital transformations. Sticking to a "master plan" is too inflexible for the fast-changing nature of today's digital economy (BCG, 2018).

Physical presence requirements raise fixed costs for digital MSMEs seeking to cross borders. Today's digital MSMEs lack the scale to bear the costs of a physical office in their home economy, let alone in the foreign economies they seek to operate in.

Cross-border data restrictions are unnecessarily burdensome to MSMEs. Well-intentioned policies such as data localiza-

tion can place financial burdens on MSMEs that lack the revenue and scale to endure them. Prior research has shown that companies could be required to pay 30-60% more as a result of data localization policies (AMTC, 2018, p. 38).

Non-interoperable digital systems raise transaction costs for MSMEs and time required to complete business-critical processes. The advantages these systems have gained through digital streamlining are lost on MSMEs that interface with multiple different incompatible IT systems regularly.

"Whatever you do, it's only as good as the technology at the time"

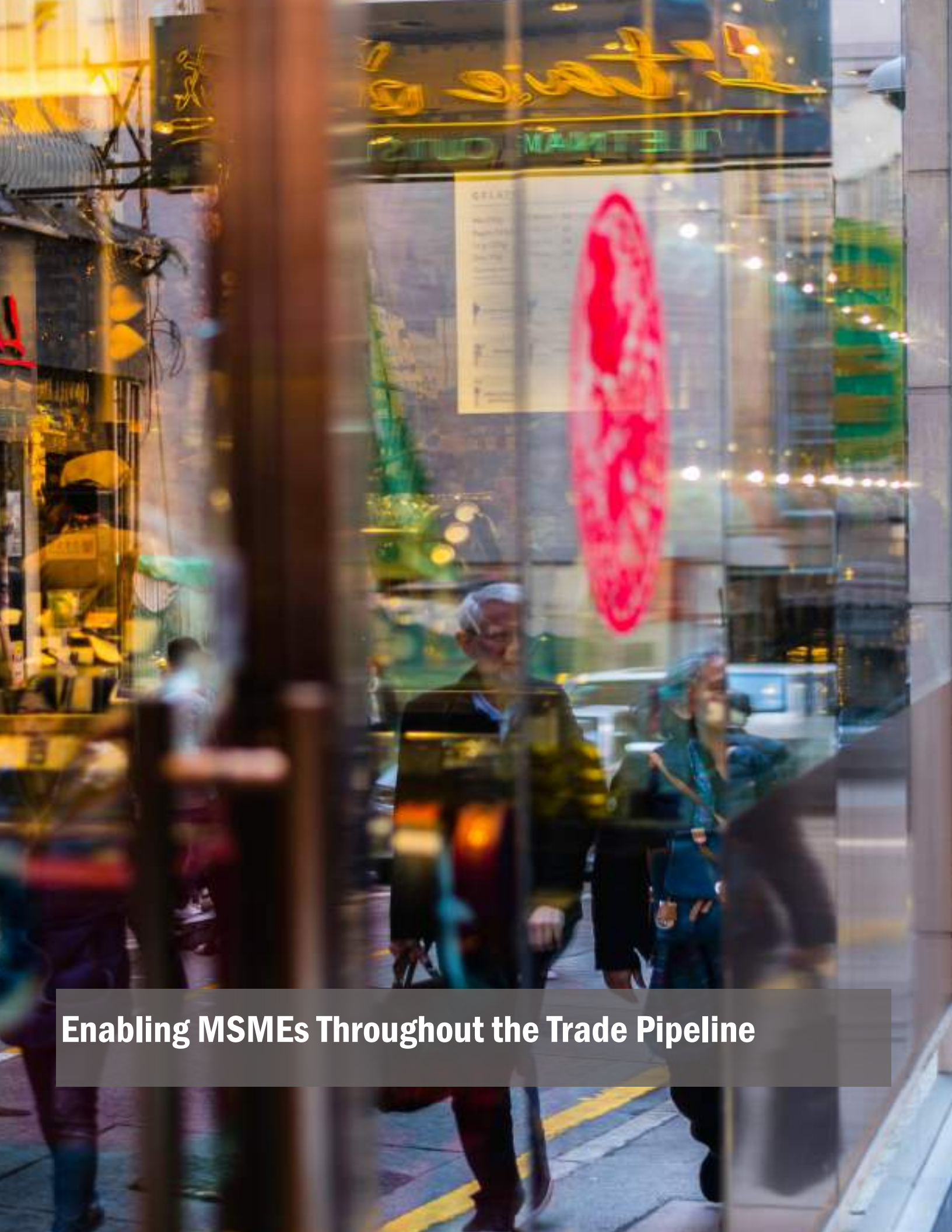
- Trade Association Representative, New Zealand

Excessive paper trails and administrative burdens resulting from e-government systems that are underdeveloped, poorly

integrated, or non-interoperable inhibit MSMEs seeking to cross-borders. This negates the efficiencies gained by digitization of processes, increases the potential for corruption, and inherently disadvantages digital-native MSMEs, rural MSMEs, and MSMEs in heavily regulated industries.

Allowing platforms and marketplaces to achieve monopolistic positions leaves MSMEs with sub-optimal competitive outcomes and restricts their growth potential.

Allowing the self-interest of the banking sector to influence the development of e-payment mechanisms contributes to issues of non-interoperability and unnecessarily restricts MSMEs' ability to access finance. Forcing MSMEs to use bank accounts, credit cards, or other incumbent finance mechanisms as a means of accessing e-payments is unnecessarily burdensome and counterproductive to inclusive growth, especially for emerging economy MSMEs that are more likely to be unbanked or cash-only.



Enabling MSMEs Throughout the Trade Pipeline

Enabling MSMEs: Throughout the Trade Pipeline

03

The trade pipeline is rife with challenges but policy and resource support throughout trade processes can enable MSMEs more impactfully.

Increasing MSME participation in cross-border trade offers tremendous opportunity for economic growth. However, MSMEs are discouraged by the overwhelming number of challenges they face throughout trade including before the border, at the border, and in foreign markets. They are severely underrepresented with only 10-25% of participation in international trade (OECD, 2018, p. 7). Perceived risk as well as the significant costs that MSMEs have to overcome are prohibitive to having a global mindset and entering the trade pipeline.

Currently there is not enough effective program and policy support for MSMEs to understand the export process, find the right foreign market opportunities, navigate the regulatory processes, and sustain a profitable business once they enter foreign markets. Due to the sheer number of challenges MSMEs need to overcome when engaging in cross-border trade, support programs and resources need to be affordable, easily accessible, and sustainable throughout the trade pipeline.

Encouraging stronger MSME participation in global trade leads to enhanced productivity and accelerated innovation—resulting in overall economic benefits (OECD, 2018, p. 5). The benefits of MSME participation in trade have been illustrated in a number of existing research articles and many economies have included policy measures to improve the ecosystem for MSMEs.

However, businesses across APEC economies say that the trade process is still too complex and overwhelming for MSMEs. Despite progress in digital transformation, it is still time consuming and costly for small businesses to sift through an overwhelming amount of information. Many processes remain offline. Regulatory and NTM requirements are different in each economy, and MSMEs are discouraged by the cost of compliance. Customs processes are still burdensome and expensive, with many economies requiring costly and time consuming steps that make it too risky for MSMEs to enter a foreign market. MSMEs are not well represented in FTAs and those that benefit MSMEs are not well known or utilized. MSMEs have little power to enforce payments, protect IP and contracts, and lack access to affordable dispute resolution methods. Lan-

guage and cultural barriers are also a concern in foreign markets.

In addition to the overwhelming process, trade costs are debilitating for MSMEs. MSMEs are at a disadvantage compared to their MNC peers due to their small size and lack of economies of scale.

Reducing costs by increasing access to trade programs, information about foreign market regulations and technology, as well as removing regulatory barriers can disproportionately help MSMEs participate in expanding their business abroad.

It is evident that there is not enough support for MSMEs in tackling these challenges throughout the entire trade process and the existing resources are not effectively utilized. The hurdles MSMEs face at each step before the border, at the border, and in foreign markets limit their involvement in cross-border trade. Even where resources are available, businesses may not be aware of them or know how to



access the support they need due to the decentralized nature of many of these programs.

This section contains a meta-analysis of existing literature, recommendations on what works to increase MSME cross-border trade participation, and selections from our quantitative questionnaire.

Cross-border Trade: Methods of Trade

Methods MSMEs take to enter into trade:

MSMEs can take a variety of approaches when expanding into foreign trade. Goods and services-based MSMEs encounter borders at different points in trade.

MSMEs in Direct Trade

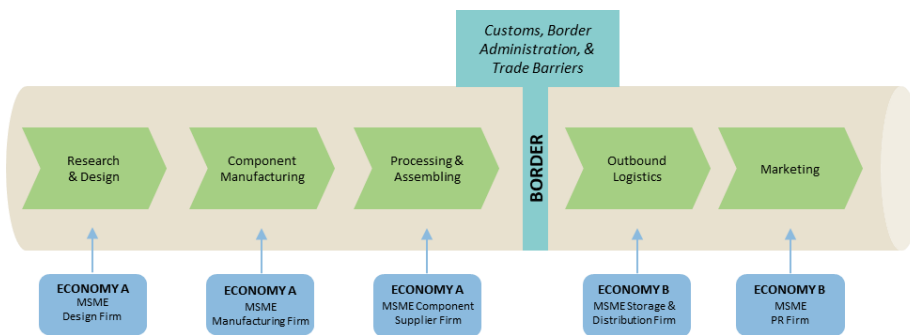


Direct Exports and Cross-border e-commerce (Goods): Direct exports and cross-border e-commerce goods are tangible products that go through the border into foreign markets.

Services: Services-sector firms generally avoid many of the border-related costs faced by goods-based firms. For example, they are not plagued by logistics costs or customs compliance costs. The main challenges for services lie in existence of “digital borders” put up in the foreign market, namely, data localization regulations, physical presence requirements, service firm quotas etc.

MSMEs in GVCs

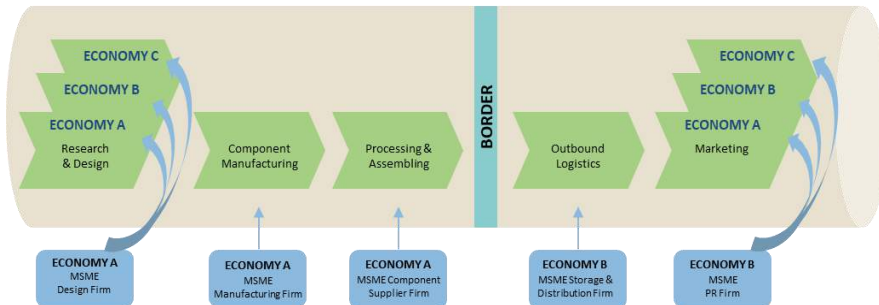
MSMEs can enter GVCs at any point in the value chain, including R&D, assembly, distribution, and other areas.



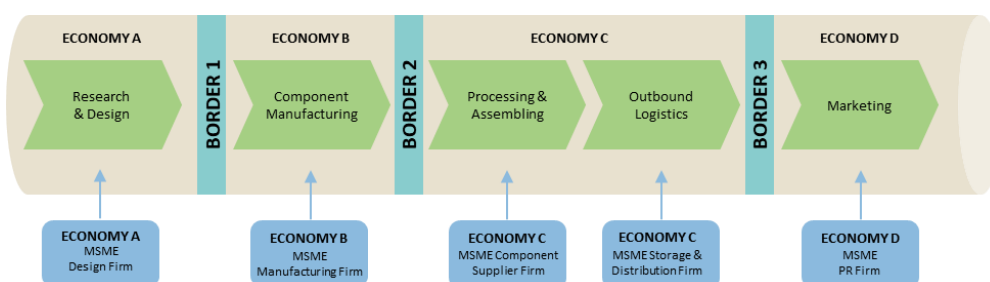
MSMEs can approach GVC participation in several ways. MSMEs can indirectly engage in cross border trade by entering GVCs, and supply intermediate goods or services to larger firms, and thereby avoid many of the costs of direct trade in finished goods.

Throughout the GVC, intermediate goods or services can pass through multiple borders before reaching the final consumer. MSMEs need to comply with regulations or possess certifications not only for the economy in which they enter the chain but for all the economies down the chain as well to make the border crossing easier.

Cross-border opportunities for MSMEs in GVCs in foreign markets; especially B2B services



Complexity of multi-economy GVCs; requiring MSMEs to meet down-stream compliance requirements



Cross-border Trade: Meta-analysis

MSMEs need to overcome significant hurdles when preparing for cross-border trade. These are high due to their small scale, lack of international trade knowledge, and limited skills

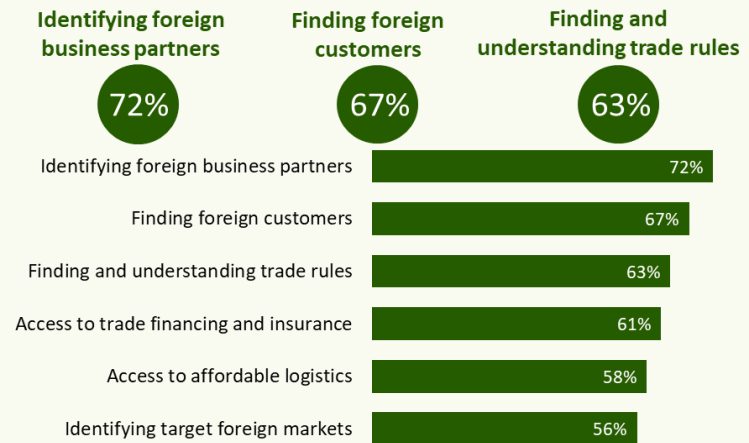


BEFORE THE BORDER

MSMEs are discouraged from entering foreign markets due to overwhelming complexity, perceived risk, lack of access to trade finance, limited information about foreign markets, lack of access to business networks, and high market entry costs.

MSMEs have insufficient access to trade finance. Globally, over half of MSME trade finance requests are rejected and this is even more difficult for firms in developing countries. In comparison, just 7% of requests are denied for MNCs. Gaps are higher in developing countries. MSMEs tend to rely on trade credit and informal sources of finance rather than equity and formal debt (OECD, 2018, p. 13). International sales contracts are riskier and thus require external credit insurance (WTO, 2016, p. 94).

Top three challenges before the border



Limited information and understanding about foreign markets make it challenging for MSMEs to know where to export. There is a high cost of accessing global market requirements regarding products, processes, technology, and standards for MSMEs (OECD, 2018, p. 5).

A lack of established supplier networks and business partners abroad puts MSMEs at a disadvantage in trade. MSMEs face difficulties in accessing export distribution channels and in contacting overseas customers (WTO, 2016, p. 78).

Identifying affordable logistics and delivery options are challenging due to the small size of their business. MSMEs

often do not have international freight shipment experiences and trade in small quantities. They face high logistics costs as well as an inability to access efficient logistics services (WTO, 2016, p. 93).

Current recommendations for reducing hurdles for MSMEs prior to starting cross-border trade focus on improving access to information and preparation.

Create information portals for timely and accurate export information. Some trade organizations have created information portals to help provide export transparency on economies' policies, rules, and regulations (see KOTRA case study).

Develop online business matching platforms. Online MSME marketplace platforms have been developed to expand internationalization opportunities (Boracay Action Agenda, 2018).

Trade missions provide networking opportunities with foreign businesses. Facilitating networking opportunities can enable MSMEs to access important knowledge and skills (ADP, 2015, p.36).

Develop business advisory services or subsidize the use of advisory services. Affordable access to business consultation services enables MSMEs to benefit from professional expertise without the cost and risk of developing the capacity in-house (ADP, 2015, p. 151).



Cross-Border Trade: Meta-analysis

Easier access to trade finance and insurance. Digital channels such as access to price comparison sites can lower the cost of export insurance by as much as 30%. (AMTC, 2018, p. 19). Multilateral organization partnerships increase MSME trade finance support and awareness building (ADP, 2015, p. 124).



AT THE BORDER

MSMEs face significant frictions at the border compared to larger firms due to burdensome customs processes, diverse and costly NTM requirements, a lack of regulatory transparency, mobility barriers, limited FTA provisions, and corruption challenges.

MSMEs underutilize FTAs. Utilization of FTAs involving ASEAN countries is often below 50%. High costs associated with complying with rules of origin (ROO) leads to low utilization (ARTNeT, 2015, p. 1).

MSMEs are less likely to implement anti-corruption strategies. MSMEs lack the capacity and influence to lobby for their needs when corruption exists and are unable to participate in public decision-making (OECD, 2017, p. 16).

Complex and burdensome customs procedures prevent MSMEs from exporting (WTO, 2016, p. 106). Low de minimis thresholds require MSMEs to pay tariffs even on small shipments. Delays in delivery of goods leads to additional costs of holding inventory, and the need for working capital (OECD, 2018, p. 15).

Non-tariff barriers remain significant and detrimental for MSMEs. MSMEs are not able to easily overcome non-tariff barriers such as restrictive technical requirements, standards for goods, or regulatory market access barriers such as quotas. Restrictive technical barriers, to trade (TBT) and sanitary and phytosanitary (SPS) measures are particularly costly for MSMEs (WTO, 2016, p. 86). This is due to the lack of harmonization across economies and the need for

businesses to comply with each final destination market’s standards and regulations. Specific packaging and labelling as well as multiple certification processes for the same product is prohibitive for MSMEs to engage in trade (OECD, 2018, p. 17).

Visa and work permit requirements and procedures are complex and difficult to access (WTO, 2016, p.91). Programs that streamline accreditation for businesses as “premium visa traders” are typically for large firms, placing MSMEs at a disadvantage. MSMEs in developing countries also face more stringent visa requirements.

Current recommendations to improve at the border challenges help increase regulatory transparency and information, streamline customs processes, and improve people mobility schemes.

Provide transparency and improve predictability of standards and regulations. Mutual recognition and harmonizing regulatory requirements and standards reduce the burden of compliance for MSMEs (OECD, 2018, p. 17).

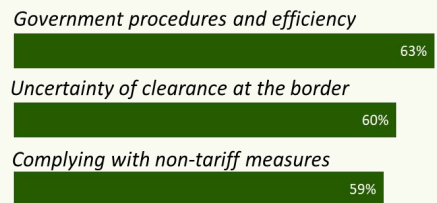
Trade agreements can reduce or eliminate tariff and non-tariff barriers, simplify customs procedures, promote e-commerce, and enhance the transparency of regulations. The Boracay Action

Agenda suggests facilitating the access of MSMEs to FTAs and RTAs by simplifying and streamlining rules of origin (ROO) procedural and documentary requirements and utilizing IT to ease documentation procedures.

Streamline customs-related rules and regulations and provide assistance to enable MSME compliance to reduce trading costs. Reform of cumbersome border procedures can reduce trade costs by 12-18%, depending on the country’s development level (OECD, 2018, p. 15).

Increase the de minimis threshold. Set de minimis values so that low-value express and postal shipments are exempted from customs duties and from certain entry documentation requirements. Additional proposals include the removal of Certificate of Non-Manipulation, a waiver for Certificate of Origin, or creating a self-certification system.

Top three challenges at the border include:



Cross-Border Trade: Meta-analysis

Provide timely and accurate information on export and import procedures and requirements. Widening the base of Authorized Economic Operators (AEO) and trusted trader programs (TTP) to include MSMEs will help contribute to security, integrity and resilience in supply chains (Boracay Action Agenda, 2018).

Create a National Single Window to reduce administrative costs. Online trade facilitation platforms functioning as a single window to streamline customs procedures can significantly improve customs processing times and costs for MSMEs (APEC, 2018, p. 36). In Southeast Asia, online administration systems can save MSMEs up to 8 percent per consignment compared to communication over email and paper (AMTC, 2018, p. 19).

Schemes to improve the mobility of business people between countries. Some MSME programs encourage entrepreneurs by offering a one-year visa to develop their business in a foreign country (WTO, 2016, p. 137). The APEC Business Travel Card also helps facilitate short-term business travel with a one time application and streamlined travel into APEC economies.

ers in foreign markets. Commercial presence requirements to supply services is another potentially major cost. Regulatory complexity and uncertainty can also drive MSMEs to pay for external advisors or invest in training staff—further increasing the cost of doing business (OECD, 2017, p. 15).

Data localization measures prevent MSMEs from engaging in digital trade. Data localization creates digital border controls by restricting data transfer across borders. This increases costs for all businesses by requiring them to pay for local data storage before being able to supply digital services. Again, MSMEs are disproportionately impacted. The increase in number and complexity of these measures across multiple markets may further reduce trade benefits for MSMEs (OECD, 2018, p. 16).



IN FOREIGN MARKETS

After entering foreign markets and beginning cross-border trade, MSMEs continue to face challenges of compliance, language and cultural barriers, IP protection, and dispute resolution.

Compliance with foreign country regulations is costly for service-based MSMEs. Regulatory requirements can act like non-tariff barriers for services export-

	CHALLENGES	EXISTING RECOMMENDATIONS
Before the Border	<ul style="list-style-type: none"> – Having a global mindset – Foreign market information access – Market entry trade costs – Identifying foreign business partners – Finding foreign customers and clients – Finding and understanding trade rules and requirements in foreign markets – Securing trade finance and insurance – Access to affordable logistics options – Language/cultural barriers – MSMEs unaware of FTA provisions 	<ul style="list-style-type: none"> – Single portals for information – Support for certification/license processes – Business matching program – International business advisors – Trade missions – People mobility schemes – Support on developing export plans
At the Border	<ul style="list-style-type: none"> – Costly and burdensome customs procedures – Uncertainty of clearance at the border – Complying with NTMs: costly product standards and certification procedure – Corruption – Market access limitations – Restrictive rules of origin requirements – Knowing which tariffs to pay – Visa/mobility issue 	<ul style="list-style-type: none"> – Facilitate access of MSMEs to FTAs/RTAs – FTA trainings – Simple, flexible, and transparent Rules of Origin – Self-certification system – Certificate of Origin waiver – Setting de minimis value to exempt MSME shipments – Timely and accurate information on export and import procedures requirements – National single window
In Foreign Markets	<ul style="list-style-type: none"> – Building credibility in foreign markets – Complying with different regulations – IP protection issues – Language/cultural barriers – Fraud protection and dispute resolution – Tax law compliance – Licensing and permitting – Physical presence laws – Currency transfers – Establishing credibility – Contract enforcement – Lack of skilled labor – Slow payment mechanism 	<ul style="list-style-type: none"> – Access to low-cost, alternate, and online dispute resolution methods – Access to translation services and low-cost localization services for websites – Low cost access to online platforms – Timely and accurate information on regulatory requirements

Cross-Border Trade: Meta-analysis

Language and cultural barriers prevent market access. MSMEs find it challenging to overcome language and cultural barriers when identifying customers and marketing their product in a foreign market. Ongoing customer support also requires the need to overcome language and cultural barriers (AMTC, 2018, p. 16).

Using and enforcing Intellectual Property Rights (IPR) is complex and costly. IPR requires costly legal overhead, multiple filings, and the requirement to meet regulatory and technical differences across countries (OECD, 2018, p. 14).

Dispute resolutions is costly and time consuming. There is still significant time required to enforce a contract. Legal overhead and the cost necessary to challenge these issues makes it discouraging for MSMEs to pursue a resolution (OECD, 2018, p. 14).

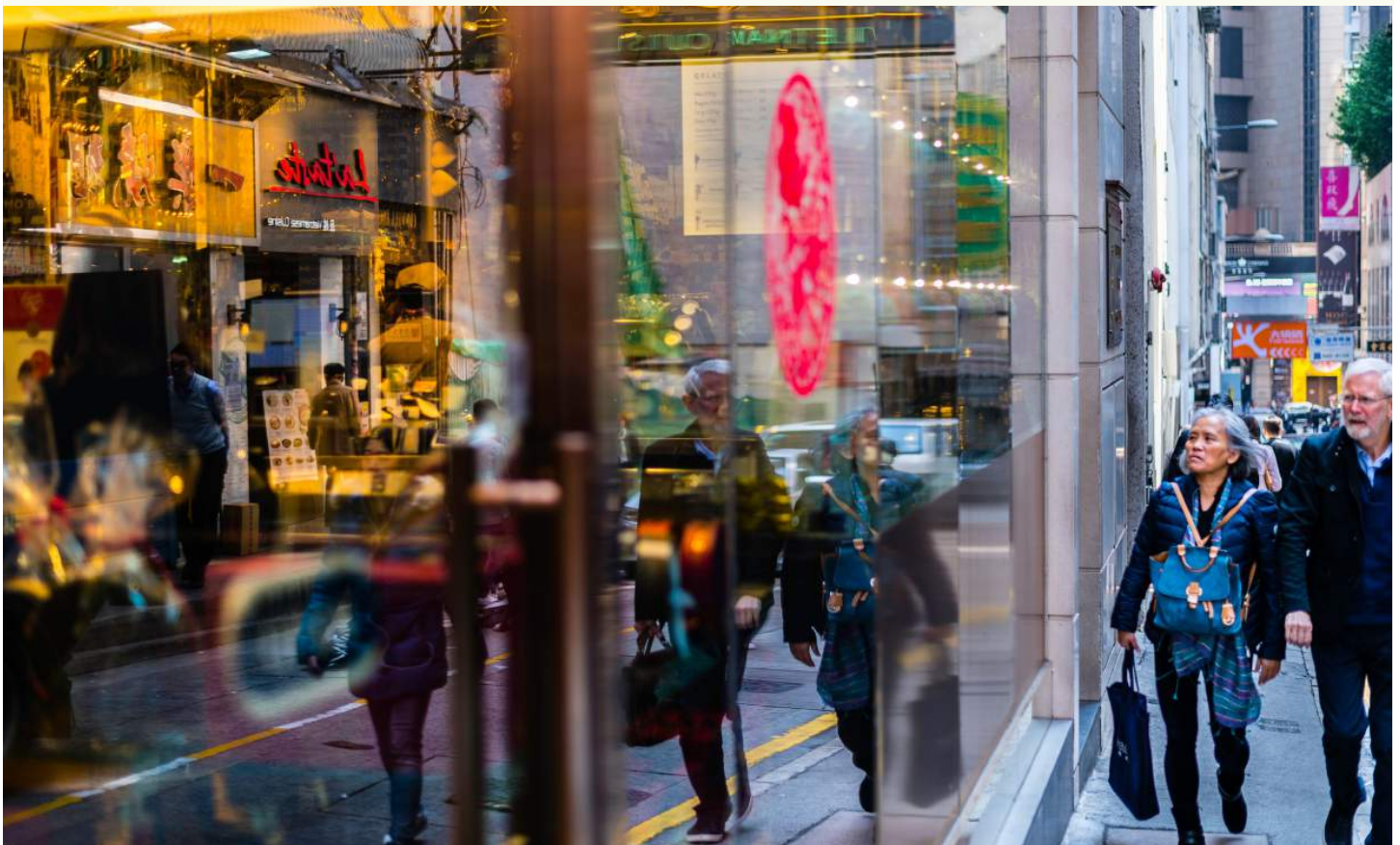
Recommendations to enable trade for MSMEs who operate cross-border requires open markets and additional resources for MSMEs.

Access to translation services and low-cost localization services for websites. Intermediary distribution channels and online platforms that offer integrated translation services and analytics can help (WTO, 2016, p. 98).

Alternate dispute resolutions can save time and cost for individuals, lower operational costs for businesses, reduce the number of disputes that require legal proceedings, and possibly increase the efficiency of courts. (APEC, 2018, p. 37). Arbitration is available in all APEC economies and court enforcement of arbitration clauses and agreements are available in almost all economies (20 out of 21 APEC economies). Small exporting firms profit relatively more when trade facilitation improvement relate to information availability, advance rulings, and appeal procedures (WTO, 2016, p. 88).

IP protection programs are necessary for MSMEs. IP-related consulting, fee reduction measures, and simplification of the requirements for the application processes as well as extending the number of years of validity are impactful programs to support MSMEs (WTO, 2016, p. 78).

Trade agreements can reduce barriers to goods and services trade. FTAs and RTAs have the potential to reduce foreign market requirements on goods and services businesses, thus reducing the regulatory impediments to market access. Trade agreements can simplify customs procedures, promote e-commerce, and increase regulation transparency (WTO, 2016, p. 116). Complementary initiatives can include separate work programs on mutual recognition of qualifications and licensing.



Cross-border Trade: Good Practices from the Voice of Business

Before the Border: What Works

Interviews and the questionnaire confirmed that information access, mentorship and advising, public-private partnerships and collaboration opportunities are critically important.

Single portals are impactful in providing easier access to information for MSMEs. Having a one-stop resource Web sites with funding opportunities, foreign market information, regulations, and non-tariff requirements helps simplify the process. This central point of access helps establish transparency and predictability, which are critical for MSMEs to be able to

comply with NTBs including pre-shipment certification requirements.

Access to business advisors and collaboration networks are critical. MSMEs lack established networks with suppliers and business partners in foreign markets. Advisory support is available but not always available, relevant, or affordable.

Access to business advisors with international experience and opportunities for collaboration and knowledge-sharing create a support system for MSMEs to overcome trade barriers. Business advisors can provide

guidance to MSMEs on complex processes as well as access to business contacts abroad.

While trade missions are helpful, the program needs to be specific for small companies. It is difficult for small companies to benefit when large companies get all the attention on combined trade mission efforts.



think a one-stop shop resource website with export information will be impactful

Effectiveness of programs before the border

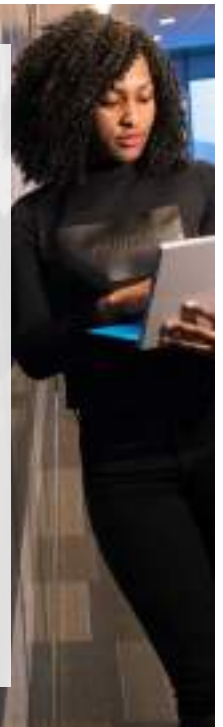


Google Market Finder: Innovative Solutions and Public-Private Partnerships

Google Market Finder uses detailed market insights to recommend target foreign markets for businesses looking to export. The tool allows companies to easily find target market information simply by entering their website or by selecting specific industries. Market Finder analyzes consumer internet use data, demographics and disposable income to provide insights into markets' growth potential. In addition to offering recommended markets, it also provides comprehensive tools and guides on trade support needs, such as localization, international payments, and logistics. Market Finder also promotes services for marketing needs by using customer insights.

The platform was launched in partnership with government bodies including the US Department of Commerce, Getting to Global, and the UK Department for International Trade.

Website: <https://marketfinder.thinkwithgoogle.com>



Preparedness in Korea: Korea Trade Investment Promotion Authority (KOTRA)

KOTRA is a one-stop business consulting service offering a wide range of resources to MSMEs in Korea. Resources and services offered to MSMEs include:

Business Matchmaking: Korean companies and products are introduced to foreign buyers. KOTRA sets up meetings and helps facilitate business transactions.

Trade Missions: KOTRA coordinates with local governments and authorities to organize trade missions for MSMEs.

Trade Shows: KOTRA provides guidance and financial support for MSMEs to attend.

KOTRA helps MSMEs overcome language barriers, navigate customs MSMEs and FTAs, overcome minor bureaucracies, understand patent law and deal with patent infringement. Additionally KOTRA assists MSMEs who operate overseas through on the ground support at KOTRA's overseas offices in 26 economies around the globe.

Website: kotra.or.kr

Enterprise Singapore Skills Future SME Mentors Programme: Connecting Qualified Mentors and Mentees

The SkillsFuture SME Mentor Programme is a nine-month program which connects SMEs with qualified mentors. Businesses receive learning and development support, and guidance on career development and growth opportunities. Mentors are carefully selected to ensure they have relevant sector-specific experience. Currently, over 200 companies participate in the program.

Website: www.skillsfuture.sg/mentors

International Trade Centre Export Potential Map: Data-Driven for Free

The Export Potential Map is a free tool that provides practical information on products, markets, and suppliers on export opportunities. Companies can utilize the tool to determine which products and markets have the greatest potential for export. The tool pulls in data from 222 countries and territories and 4,064 products to help policymakers evaluate a country's potential to export and determine the ideal sectors and markets.

Website: <https://exportpotential.intracen.org>

Cross-border Trade: Good Practices from the Voice of Business

At the Border: What Works

Simplifying customs processes, introducing national single windows, and expanding use of FTAs increases MSMEs in cross-border trade.

Simplifying and digitizing the customs process can reduce costly delays due to paperwork concerns. Implementing electronic customs systems has the potential to yield substantial benefits for MSMEs. Good practice digital systems allow for easy and quick submission of required customs forms and fees, include pertinent and easy to comprehend information on customs regulations. E-customs systems minimize the need for interaction with border personnel which reduces potential for corruption.

We heard from businesses that even if internet infrastructure is lacking, it is still beneficial to create e-government systems to reduce costs and trade barriers for MSMEs.

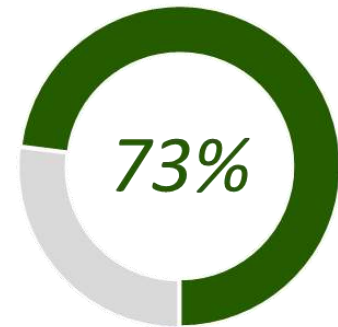
Developing a national single window can increase transparency and streamline the export process.

National single windows, particularly those that are digital and share information among government agencies can vastly simplify customs processes for MSMEs. These systems reduce the costs and time spent on paperwork as well as relieve duplicative compliance requirements. E-customs systems and national single windows have the potential to not only reduce clearance times and facilitate access to markets, but also prevent corruption.

FTAs need to include MSMEs. Sufficient training needs to be provided to increase MSME utilization. We heard in our interviews that FTAs are not well-known or widely used. Even if an MSME is aware of FTAs, it is expensive to hire people to interpret how they can be utilized. Conservative and complex approaches to rules of origin in FTAs discourage MSMEs from making use of FTA preferences. Since the benefits of FTAs are not widely understood, MSMEs tend to deprioritize this and instead focus on domestic issues. Developing training programs and easier information access on how FTAs can be utilized would be beneficial for MSMEs.

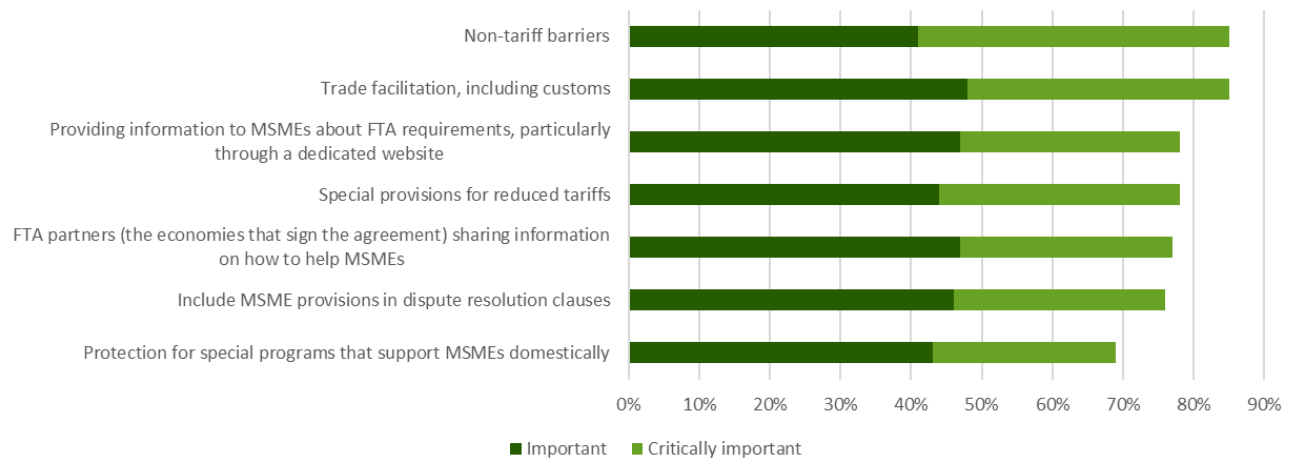
These training programs should be combined with other resources to make them easier to for MSMEs to access, rather than having to seek out a separate resource.

“Clearing customs depends on your luck.”
- Thai business leader



think a digital single window system will be highly effective

A variety of factors are required to make FTAs more effective for MSMEs.



Enterprise Singapore Tariff Finder: A Cross-Border Database

Enterprise Singapore's Tariff Finder is a free online database that is continuously updated with key trade information. MSMEs can obtain tariff and non-tariff information by country of origin, destination country, product description and product Harmonised System (HS) code.

The Tariff Finder has received more than 18,000 search queries in the first year of operation.

Website: <https://mendel-online.com/#/?cid=ESG>

New Zealand Tariff Finder: A Cross-Border Database

New Zealand's FTA Tariff Finder system helps goods exporters to maximize free trade agreements by using a search portal to discover tariff rates under each FTA. The database provides information on the rules of origin for goods as well as additional documentation and requirements that may apply. The tariff finder can also be used to compare the different tariff commitments for different products and under different FTAs.

SICEX National Single Window in Chile: Pilot to Program

Sistema Integrada de Comercio Exterior (SICEX), established as a pilot in 2013, is a Chilean national single window system. The system exists as a single portal through which importers and exporters can submit required customs documentation. As the system has evolved, the Chilean government has increased the scope of the system to link to several additional government agencies. SICEX offers online payment, real-time tracking, single data registry, and training services.

In May 2017, SICEX covered 32% of custom agents for goods and services and was expected to reach 50% by the end of 2017. The creation of the foreign trade facilitation unit in the Ministry of Finance is expected to increase the use of SICEX as it integrates with other governmental online procedures (OECD, 2018, p. 110).

Cross-border Trade: Good Practices from the Voice of Business

In Foreign Markets: What Works

MSME support programs providing access to dispute resolution, language translation services, and advisory services are necessary to sustain MSMEs in cross-border trade.

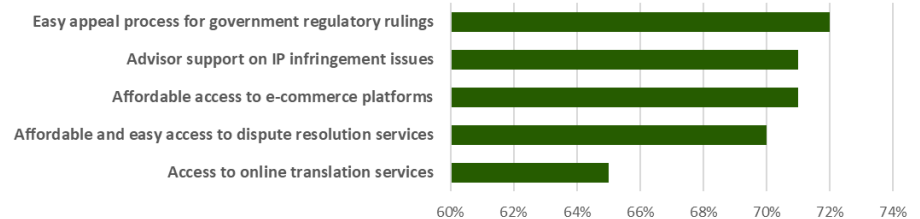
Alternative dispute resolution, including online methods, need to be further developed. Most MSMEs choose not to pursue a resolution despite the huge risk of negative financial consequences. MSMEs stated that their most likely response to business disputes involves personal attempts at mitigation but few MSMEs attempted to pursue dispute resolution settlements via courts or other formal mechanisms. Key issues identified in this area were lack of awareness, costs, and length of time taken to resolve the dispute. Having efficient and reliable dispute resolution mechanisms, as well as

access to low-cost legal advice for conflicts, such as IP infringement, are necessary for MSMEs to continue to expand their business abroad.

Easy and affordable language translation services. We heard from many businesses that one of the biggest challenges is to communicate with foreign partners and understand the cultural differences. Regulatory information in a foreign

market is challenging to understand without knowing the language. MSMEs also need to localize their marketing and communications, and provide ongoing customer support, which require access to low-cost translation services.

Affordable access to services and advisors are required to overcome challenges in foreign markets.



eBRAM (Belt and Road Arbitration and Mediation) in Hong Kong

Hong Kong is developing an online dispute resolution mechanism, eBRAM, which aims to provide full arbitration and mediation services for countries in the Belt and Road region. Data security is critical when creating an online dispute resolution platform and users must feel confident that their information will be kept private and confidential. Hong Kong has a mature personal data protection regime through the Personal Data (Privacy) Ordinance. eBRAM will feature a secure digital collaboration environment for the claimant, respondent, and arbitrators to ensure secure communication. Documents will be encrypted before transmission with strict access control. There will be an opportunity for secure video conference for virtual face-to-face meetings. The final decision will be stored in a secure online platform and be available for download by the participating parties (Cheng, 2017).

Website: <http://ebram.hk/>

What Does Not Work Before, At, and Beyond the Border:

Before the Border:

Low MSME awareness of resources. Even when programs and funding opportunities are available for MSMEs, many are not aware of the availability of these resources due to a lack of marketing and awareness efforts. Small businesses also do not have the capacity to search through multiple sources to gather information necessary to go through the export process, and the thought of seeking out many sources on their own can be daunting without easy access.

Trade programs that are not tailored for MSMEs. We heard from businesses that trade programs that were not geared towards MSMEs benefit larger enterprises instead of small businesses. When trade missions are jointly coordinated for small businesses and large companies, large companies attract all of the attention—minimizing business opportunities available for MSMEs.

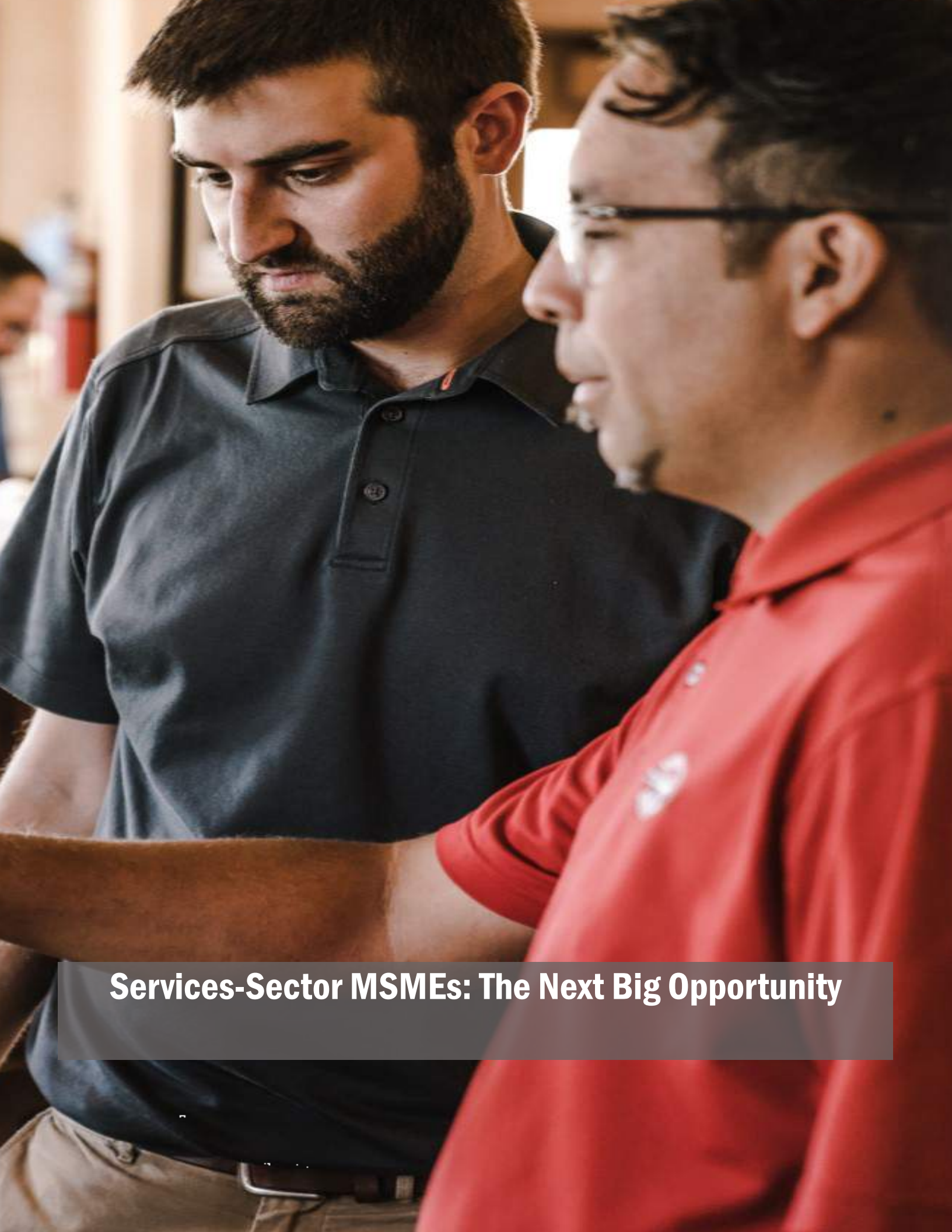
At the Border:

Non-digital systems keep exporting cost-prohibitive. Exporting is cost prohibitive for MSMEs unless the export process can be simplified and centralized for business-

es to digitally track the export process. E-government systems that do not allow for comprehensive tracking are not sufficient.

In Foreign Markets:

Dispute resolution that is non-digital is ineffective. Online dispute resolution is still under developed in all APEC Economies. It is not currently found to be an effective method for resolving disputes. There is opportunity to develop online dispute resolution into a secure and effective method but policy makers must prioritize it with regulatory support.



Services-Sector MSMEs: The Next Big Opportunity

Services-Sector MSMEs: The Next Big Opportunity

04

Services-sector MSMEs can be tremendous engines for competitiveness and economic growth, but their potential remains unfulfilled.

The inherent advantages of services-sector MSMEs, including a smaller reliance on economies of scale and the rising ability of these firms to provide cross-border services online, have created opportunities across value chains and in multiple markets. However, the potential of these firms remains unfulfilled in several APEC economies.

Engaging across borders remains a challenge for services-sector MSMEs. Significant issues such as regulatory compliance, finding and assessing foreign market opportunities, access to financing, dispute resolution, and data restrictions and regulations impose large real and opportunity costs for firms looking to take advantage of foreign market opportunities.

Across interviews with MSMEs, policymakers, and business leaders in the APEC economies, we identified access to uncollateralized financing and efficient dispute resolution mechanisms as critical to enabling services-sector MSMEs. Identifying and profiling services-sector MSME exporters is also critical to understanding and solving the challenges that these firms face at every step of the export process.

The big winners in trade will be the economies that can take advantage of the intersection of services, cross-border trade, and the digital economy. This intersection represents the next frontier of trade and economic growth for the APEC economies. Services-sector MSMEs have inherent advantages compared to their goods-based counterparts. First, services-sector MSMEs can skip potentially major frictions in the trade pipeline faced by goods-focused firms. For example, services-focused firms do not face customs and border-related challenges, nor do they encounter the potentially high costs of locating and purchasing logistics for goods transport. Furthermore, because services-sector firms are not involved in the manufacture of physical goods, they tend to suffer less from the lack of economies of scale that inhibit cross-border trade for goods-based firms. These factors give services-sector MSMEs unique advantages over other firms attempting to internationalize.

Digital has changed the game for services. The ability to sell and deliver services online has opened up new opportunities for services-sector MSMEs to par-

ticipate in cross-border trade and global value chains, while also reducing the significant trade costs faced by services-sector MSMEs looking to export. Services-sector MSMEs can now use the digital economy to sell and market their services online, contact foreign customers, and collect payments.

“The APEC region in general is trailing behind the rest of the world in services”
— Stakeholder Organization, Australia

New opportunities in B2B value chains exist for services. The intersection of the digital economy and services-sector MSMEs presents unique opportunities in cross-border trade. Since services can often be translatable across economies, services-sector MSMEs looking to engage in cross-border trade are now able to enter high-value B2B value chains across multiple markets. For example, a services-sector MSME providing design services in

the value chain of certain types of goods may be able to provide the same service to other businesses across different economies without necessarily requiring the same economies of scale as a traditional goods-based MSME attempting to accomplish the same thing.

The abundance of B2B opportunities come with substantial opportunity costs. The “translatability” of services across multiple parts of the value chain and the related opportunities that arise highlights the specific challenges faced by MSMEs in the services sector. While services-sector MSMEs may have several opportunities across multiple markets, the presence of idiosyncratic regulatory barriers, different business practices, complicated tax schemes, and disparate standards for certification make pursuing these opportunities difficult in practice. Services-sector MSMEs attempting to do so will incur significant opportunity costs as these firms lack specialists and must spend significant time away from their business researching foreign regulations and understanding the requirements of exporting to those markets.

Services-Sector MSMEs: Meta-analysis

Addressing these opportunity costs as well as the differential challenges faced by services-sector MSMEs is critical to providing an enabling environment for them and capturing the tremendous potential for these businesses to enter B2B value chains and spur economic growth.

The following section will include a meta-analysis of existing literature and recommendations on services-sector MSMEs in trade, an overview of their current challenges and what is particularly problematic for these firms, and recommendations on what works and what does not work to enable services-sector MSMEs, accompanied by supporting data from our questionnaire.

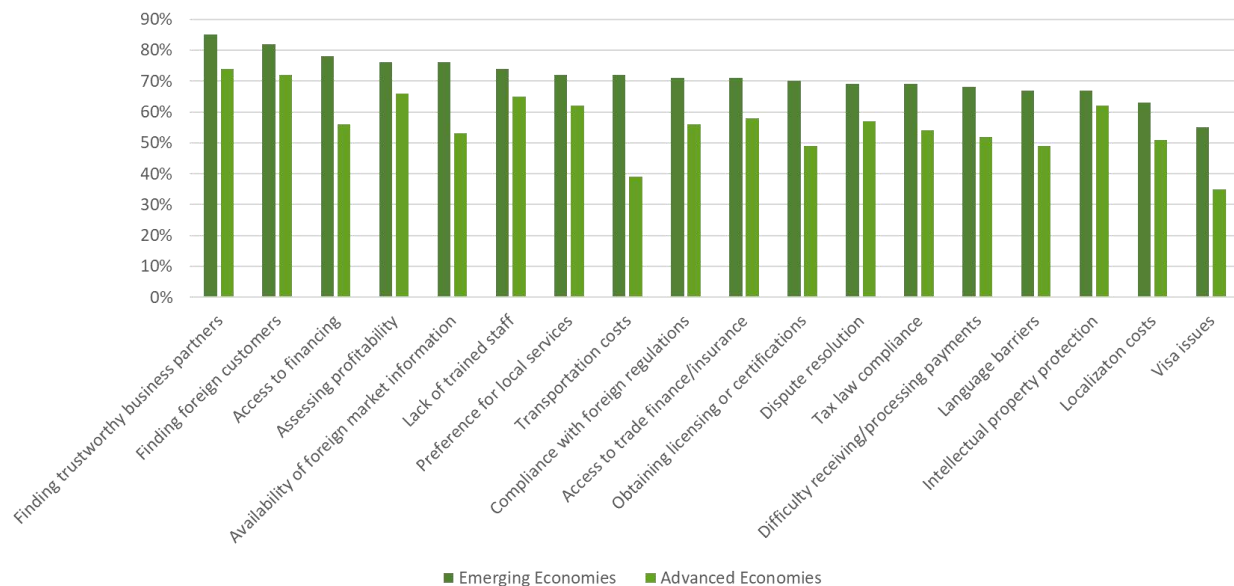
Atlantia Search: How a Digitally-Enabled Services Firm Engages Across Markets

Atlantia Search, a Mexico-based firm founded in 2013, is an example of a services-sector MSME engaged in several markets in the Latin America region. Using its innovative platform of crowd-sourced data and artificial intelligence, the company generates a wide range of customized market intelligence and market research products for clients across international markets. These clients include several large firms like KPMG and Wal-Mart. Atlantia Search is an excellent example of a services-sector MSME taking advantage of a plethora of B2B opportunities across international markets and global value chains.

Website: <http://atlantiasearch.com>



Identification of Services-Sector MSME Challenges as "Major" or "Severe"



Services-Sector MSMEs: Meta-analysis

MSMEs are primarily clustered in services, but their participation in cross-border trade remains low. Substantial opportunities and benefits exist for those services-sector firms that can successfully export to foreign markets. Although digital tools have reduced costs and opened up new opportunities in direct cross-border trade and global value chains, substantial challenges exist for services-sector firms trying to navigate the numerous financial, regulatory, and operational challenges of going global.

MSMEs are clustered in the services sector, but their actual participation in direct and indirect export of services is low, especially in developing countries. 85% of all micro firms and 72% of SMEs operate in the services sector (WTO, 2016, p. 13). Despite their preponderance in the service sector, in developing economies, the participation by MSMEs in both indirect and direct services exports is estimated at less than 4% of total service sales (data on micro firms was unavailable) (WTO, 2016,

p. 44). MSMEs in developing countries contribute around 34% of total exports, with participation varying by enterprise size. 9% of micro firms, 38% of small firms, and 59% of medium firms participate in exports in developed countries, and 68% of the exports of these MSMEs are services (WTO, 2016, p. 29, 36).

There are clear benefits for services-sector MSMEs that export. MSMEs that export services pay higher wages, are more innovative, and employ relatively more highly skilled workers (HK Nordås, 2015, p. 1), (WTO, 2016, p. 88).

Digital tools have had a tremendous impact for services-sector MSMEs, saving time and money for MSMEs at every stage of the export process. Using a traditional non-digital scenario, services-sector MSME export costs can range from \$430 to \$4,145. The use of digital tools reduces these costs to a range of \$250-\$755 (AMTC, 2018a, p. 27).

Services are an important part of both goods and services-based value chains. Seventy-five percent of all services exported directly are intermediate inputs in production of goods or other services (OECD, 2017c, p. 19).

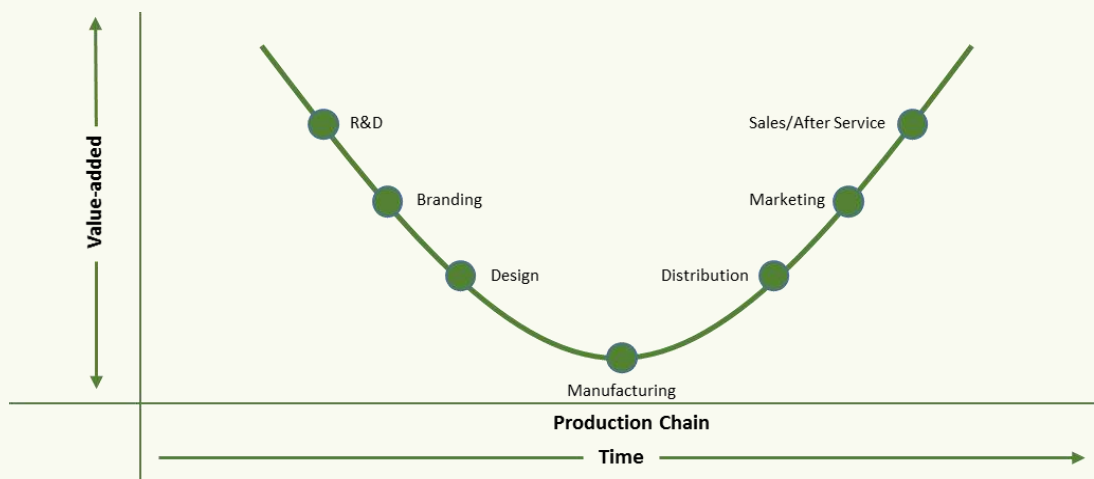
Services globally represent between 20 and 25% of gross exports, but capture an estimated 50% of the total value of trade (Lopez-Gonzalez and Jouanjean, 2017, p.

9). The figure below shows the smiling curve conceptualized by Stan Shih, which exemplifies how services can reach higher value-added processes in a manufacturing production chain.

Barriers for services-sector firms are almost always regulatory in nature and disproportionately affect MSMEs. Average levels of service trade restrictiveness, as measured by the OECD Services Trade Restrictiveness Index, are equivalent to an additional 12% tariff for smaller services-sector firms (OECD, 2018a, p. 15). In addition, “digital border controls,” like data localization regulations can be disproportionately burdensome for MSMEs (WTO, 2016, p. 91).

Services-sector MSMEs face a number of differential challenges compared to goods-focused firms. Services-sector MSMEs avoid many of the cross-border costs that goods-based firms incur, particularly those at the border, but can face extra costs in complying with in-market regulatory requirements. Graphs on the next page represent the challenges identified by questionnaire respondents in APEC for services-sector MSMEs in trade among emerging and advanced economies. Tables on pages 61–62 break down the challenges for goods and services-sector MSMEs at each level of the trade pipeline based on existing research, as well as interviews in the 21 APEC economies.

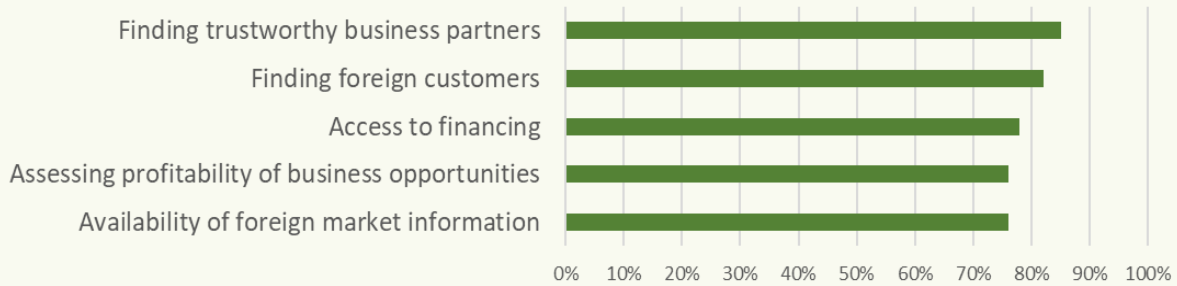
The Smile Curve of Stan Shih: How services can capture higher value-added in global value chains



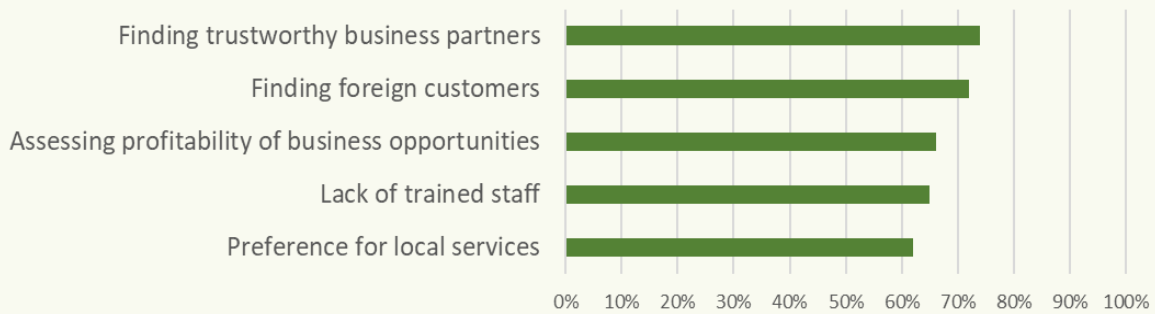
Source: World Investment Report 2018, UNCTAD

Services-Sector MSMEs: Meta-analysis

Top 5 Challenges for Services-Sector MSMEs in Emerging Economies



Top 5 Challenges for Services-Sector MSMEs in Advanced Economies



Services-Sector MSMEs: Meta-analysis

Current literature and policy has made multiple recommendations to enable services-sector MSMEs in trade. The APEC Services Competitiveness Roadmap has outlined goals for the 21 member economies regarding specific actions to build open markets for services in APEC and increase exports and trade in services. The following comprises recommendations from the Roadmap, as well as existing literature.



Improve ICT infrastructure and access to digital networks. Services are increasingly being delivered online. Cheap and unfettered access to networks is critical to enabling services-based trade, especially direct services trade across borders.

Enhance access to information on regulations among the APEC economies. The APEC Services Trade Access Requirements (STAR) database (now discontinued) included important work on information regarding services trade access requirements. Additional work is also being done at an APEC level to create a services trade restrictiveness index that includes data on each member economy.

Enable the movement of business people across borders. Services can often be provided by professionals traveling temporarily to foreign markets, but restrictions on mobility can impede the flow of services trade (HK Nordås, 2015, p. 6). Initiatives like the APEC Business Travel Card are designed to facilitate short-term business travel to each APEC member economy, although total adoption of the program by each member economy has not yet been achieved.

Harmonize certifications, licensing and/or processes for easy recognition of qualifications and work experience. MSMEs lack specialists and are often unable to hire locally qualified professionals. As such, harmonization of professional certifications and/or fast track processes for obtaining authorization to render services (e.g., via licensing), as well as recognition of professional qualifications and experience can enable services-sector trade (WTO 2016, p. 91).

Reduce or eliminate unnecessary commercial presence requirements. Where applicable, reduction or elimination of commercial presence requirements can greatly impact ease of doing business in foreign markets for services-sector MSMEs. Commercial presence requirements can be prohibitively expensive for MSMEs as they lack capital to commit to establishing subsidiaries in foreign markets (HK Nordås, 2015, p. 6).

Adopt regulatory frameworks that ensure data can flow across borders. Digital flows of data are increasingly playing a large role in services trade. Costly data localization requirements or other restrictions on cross-border data flows (for example, onerous privacy or cybersecurity requirements) can be prohibitive for services-sector MSMEs (HK Nordås, 2015, p.

6). Regulation governing cross-border data flows should be designed in the least trade-restrictive manner possible.

Ensure regulatory coherence via FTAs. Provisions ensuring non-discrimination (relative to domestic suppliers i.e., national treatment) and negative list approaches to regulatory liberalization reduce favoritism toward domestic incumbents and minimize market access barriers for services-sector firms of all sizes. Recent free-trade agreements such as the CPTPP include a negative list approach to services liberalization.

**“[When it comes to dispute resolution] MSMEs just give up.”
— Business Leader, Thailand**

Severe Challenge



Moderate Challenge



Minor Challenge



Differential Challenges for Goods and Services-Sector MSMEs Before the Border

	Details	Goods	Services
Global Mindset	<ul style="list-style-type: none"> • Impetus to trade across borders • Perception of growth opportunities in foreign markets • Mindset and ability to manage risk 	<ul style="list-style-type: none"> • Awareness of opportunities beyond domestic market • Fear of business failure 	<ul style="list-style-type: none"> • Awareness of opportunities beyond domestic market • Fear of business failure
Initial Market Research	<ul style="list-style-type: none"> • Identifying foreign business opportunities and understanding target markets • Finding foreign business partners 	<ul style="list-style-type: none"> • Difficulties in accessing export distribution channels and contacting overseas customers • Unreliable or incomplete access to information about target market • Lack of knowledge of existing export assistance services 	<ul style="list-style-type: none"> • Unreliable or incomplete access to information about target market. • Lack of knowledge of existing export assistance services • Difficulty contacting overseas customers
Marketing	<ul style="list-style-type: none"> • Targeting customers in a foreign market 	<ul style="list-style-type: none"> • Language barriers • Requirements involved in developing a retail-ready website • Adapting products and packaging to foreign tastes 	<ul style="list-style-type: none"> • Finding potential clients. • Services intangibility and information asymmetry • Accessing international marketing channels • Language barriers
Financing	<ul style="list-style-type: none"> • Finding information on methods of financing • Accessing trade financing and insurance 	<ul style="list-style-type: none"> • Credit rationing, higher “screening” costs and higher interest rates from banks • Absence of records of firm’s past performance, lack of collateral, high fixed costs of financial transactions 	<ul style="list-style-type: none"> • Credit rationing, higher “screening” costs and higher interest rates from banks • Absence of records of firm’s past performance, lack of collateral, high fixed costs of financial transactions

Differential Challenges for Goods and Services-Sector MSMEs At the Border

	Details	Goods	Services
Customs and Border Administration	<ul style="list-style-type: none"> • Compliance with customs paperwork and documentation requirements • Compliance with customs-related regulation and payment of all applicable tariffs and duties. 	<ul style="list-style-type: none"> • Unfamiliar and burdensome customs and bureaucratic procedures • Time intensive and costly when process is paper-based 	<ul style="list-style-type: none"> • Services—sector firms avoid border-related costs incurred by goods-based MSMEs
Regulatory Compliance	<ul style="list-style-type: none"> • Understanding and complying with regulations and laws in the foreign market 	<ul style="list-style-type: none"> • Lack of necessary resources to seek information about foreign regulation • Costly product standards and certification procedures • Demonstrating compliance with the standards and regulations through conformity assessment procedures • Higher tariffs in destination markets make it difficult to profitably export • Restrictive rules of origin • Insufficient IP protection • Repatriation of capital and accepting payments 	<ul style="list-style-type: none"> • Business licenses and certifications • Recognition of work experience/education or other professional certifications • Commercial presence requirements, • Data localization regulations • Ownership restrictions • Nationality requirements • Notice and right to appeal regulatory decisions • Favoring of domestic enterprises over foreign • Intellectual property protection • Repatriation of capital and accepting payments

Differential Challenges for Goods and Services-Sector MSMEs Beyond the Border

	Details	Goods	Services
Good or Service Delivery	<ul style="list-style-type: none"> • Accessing logistics providers and last-mile delivery • Providing good or service 	<ul style="list-style-type: none"> • Finding affordable and reliable logistic options to handle the pick-up of goods, consolidation of shipment, transportation, customs clearance, warehousing and distribution to timely delivery of physical goods to customer • MSMEs trade in smaller quantities which leads to higher fixed costs • Language barriers 	<ul style="list-style-type: none"> • Mobility restrictions • Language barriers
Foreign Market Operations	<ul style="list-style-type: none"> • Day to day operations of business in foreign market. • Tax compliance and payment • Finding necessary 	<ul style="list-style-type: none"> • Accessing dispute resolution • Preference for local goods in a foreign market • Difficulty receiving or processing payments • Tax complexities 	<ul style="list-style-type: none"> • Accessing dispute resolution • Tax complexities (double taxation) • Repatriation of capital • Finding local operations partners and establishing a local presence. • Preferences for local services

PayPal's Working Capital Program

An alternative to collateralized financing

PayPal is one of the world's premier platforms for cross-border payments. Over 20% of the transactions conducted on the platform in 2016 were cross-border, and over \$400 billion in cross-border purchases have been made on the platform since 2003. In addition to being a facilitator of cross-border payments, PayPal's Working Capital loan program allows businesses to obtain financing with an easy application process that is not based off collateral or credit history but rather the seller's PayPal sales history. Repayment is simple as well. PayPal simply takes a seller-determined portion of sales revenue when a sale is made. The program is an example of an alternative to traditional, collateral-based financing for smaller firms.

<https://www.paypal.com/workingcapital/>

Services-Sector MSMEs: Good Practices from the Voice of Business

Continue work on identifying and publishing accurate and relevant regulations for service exporters. Lack of access to information about foreign regulations is a key part of the opportunity cost faced by services-sector MSMEs. Although work has been done to publish services trade access requirements in the APEC economies through the STAR database and other initiatives, economies should prioritize the creation of a single portal for services trade access information that is updated and relevant.

Highlight success stories of services-sector MSME exports. Existing research, as well as interviews with MSMEs and business leaders across the APEC economies highlighted that services-sector MSMEs tend to focus exclusively on their domestic market. Fear of failure, risk aversion, and lack of awareness of opportunities in foreign markets are all huge factors in the relatively low participation of services-sector MSMEs in trade. Economies should highlight successful services-sector MSME exporters as a way to break down these barriers and encourage a global business mindset. Several economies have implemented general exporter award programs that have recognized services exporters, but more attention should be given to successes of services-sector MSMEs as well.

Provide special financing for services-sector MSMEs. Lack of collateral and service intangibility represent significant barriers for services-sector MSMEs looking to obtain financing. Innovative methods of financing that do not rely on collateral, such as PayPal’s Working Capital program, can reduce barriers to accessing finance for services-sector MSMEs. Policymakers should also continue to focus on ways to minimize frictions for MSMEs attempting to access traditional modes of finance, such as bank loans. Programs that include government guarantees for all or a portion of collateralized loans and ensure lower interest rates can be especially beneficial to services-sector MSMEs. Care must be taken, however, that such programs are marketed and made easily accessible to MSMEs.

Continue to pursue easy, low-cost dispute resolution options for MSMEs. Like all MSMEs, services-sector MSMEs face huge barriers accessing dispute resolution mechanisms for cross-border trade. However, dispute resolution was identified as a particular barrier for services-sector MSMEs, as they lack a tangible product and can face additional challenges with fraudulent activity. Progress is being made toward alternative dispute resolution mechanisms that are accessible to MSMEs, such as online dispute resolution, but further progress must be made in order to ensure easy access to dispute resolution and greater stability in international markets for services-sector MSMEs.

Continue to lower services trade barriers via FTAs and regulatory coherence. Reduction or increased coherence of regulations in service industries can significantly reduce opportunity costs for MSMEs by saving time and money spent on understanding and complying with foreign market regulations.

Economies should work to identify services-sector MSME exporters and understand their specific challenges. Across our interviews, not only was there a consistent lack of focus on the challenges faced by services-sector MSMEs, but it was clear that economies lack an accurate picture of the MSMEs that export, particularly those in services. Economies should work to identify services-sector MSME exporters, understand their challenges, and proactively reach out to these firms to offer assistance.

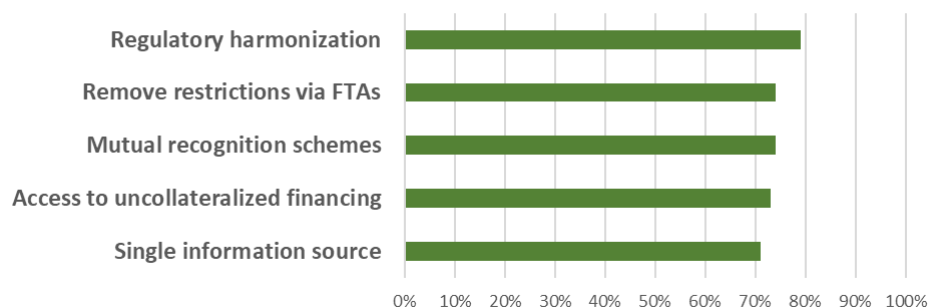
Economies should partner with service providers to offer and refer export-enhancing services for both goods and service-based MSMEs. Service providers can be a critical piece of the trade pipeline for both goods and services firms seeking to engage in international markets. They can simplify frictions at all levels of the trade pipeline by offering innovative payment products, logistics services, e-commerce facilitation, and more. Public-private partnerships that provide connections with these service providers while also maintaining credibility through partnerships with government agencies can be valuable tools that simplify the internationalization process.

What Does Not Work

One-size-fits-all regulations, particularly around data localization and commercial presence. While some sectors may require strict commercial presence or data localization regulations, one-size-fits all regulatory frameworks that prevent the flow of data across borders are disproportionately burdensome for MSMEs.

Domestic laws that restrict the ability of foreign services-sector MSMEs to do business. Laws that impose national ownership requirements, hiring quotas, or other regulatory barriers can effectively stop services-sector MSMEs seeking to trade in their tracks, as they lack the scale and specialists needed to comply with these restrictions and are highly disadvantaged compared to domestically-based competitors.

Top 5 Recommendations from APEC Stakeholders for Services-Sector MSMEs in Trade




Gettingtogetglobal.org

Gettingtogetglobal (GtG) is a public-private partnership bringing together non-profits, government agencies, service providers, industry experts, and business leaders to empower MSMEs to export through e-commerce channels. In addition to hosting online and in-person e-commerce trainings, GtG offers an innovative export accelerator service on its web platform that helps businesses on their journeys to export goods and services overseas. Based on minimal input from business into the “Export Accelerator”, GtG suggests different resources that can be useful for every step of the export process, including financing, logistics, payments, specific market entry, identifying experts, and developing an e-commerce macro-strategy. All of GtG’s services are free for MSMEs to use. GtG also partners with a number of service providers that offer a wide range of services designed to help small businesses save time and money in engaging with international markets. For example, for U.S. small businesses seeking to enter China, GtG is launching a dashboard that aggregates data and services from companies like BorderXLabs, KungFuData, Tompkins, Inc., Zonos and more to shorten the learning curve for companies looking for the right solutions and an accurate competitive analysis when entering the Chinese market.

“We’re trying to build a 360 trade ecosystem” says GtG founder Josh Halpern. Mr. Halpern sees public/private platforms like GtG as critical to the future of trade promotion. Platforms that can leverage private industry data to understand target foreign markets, identify and address exporter pain points, help firms partner with best-in-class local service providers, and quickly find government services that are genuinely helpful can be hugely impactful for not only services-sector MSMEs, but all MSMEs attempting to engage across borders. The benefit for public sector partners is that GtG can deliver data-driven reporting on export success from its users with unprecedented accuracy, which is key for future funding allocations.

Website: <https://export.gettingtogetglobal.org>

A photograph of a man in a denim shirt smiling, standing in a shoe store. Another man is partially visible in the foreground, looking towards the smiling man. The background is filled with various styles of shoes hanging on a rack.

**How Connecting
MSMEs with Service-
Providers Facilitates
Trade**



Global Value Chains: The Unsung Enabler

GVCs: The Unsung Enabler

05

GVC participation enables MSMEs to capture the benefits of internationalization through lower trade barriers and costs, increased learning, and technical capacity.

MSMEs engaged in GVCs are more efficient, productive, and competitive compared to MSMEs who engage in direct trade. More than 50% of domestic value added to exports is attributed to SMEs (WTO, 2016, p. 42). More than 80% of global trade now occurs within international production networks of MNCs (OECD, Inclusive GVCs, p. 8). GVCs are crucially important to APEC stakeholders, especially MSMEs in developing economies.

MSMEs in GVCs face numerous challenges. GVCs have an inherent power differential—MNCs direct strategies, reporting, and set standards and payment timelines, which increases compliance costs for MSMEs. Most MSMEs are ill-equipped to comply as a result of their inherent characteristics of newness, scale, lack of expertise, and constrained resources.

Our interviews with business people, policy makers, and supporting ecosystem players revealed that MSMEs have incredible interest and potential to more fully participate in GVCs. The top three good practices for engaging more MSMEs in GVCs are developing clusters, increasing MSME supply chain financing, and developing single window systems for MSMEs to learn more about GVCs. These good practices ameliorate MSMEs' cash flow issues and expose them to new GVC opportunities.

Top 3 approaches that have "Major improvement" or "Breakthrough improvement" for helping engage MSMEs in GVCs

More focused cluster development

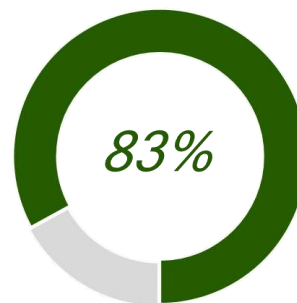
79%

MNCs be more involved in supply chain finance for MSMEs

78%

Develop single windows for MSMEs to learn about GVCs

77%



believe that the power differential between MSMEs and MNCs in GVC is a "Major challenge" or a "Severe challenge"

MSMEs engaged in GVCs enter the virtuous cycle of internationalization while avoiding the costs of regular direct trade. Both goods and services-sector MSMEs benefit from specialization, efficient resource allocation, and learning good practices from MNCs, while simultaneously avoiding the high costs of direct trade. Through specialization, MSMEs avoid having to make large fixed investments in distribution, marketing, logistics, and other areas needed to be successful in direct trade. Additionally, MSMEs in GVCs are relatively unburdened by the costs of complying with complex and disparate international standards, reducing their large opportunity costs.

GVCs enhance MSME productivity and competitiveness, allowing them to realize increased demand for goods and services, achieve economies of scale, and increase their credibility. GVCs indirectly expose MSMEs to cross-border markets. Ambitious MSMEs can leverage this expertise to potentially engage in direct trade and catalyzing the local economy.

Good practices such as enforcing payment timelines, building networks between MSMEs and MNCs, promoting innovative financing mechanisms, and providing export credit guarantees energize MSME participation in GVCs. Additionally, official business data sources do not actively measure MSME activity in

GVCs, which makes it difficult for economies to track MSME progress in GVCs and take actionable steps to foster participation, which remains heterogeneous and uneven.

GVCs have the potential to level the playing field for MSMEs in international trade, and ignoring this huge opportunity would be a major oversight. This section includes a meta-analysis of MSMEs and their participation in GVCs, then highlights good practice programs and policies obtained from interviews in the 21 APEC economies and our research questionnaire.

Global Value Chains: Meta-analysis

GVCs enable MSMEs to improve their basic business readiness, learn about internationalization, and gain good practice experience from MNCs.

GVCs enable MSMEs to have greater specialization in specific activities that lower fixed investments. MSMEs can invest smaller amounts in marketing and distribution networks. MSMEs can also avoid “beachhead” costs in direct international trade by participating in GVCs (WTO, 2016, p. 16).

GVCs provide MSMEs with an alternative mechanism to engage in cross-border trade without incurring the prohibitive costs of doing so. 50% of GVC stakeholders planned to further expand their businesses globally in the near future, compared to nearly 60% of non-GVC stakeholders having no plan to move outside their domestic markets (ADB, 2015, p. 43).

GVCs provide mechanisms that can lead to more productive outcomes in economies. GVCs increase the number of products and services exported, improve processes and productivity, increase sharing of best practices, innovation and learning, and increase employment.

Developing economies with the fastest growing GVC participation rates show GDP per capita growth rates 2% higher than average. Across the ASEAN region, the number of workers engaged in forward participation activities within GVCs has grown 3.5 times faster than total employment (OECD, 2016, p.10).

Service-sector MSMEs, especially B2B enterprises, offer MSMEs significant GVC opportunities at relatively lower fixed investments. In Viet Nam, the share of SME exports used by other countries to produce exports jumps from 5%, when considering manufacturing SMEs only, to 26% when service firms are included. (OECD, 2018, p.9)

GVCs are a powerful channel for transferring technology and world-class business skills to MSMEs. MSMEs must meet the GVC operating requirements. This improves MSME competitiveness and creates more efficient production processes and better scale, lowers cost, and fosters growth in new markets. MSMEs can leverage the reputational guarantee gained from working in a GVC to expand more rapidly, independent of the GVC (WTO, 2016, p. 104) (OECD, 2017, p. 23) (OECD, 2015, p. 21) (ADB, 2015, p. 34).

When comparing GVC and non-GVC players, MSMEs in GVCs performed 18% higher across a variety of business metrics (ADB, 2015, p. 49).

Stringent standards and certifications are often times precursors to MSMEs’ integration into GVCs. These certifications/standards provide a reputational guarantee to the MSME, which can be leveraged to expand more rapidly, independently of the GVC. This credibility-enhancing mechanism is particularly relevant for emerging economies, where informality of MSMEs is a challenge (WTO, 2016, p.69).

Access to financing is a critically important impediment for MSMEs seeking to engage in GVCs. Many MSMEs lack the financial capital to make the up-front investments needed to prepare for GVC participation (ADB, 2015, p. 35).

GVCs have the ability to trap MSMEs into low margin parts of the value chain, due to the inherent power differential between MSMEs and MNCs. MSMEs are disadvantaged in GVCs when larger firms and MNCs hold proprietary technologies and knowledge, and when there are multiple, competing suppliers. MSMEs lack bargaining power, especially when providing commodity-like inputs and/or services. Thus, the distribution of profits in GVCs often disadvantages MSMEs (OECD, 2015, p. 104) (ADB, 2015, p. 33).

Furthermore, record keeping, reporting, compliance, and paperwork maintenance (providing documentation to support rules of origin, prove organic or fair-trade status) are passed on from MNCs to MSMEs, increasing their cost of compliance.

Unfortunately, as the questionnaire result below indicates, this challenge is amplified in emerging economies, as compared to developed economies.

MSMEs in emerging economies are more likely to be trapped in low value-added activities.



Questionnaire participants who said MSMEs face "Major challenge" or "Severe challenge" in this GVC area



Global Value Chains: Meta-analysis

The small scale of most MSMEs makes it difficult for them to invest in the R&D and staff training needed to enter GVCs.

However, if MSMEs can get into GVCs, it can alleviate the challenges of scale disadvantages (WTO, 2016, p. 104).

**“There is a strong need to formalize the informal”
- International Women’s Organization Leader**

Factors affecting MSME participation in GVCs

The major impediments faced by MSMEs entering GVCs and advancing up the value chain have been identified as access to financing the burden of dealing with customs paperwork, transportation costs, compliance with international standards and quality, and inadequate ICT infrastructure (WTO 2016, p 104). Low tariffs, strong trade facilitation programs, and strong property rights are key to MSMEs’ participation in GVCs. Trade costs are disproportionately high for MSMEs. Protection of intellectual property (IP) is criti-

cal to GVCs. Where IP protection is strong, MNCs in GVCs can greatly expand the use of MSMEs in their GVCs. Particularly in emerging economies, locating qualified MSMEs to participate in GVCs is a major challenge. The informality of MSMEs hinders their ability to engage in GVCs.

The table below identifies the differential challenges for MSMEs engaged in direct versus GVC trade.

Indicator	MSMEs in Direct Trade	MSMEs in GVCs
Market Research	<ul style="list-style-type: none"> ●Find direct trade more labor intensive ●May have to travel to identify market opportunities ●Require access to foreign market information 	<ul style="list-style-type: none"> ●Do not perform their own market research or final customer identification research ●Find customers and businesses for intermediate processes
Marketing	<ul style="list-style-type: none"> ●Create brand ●Face costly cross-border marketing 	<ul style="list-style-type: none"> ●Most do not create brands, as they provide commoditized, intermediate inputs ●Must build credibility and reputation to provide goods or services to multiple MNCs
Insurance and Financing	<ul style="list-style-type: none"> ●Encounter limited transparency ●Must obtain expensive information on loans, insurance and financing ●Must pay for shipping insurance for goods, and trade financing 	<ul style="list-style-type: none"> ●Are constrained by access to credit, managerial experience and investment in fixed assets when engaging in export markets ●Have to make upfront investments in becoming GVC-ready without a sales commitment.
Regulatory Compliance	<ul style="list-style-type: none"> ●Find it time intensive to identify and comply ●Must invest to meet and keep up with standards 	<ul style="list-style-type: none"> ●Are transmitted MNC export compliance restriction requirements (certificates of origin, paperwork) as part of input-sourcing agreements
Distribution	<ul style="list-style-type: none"> ●Take on management of logistics ●Establish their own distribution networks ●Maintain complete control over the distribution of their goods 	<ul style="list-style-type: none"> ●Do not complete distribution to the market, but rather to the MNC procurement teams, in forward-linking GVCs ●Arrange for logistics for supplies on their end due to higher economies of scale and lower logistics and transportation costs
Operational Support	<ul style="list-style-type: none"> ●Need specialized IT and data management staff ●Need communication service 	<ul style="list-style-type: none"> ●Have better operations and capacity management than non-GVC players ●Can rely on GVC-linked transactions and investments for quality control systems and prevailing global standards, as well as cost, delivery, quality, and just-in-time systems
Contracts and Disputes	<ul style="list-style-type: none"> ●Can face difficult contract negotiations and dispute resolution due to informality of many MSMEs ●Encounter complex and costly language, cultural, administrative, and legal barriers 	<ul style="list-style-type: none"> ●Can face high legal costs with enforcement of contracts in GVCs, due to informality ●Have low bargaining power and are at the mercy of MNCs for dispute resolution due to monopsony nature of GVCs

Global Value Chains: Meta-analysis

Recommendations to date have included greater access to education and networks, as well as easing the financial impediments faced by MSMEs seeking to participate in GVCs.

GVCs with local knowledge enable MSMEs to expand to overseas markets.

For example, Chilean suppliers to Flabella, South America's largest department store, were brought to Peru during its expansion. These MSMEs have also been able to supply to other Peruvian firms (WTO, 2016, p. 67).

Providing policy assistance to an industry or cluster rather than individual MSMEs

is a cost-effective way for governments to help MSMEs participate in GVCs. MSMEs at various stages of participation in GVCs are subject to a number of inconsistent barriers. As such, these MSMEs need different types of support. Effective economy-level policies should be able to evolve in tandem with a firm's developmental stage. Clusters could facilitate cooperation and efficiencies with regards to learning and development among MSMEs, joint investment in R&D, and coordinated efforts on technology enhancement (ADB, 2015, p. 94).

Low tariffs, strong trade facilitation programs, and strong property protection rights are key to MSMEs' participation in GVCs (WTO, 2016, p. 8-11). More than 80% of respondents to an ADB survey identified simpler trade facilitation measures, education on international standards and regulations, and financial incentives for small suppliers as policy priorities for promoting MSMEs in GVCs (ADB, 2015, p. 94).

Support technological advancement, innovation, and digitalization of MSME operations. To increase MSMEs' ability to participate in GVCs, policies can help MSMEs increase operational effectiveness and the ability to onboard innovations on the frontier of technology. MSMEs' adoption of innovative technology is low. Policy-driven programs can support the onboarding of innovations for MSME operations, but special care must be taken

to discourage MSME dependence on government support for innovation (ADB, 2015, p. 117).

Programs that link MSMEs to larger enterprises through technical assistance could help to increase the capacity of MSMEs and make them more attractive as suppliers to multinationals. Setting uniform guidelines by industry opens up potential for MNC linkages. After meeting these standards, suppliers became flagship MSMEs, boasting current and sophisticated management and manufacturing know how (ADB, 2015, p. 18).

Encouraging MSMEs to move into higher parts of the value chain would help MSMEs to maintain competitiveness and sustain their businesses, allow them to garner greater bargaining power, and make them indispensable to MNCs. This is made all the more important because the removal of GVCs is very costly to the local economy, as it reduces growth and the number of jobs available. Helping MSMEs move up technology ladders, attract quality human capital and financing, and upgrade operational competencies are key policy initiatives in this area (APEC 2013, p. 21).

As mentioned in the questionnaire result highlighted on this page, the bargaining power differential between MSMEs and MNCs are considered a larger challenge by MSMEs than by MNCs.

Innovative financing solutions for MSME suppliers, exporters, and importers, such as supply chain finance and trade finance, public export credit guarantees, and interest rate subsidies for bank credit to MSMEs would lead to increased participation in GVCs (ADB, 2015, p. 121).

In addition to providing financing opportunities, governments could help in reducing the cost of screening credible borrowers and enforcement of loan contracts. Developing an alternative credit-rating system, and improving the efficiency of the justice system could help in reducing the risk for financial institutions and other lenders, and make access to financing easier for MSMEs.

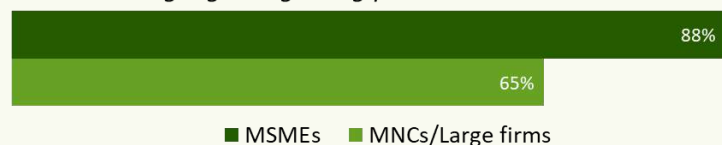
Central and local governments in developing economies could increase procurement from MSMEs, which would provide both increased demand for MSME goods and services and, in some cases, provide a "beach head" market opportunity for MSMEs. While MSMEs must meet the government's product thresholds or standards, participating in this value chain can also serve as a credibility-enhancing mechanism. Governments could also promote supplier diversity programs for procurement, which would specifically help women or minority-owned MSMEs (ADB 2015, p. 119).

More MSMEs than MNCs say the following problems are either a "Major challenge" or a "Severe challenge"

Waiting a long time for MNCs to pay MSMEs



MNCs having high bargaining power over MSMEs



■ MSMEs ■ MNCs/Large firms

Global Value Chains: Good Practices from the Voice of Business

GVCs allow for greater specialization in specific activities. MSMEs integrated into GVCs can significantly improve their performance by focusing their resources on tasks where they have advantages, and by importing intermediate goods. The market is unlikely to adjust for the power differential between MSMEs and MNCs, so policy interventions are critical. To further bolster MSME participation in GVCs across economies, business told us that policy interventions must diminish the impediments and barriers of MSMEs' inherent characteristics.

Enforce payment timelines for goods or services rendered by MSMEs to MNCs and the government. Positive and negative reinforcement can be utilized in the form of discounts for paying earlier or interest for late payments. For example, Chile passed the Pronto Pago (Timely Payment) bill that uses negative reinforcement and mandates a maximum 30-day payment term from the receipt of invoices for government contracts.

Support interaction and learning between MSMEs and MNCs through

supplier diversity programs and subsidies. Business told us there is a lack of networks to connect MSMEs and MNCs. This problem is amplified in developing economies with high levels of informal enterprises. In developing economies, government procurement arms could serve as catalysts to MSME demand and develop a clearinghouse for information on suppliers and opportunities. Since the 1980s, the Economic Development Board of Singapore has provided subsidies to local MSMEs to employ engineers and technicians from MNCs for 2 years. In this way, MSMEs are able to improve design, procurement, operations, and access knowledge required for GVC participation.

Promote export credit guarantees and innovative financing mechanisms, including supply chain, trade, and working capital financing. In Mexico, the Production Chains Program was launched by NAFIN, the state-owned development bank. It allows small suppliers to use their receivables from large buyers to access working capital financing. Additionally, it provides financial training and assistance to MSMEs. An electronic platform eases

the interaction of large buyers, MSMEs and financial institutions. Another example can be seen in ADB's 2016 partnership with Standard Chartered Bank, which has supported \$8 million of supply chain transactions through risk-sharing between the two banks.

Encourage clusters and associated networks. Clustering facilitates communication and learning among MSMEs in the value chain and encourages production sharing and division of labor to achieve collective efficiency. Clusters are cost-effective methods of delivering policy-created programs to many MSMEs.

Set and track harmonized guidelines for industries across economies to incentivize MNCs to involve more MSMEs in their GVCs. MSMEs lack time and financial resources to meet guidelines for each economy. Thai policy developed regulations to ensure that MSME manufacturers in the automotive industry could meet international quality standards and become flagship MSMEs for management and manufacturing practices.

“Most corporates don't know how to work with startups and vice-versa.”

-Innovation Hub Leader

What Does Not Work

Programs and policies that do not address the power differential between MNCs and MSMEs will fail to energize MSMEs into virtuous cycles.

Protectionist measures, including trade barriers that magnify and disproportionately increase costs for MSMEs in GVCs. MNCs seek the lowest cost and highest quality and have the ability to shift sourcing to different economies. Economies must create business-friendly environments, in part through the reduction of trade barriers, to enable MSMEs to participate in GVCs.

Enforcement of payment periods and contracts that place undue responsibility

on MSMEs. MSMEs lack the resources and specialization to devote time and money to contract enforcement. Enforcement must equalize the power differential between MNCs and MSMEs to be successful.

Programs that only encourage MSMEs to provide commoditized, low-value adding inputs. The benefits of virtuous cycles are not captured if MSMEs continue in low-growth, low-value activities in GVCs.

Programs that ignore MSMEs' backward participation in GVCs. MSMEs do not only produce intermediary goods and services in GVCs. They also purchase cross-border intermediary goods and services.

Standards and certifications that require MSMEs to self-invest in foreign-market readiness, with no guarantees for future contracts. MSMEs face high opportunity costs in expansion. Without a guarantee of their investment's success, MSMEs will struggle. MSMEs lack the stability to make uncertain investments.

Programs that do not encourage MSMEs to diversify their buyer base to increase bargaining power. An MSME with just one major client faces crippling risks, including bankruptcy, if that client terminates its contract.



Women's Business Enterprise Canada: Certifying and Encouraging Firms to Participate in Supplier Diversity Programs

50% of businesses in Canada are owned by women, yet only 5% of corporate and government contracts are awarded to women-owned businesses. Supplier diversity programs were first launched in Canada 15 years ago, and Women's Business Enterprise (WBE) Canada is a non-profit organization that supports women-owned businesses in a multitude of ways to get them more involved in global value chains and corporate supply chains of large organizations.

One of the main pillars of their work involves certifying that businesses are 51% owned, managed and controlled by women. Certification is built on the Women Business Enterprise National Council (WBENC) US model, and this rigorous standard of certification is recognized by companies like IBM, General Motors, Kellogg's, and Accenture, among many others.

In addition to certification, WBE Canada delivers education, training, coaching and mentoring programs that increase the capacity of women business owners to understand supply chains and bid successfully on large procurement opportunities. Furthermore, WBE provides women entrepreneurs with networks of successful current suppliers, procurement officers, and other certified firms to inspire and advise them. These networks enhance women-led MSMEs' capabilities to bid successfully for government and MNC contracts.

Events like WBE Canada's Annual Conference or other supplier diversity events have workshops, round-tables, and match-making sessions, where women-owned businesses in Canada can connect with hundreds of corporate buyers that are committed to sourcing from women-led enterprises.

Website: <https://www.wbecanada.ca>



Center of Competition Mexico (CCMX): Policy-driven Solutions to Link MSMEs to Large Firms

Created by the Mexican Business Council, CCMX aims to help MSMEs achieve growth in a sustainable way, by linking them with larger firms in the Mexican Business Council like FEMSA, Bimbo, Lala, and Soriana.

A rigorous 4-step program helps MSMEs continually improve based on good practices of larger firms:

Consulting Program: Professional consultants visit MSME facilities to diagnose, propose improvement plans, and follow-up on implementation.

Professional Training: Big companies share good practices with MSMEs through trainings and visits to large companies' facilities.

Business Links: SiVi is a web platform that facilitates interaction between large company procurement officers and CCMX suppliers. Large companies of the Mexican Business Council can schedule meetings after accessing MSMEs' contact information, size, geography, and catalogs of products and services.

Credit Access Program: Aids MSMEs in gathering financial information to increase the success of accessing and onboarding financing.

To date, CCMX has helped over **3,000 MSMEs**. It has preserved **45,000 jobs** and created **3,000 new jobs**.

Website: <http://www.ccmx.org.mx>



Women-led MSMEs in Trade: Still at the Starting Point

Women-led MSMEs in Trade: Still at the Starting Point



Until gender equality and effective support for MSMEs are achieved, women-led MSMEs will continue to be left behind, missing the economic and social benefits of internationalization and trade.

Women-led MSMEs face continued basic gender inequality in every economy. Their ability to become more competitive, access finance, grow, formalize, and participate in high-growth industries and sectors is limited. There is a continued lack of recognition and understanding about the challenges women face. Economies can fast-track economic development and inclusive growth by recognizing the value of women-led MSMEs, building intentional programs and policies to address challenges they face in readiness and in the trade pipeline, engaging men more effectively, and leveraging the benefits of the digital economy.

Enormous societal, economic, and business level benefits are left on the table when women are excluded from business and trade.

The economy benefits from gender equality. Achieving gender equality is estimated to generate \$12 trillion USD in global GDP growth (McKinsey, 2015, p. 9). Gender equality leads to a more productive workforce, is associated with increased the rates of return on investments and attracts more investors into an economy (WTO, 2017, p. 4-9), (WEC, 2017).

Society benefits when women are empowered. When women earn more, they invest 90% of earnings into their families, thereby improving health and education, expanding their family livelihoods and catalyzing growth to the economy overall (UN-ANGWGE, 2011, p. 4), (WTO, 2017, p. 4). Due to women being the dominant consumers and spenders in nearly all economies, there is greater social return on investment in women (ADB, 2017, p. 3).

Businesses benefit when gender equality is reached. Women-led businesses show a number of advantages, from greater credit-worthiness to more employment creation (Abouzahr et al., 2018). Women-led businesses demonstrate greater efficiency and higher return on investment (Nordea Bank, 2017, p. 1), (Noland et al., 2016, p.

8). A study of 22,000 publicly traded companies found that companies with greater women in leadership positions (from 0%-30%) was correlated with a 15% increase in profitability (Noland et al, 2016, p. 3).

Across APEC economies, there is a lack of understanding of the underlying barriers women face in business, and limited consensus has been reached on how best to help. Economies are struggling to attain gender equality and full economic participation of women. Several economies, in both the emerging and advanced groups, underperformed on global indices in participation of women.

The digital economy and e-commerce can empower women-led MSMEs in ways not possible before. E-commerce platforms increase access to markets for MSMEs. A focus on ensuring women can cross the digital and connectivity gap is necessary so that the women of APEC will not be left further behind. The services sector, where women are most concentrated, is predicted to be one of the largest growth sectors of the future.

“The gender gap widened in 60 countries last year, for the first time in a decade. It will take 217 years to achieve equality at the current rate.”

WEF, 2017, p.10

Most women-led MSMEs are trapped at the base of the pyramid. They face difficulty in starting, formalizing and growing their businesses—even domestically—due to entrenched social, legal, educational, and financial biases and challenges. Economies must build programs and policies focused on women’s empowerment and equality in order to enable more women to reach higher levels of the trade pyramid.



WOMEN'S EMPOWERMENT IN BUSINESS AND TRADE

Women must have strong economic participation before they can reach the stage of leading domestic and cross-border MSMEs. Gender inequalities, compounded by the general challenges MSMEs face, trap women at the bottom of the pyramid.

Women-led MSMEs: The Prize of Inclusion and Empowerment

Woman and their businesses lack choices and face differential challenges.

Many women still lack even the basic choice of whether to enter the labor market or not. They often lack the choice of whether to work, when and in what industry to work (ILO, 2010, p. 9). Many women engage in entrepreneurship out of necessity (GEM, 2018, p. 36). Women-led businesses are concentrated in the micro-end of the spectrum and more likely to be Informal (WTO, 2016, p.18). Encouraging and enforcing rights for women would be a step in the right direction to encourage women entrepreneurs (UN-ANGWE, 2011, p. 3), (ITC, 2016, p. 3).

The benefits to empowering women-led MSMEs in trade cannot be ignored.

An increase in women-led MSMEs would multiply the benefits of income distribution, help create better paying jobs for all, and enhance productivity and growth. This, in turn, would further lead to higher wages and higher quality jobs for all (WTO, 2016). Some studies have shown that women-owned firms that export are approximately 1.2 times more productive than men-owned exporting firms (ITC, 2016, p. 1). Close to 40% of SMEs worldwide are women-owned, but only 15% of exporting firms are women-led (WTO, 2017, p. 3).

Women-led MSMEs face higher barriers and biases that are more costly to overcome and drive down the potential gains women could achieve. For women-owned firms, the exporter productivity premium (EPP)—the difference in productivity between exporters and non-exporters— is roughly half the size of what it is for men-owned firms. This means that women gain less than men when exporting, despite having to overcome higher barriers and risks (Davies et al, 2015).

Even when opportunities for women in trade are increased, operating environment factors, like safety and unfavorable working conditions, limit their ability to capitalize on these opportunities. This, in turn, can introduce greater risks, lower protection and create more unfavorable working conditions for women (World Bank Group, 2015, p. 39).

All economies should be encouraged to conduct a gender-related assessment of trade agreements before signing them (UN-ANGWE, 2011, p. 17-18). An explicit reference to gender equality in the core text of



2.6x Globally, women complete about 2.6 times more unpaid labor in household and caretaking duties than men (OECD, 2018, p. 1).

“Gender-based violence is a big issue in cross-border...Women see it as a cost of doing business, being exploited by border agents, on transportation, in unsafe accommodations. Many see it as better to pay a bribe, or worse, than to not get goods across the border, so they can support their families.” - Expert on Women and Trade, USA

1 = 3.5 Women-owned firms that trade are 3.5 times more productive than those that do not (ITC, 2015, p. 3).

trade agreements helps increase political commitment and may increase the availability of funding for gender-related programs.

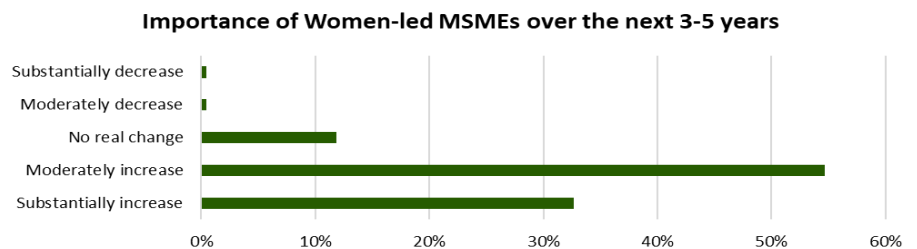
Empowering women in business and engaging women in cross-border trade has economic, societal, and enterprise-level benefits. The benefits of empowering women in business have been researched extensively. However, much room is left for further research on the specifics of women-led MSMEs engaged in trade and the challenges they face. Further research will facilitate economies’ ability to address the differential challenges this group faces.

“There’s not a huge body of work on promoting women’s role in trade. I’ve been surprised on the number of times I’ve been asked to present on a rapid, little study—it shows the lack of research.”

- Expert on Women’s Economic

There is limited research into women-led MSMEs in trade. This section elucidates what we learned about this topic in our interviews and research. Our research highlights the importance of building a consensus about challenges women face and generating understanding around women-led MSMEs. This is followed by our recommendations on what works to help women build capabilities so that they become ready for trade. Finally, we highlight key opportunities that have the potential to enable women to leapfrog over differential challenges and into higher growth businesses.

The importance of supporting women-led MSMEs will only grow in the future: A majority of questionnaire respondents across APEC believe that the importance of women-led MSMEs will moderately or substantially increase over the next 3-5 years.



Building Consensus and Understanding of Challenges for Women

Women-led MSMEs face both differential and unique challenges. Some challenges that both women- and men-led MSMEs face are similar, like accessing finance and training. However, these challenges are often amplified (aka differential) for women due to cultural and legal hurdles. Other challenges, such as caretaking and physical safety are more specific to women, aka unique. When women are primary care-takers, they must balance caretaking duties with business duties, making attending day-time trainings or in-person boot camps more difficult. Women must also worry about

physical safety when traveling for business. Discriminatory laws, like prohibitions on registering for a bank account without a husband’s signature, further limit women’s equality and abilities.

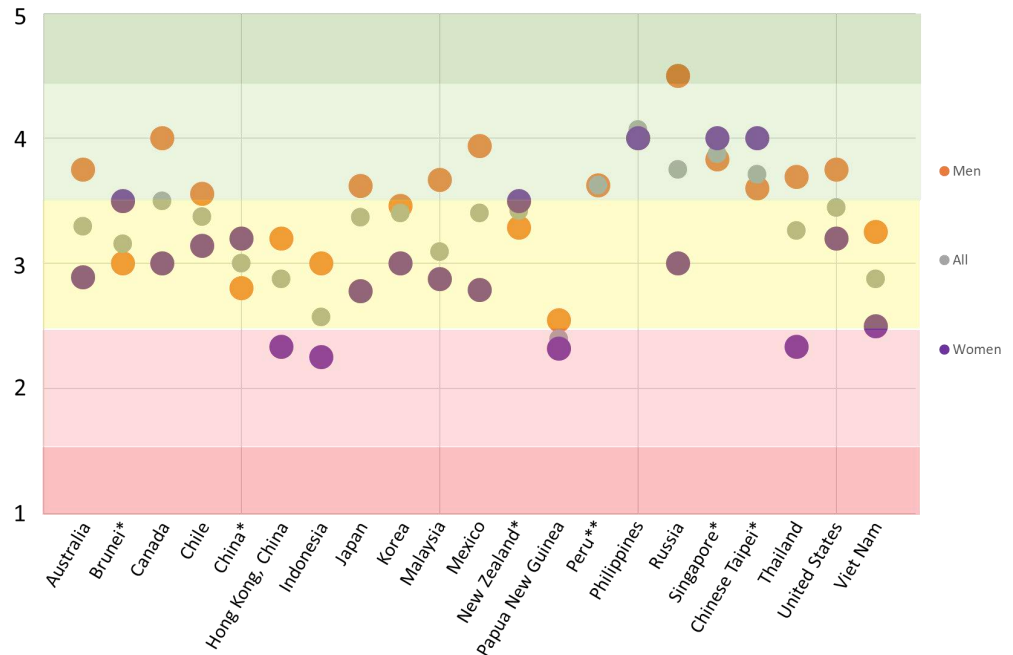
a startling lack of shared understanding about the depth of the problems faced by women.

Men and women lack a shared understanding about the differential and unique challenges faced by women in business in general, and by women-led MSMEs. Efforts are underway in every economy to make improvements for women, but these efforts are complicated by a failure to address the existence and impact of gender inequality. This leads to

Building shared understanding between both genders about differential and unique challenges is imperative before change can occur. The availability and success of programs to help women-led MSMEs will be limited until challenges they face are fully recognized. Until then, resources will continue to be misdirected or misallocated, and the challenge of overcoming the barriers and hurdles to growth will remain.

The One-Way Mirror:

Change is slowed when there is a blind spot—when genders perceive the difficulties faced by each other differently. Some problems that women face seem obvious to women, but men may not see it the same way. While a certain bias could be expected from either side, our questionnaire results clearly indicate that differing perceptions exist.



Men and women in most APEC economies share very different opinions about the status of women.

- 5 - Proactive programs in schools, business, and government that actively promote women in business. Cultural bias is actively addressed.
- 4 - Policy and business sectors are committed to eliminating bias and discrimination. Some cultural biases remain.
- 3 - Policy makers are committed to non-discriminatory regulations. Business lags in initiatives. Cultural biases remain.
- 2 - No legal restrictions. Strong cultural biases against equal participation of women in business.
- 1 - There are legal and customary restrictions and regulations on women’s participation in business. Strong cultural norms result in bias against equal participation of women in business.

*Economies where women had a more favorable view (higher rating) than men

During one interview, the female translator interjected multiple times to contradict the male interviewee’s rose-colored descriptions of women in business in their economy.

What Does Not Work

Promoting MSMEs without fixing underlying gender issues doesn’t work. Gender equality strongly promotes economic growth, however, economic growth does not promote gender

Understanding Women-led MSMEs

There is more than one type of women-led MSME.

Programs must be tailored towards addressing specific types of women-led MSMEs.

We came across great diversity in the types of women-led MSMEs in APEC. A majority of those that we encountered fall into one or more of the following four categories: Survivors, Gazelles, Returners, and Ghost Businesses.

The Survivors start businesses out of necessity, rather than with an entrepreneurial mindset or due to recognizing an opportunity. Programs tailored for Survivors must address basic governance skills, improve access to finance and networks, enhance the entrepreneurial mindset, and encourage formalization.

Gazelles, on the other hand, are women-led MSMEs who often have higher education and stronger economic backgrounds. These women start businesses out of opportunity recognition, but could benefit from measures that expand their access to finance and networks.

Returners are businesses started by women who had some labor force participation but were forced or chose to focus instead on care-taking duties. Most of the time, these women work at their business part-time while balancing child care or family duties. Improving affordable child-care, parental leave, access to finance and networks, and increasing opportunity recognition is key to assisting this group. Ghost businesses describes those businesses which are led or managed by women,



WOMEN-LED MSMEs

Created by Imperative

THE SURVIVORS

Created by women out of necessity and/or to support families.

THE RETURNERS

Created by women who are returning after leaving the workforce for family.

Created by Choice

THE GAZELLES

Women who are competent and ambitious entrepreneurs.

THE GHOST BUSINESSES

Run by a woman in another person's name, e.g. family-owned.

There are a number of different types of women-led businesses and they cannot be treated the same way.

The majority of women-led MSMEs fall under the category of Survivors. These businesses are created out of necessity, are often micro-enterprises, and usually reside in the informal economy. Economies must focus on fostering environments in which Gazelles flourish.

en, but were formalized under a husband's, father's or other man's name. Ghost business owners benefit from initiatives that help them overcome cultural and legal hurdles so that the woman can claim the business as her own.

There are two necessary avenues for helping women-led MSMEs. The short-term approach is to support programs crafted for each existing type of women-led MSME, taking into account the differences that each group of women face. The long-term approach is to encourage the creation of more Gazelles by addressing underlying gender inequality through entrepreneurial and STEM education for women.

Women-led MSMEs are often concentrated in gendered industries or in the informal sector, both of which carry lower growth opportunities.

Many women start businesses by utilizing domestic extension skills, such as cooking, cleaning, and sewing. Often these businesses are unable to scale and capitalize on opportunities in higher growth sectors, like technology. This, compounded with bias that banks and other funding sources may have against women, further limit access to capital. STEM and STEAM education, as well as programs encouraging girls to enter these areas during primary school education, can help women gain the skills and innovative thinking they need to expand out of the low growth sectors and grow their businesses in novel ways.

“Some family businesses are run by women, though not in their name. Sometimes, if the business grows, the husband takes it over from the wife, even though she was the one who made it successful.”

- Women in Business Expert, United States

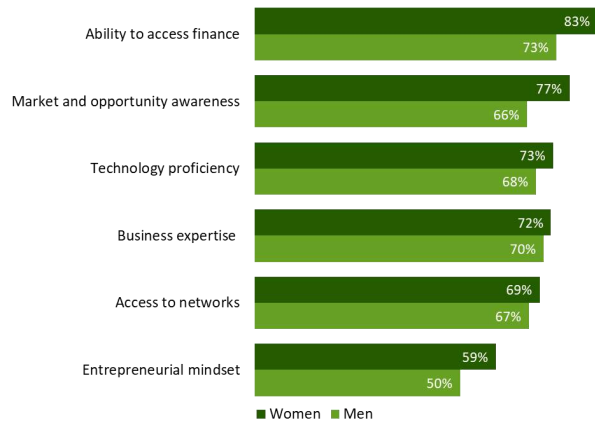
Enabling Women through Readiness Support: Closing the Gender Gap

Building strengths across all areas of readiness, as identified on p. 17 of this report, is more challenging for women. In nearly every area of MSME readiness, women questionnaire participants reported MSMEs as having lower capabilities in general. They specifically reported women-led MSMEs as having lower access to programs and opportunities which could help. These challenges limit women’s potential to engage in cross-border trade.

Enabling access to capability building programs is key to inclusive growth. Women require equal access to programs, however, even when programs are available, women may be limited from participating due to differential and unique factors. Marketed through word of mouth may never reach the ears of women, given their limited access to networks. Programs offered in the evening may conflict with women’s safety needs or caretaking responsibilities.

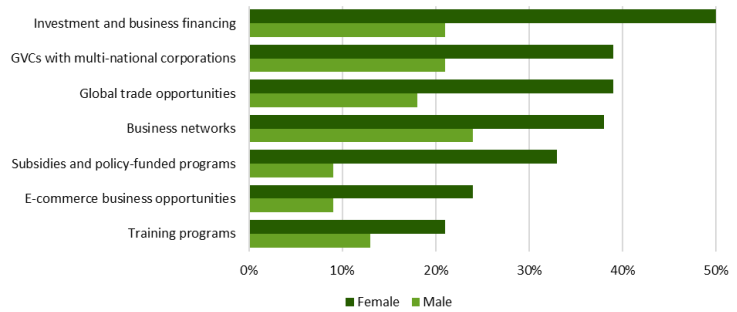
Key enablers to help women that came up repeatedly during our study include capitalization of the opportunities offered by digital technologies, greater engagement of men, affordable childcare, targeted funding, and assistance with obtaining financing. These enablers provide the differentiated support that women require to build readiness capabilities that MSMEs led by men may not need. More general enablers for both genders are discussed in the Readiness section of this report.

Women believe MSMEs have lower capabilities than men



Questionnaire participants who said MSMEs are 'not capable' or just 'somewhat capable' in each area of readiness

Women questionnaire participants believe it is much more difficult for women to access programs and opportunities



Questionnaire participants who said it is more difficult for women-led MSMEs to access programs

A Holistic, Tailored Approach for Women-led MSMEs: Bedu in Mexico

Blended on- and off-line training, mentorship, networking and more

Bedu is a public-private partnership in Mexico, with funding from the NGO, Cherie-Blair Foundation.

The partnership has provided financial training, mentorship, networking, tailored workspaces, and business education courses. These courses include marketing, governance, digital and coding skills, growth and scaling plans, and operations.

What makes the program unique is its holistic and specialized focus on meeting the specific needs of *women* entrepreneurs. Courses are provided both in-person and online, so that entrepreneurs can fit them into their busy schedules.

In addition, the program has succeeded in creating a women-supported community to provide entrepreneurs with social and professional networks. Women entrepreneurs are highlighted to encourage entrepreneurial attitudes and global mindsets.

Website: <https://bedu.org>

61%

of women questionnaire participants believe professional networking programs would be highly effective in promoting readiness

Readiness Support for Women: Accessing the Digital Economy

Women face connectivity and digital gaps. There is a digital gender gap spanning both the internet and mobile technology (OECD, 2018, p. 5), (GSMA, 2018, p. 16). A 2017 ITC/WTO report found that women are less digitally empowered than men. They utilize email less and have lower internet access. This is partially due to education, and in particular, digital train-

ing. Women in emerging economies face even greater hurdles as they are 8% less likely to have access to the internet than men (OECD, 2017, p. 233).

The digital economy can be a game changer for women but economies must invest in building capacity for women. While most developing economies

acknowledge that e-commerce provides economic opportunities for women, only 47% believe that development of computer and related services would have an impact on women's economic development (AID for Trade Monitoring and Evaluation Results, 2017).

What Works

Developing ICT infrastructure that is accessible and affordable. As mentioned in the Readiness section of this report, MSMEs must have access to quality ICT infrastructure. Women especially need this support as their adoption of the internet, email and e-commerce may lag behind.

Technology must stay in the hands of women. One thought leader we interviewed emphasized that programs providing technology to women have to ensure it stays in the hands of women. In one

program she referenced, mobile phones were given to women for their businesses, however, a follow-up visit showed that the husbands of nearly all participants had commandeered the phones.

Targeted learning programs. Women are less likely to enter into STEM and technology based fields. Programs which address this gap include those that introduce technology to elementary-aged students and women-only programs that teach skills like coding and using the internet for business.

Access to affordable ICT is viewed by women as being more difficult compared to men



Questionnaire participants who said there was 'no or limited availability' or that it is 'limited to only a few MSMEs'



“Technology in itself is gender neutral, but access to it and education about it is skewed towards men.”

- Global Economics Academic, EU

Readiness Support for Women: Engaging Men in the Process

What Works:

Men must be involved as mentors, advocates, caretakers, and networkers for women's economic participation to be achieved.

'Men as change agents' was a key theme that emerged from our in-country interviews. While programs and policies for women can create the safe space and support they need in business, economy and region-wide change demands an active role from men. Policies and programs that address this culture-shift can drive the largest impact.

Programs and policies to address culture are long-term investments must outlast individual political regimes and policy makers. Influential figures who can accelerate progress must be brought on board as champions.

89%

of male questionnaire respondents believe business mentorship programs would bring a positive impact to women

Men who embrace and advocate for inclusive growth can be a strong accelerator for bringing more women into the business ecosystem. Having successful male entrepreneurs as mentors can help women gain access to networks, industries, and functions where women are underrepresented.

Unconscious bias training is needed.

Mentors, teachers, and colleagues who are open to feedback and improvement can drive the best connections. Men must be effectively engaged at the family, community, policy, and business levels to become change agents and further gender equality.

“My father was my greatest supporter. He wanted his daughter to be an entrepreneur, before that was even popular. I never knew what gave him such an idea, but it made all the difference when the banks and everyone else was saying no, no, no to me.”

-Woman tech founder, SE Asia

HERproject: Bangladeshi Men as Change Agents

Since 2007, HERproject has consistently worked to address challenges facing low-income women workers in global supply chains.

“We’re providing training to both men and women, including workers and managers, to help them improve their communication skills and recognize how harmful gender stereotypes affect women at work and at home. Prior to formalizing male engagement in this program, men had demonstrated an interest in the trainings. Giving men the space to talk about issues related to gender norms, their relationships at home and at work, and violence against women has helped them become allies in promoting gender equality. Not only have we seen men actively engaging in the trainings themselves, but many say they are making personal changes—from how they interact with their wives to how they support their female colleagues in the workplace.”

Website: <https://herproject.org/>

What Does Not Work

Expanding women's networks by solely building women-only networks and mentorship opportunities. Women-only networks should not be the sole tool for expanding women's participation in business and cross-border trade. Men hold enormous resources and leadership positions in all economies so building both women-only and mixed networks is vital. This ensures that women-led MSMEs have access to the full range of resources and connections enjoyed by other MSMEs. While some focused mentorship by women is important, programs and policies must not stop at only offering access to women mentors.

Programs that attempt to address gender equality but fail to incorporate men as change agents may fail or even backfire, leading to negative impacts like increased gender-based violence on behalf of their recipients. (Edwards, 2017, p. 1)

Readiness Support for Women: Addressing the Caretaking Burden

Women are often primary caretakers. Lessening the caretaking burdens, encouraging a better work-life balance, and promoting access to affordable childcare enables women leaders to focus on developing their skills and businesses.

Women are primary caretakers.

Globally, women complete about 2.6 times more unpaid labor in household and caretaking duties than men (OECD, 2018, p. 1). The struggle of balancing this unpaid work with the work required to run their businesses came up in interviews throughout APEC, as well as from research and thought leader interviews.

Minimize the differential caretaking impact on women-led MSMEs.

Women-led MSMEs we interviewed want more policies that encourage men to be caretakers or ensure affordable childcare. In Chile, firms with 20 or more female employees must provide childcare for all children under two years of age at a separate facility close to the workplace. This encourages female employment and re-entry into the workforce after maternal leave.

Flexible scheduling and blended on- and off-line learning for capacity building programs allow women to balance caretaking duties. Childcare options for women-led MSMEs during trainings and at incubators or accelerator programs help ensure that women-led MSMEs can take full advantage of these resources. Public subsidies for childcare equalize the playing field by making childcare more affordable, especially for MSME owners who do not benefit from MNC benefits like on-site daycare.

“Women will always get asked questions like, ‘Are you married? Do you plan to have children? How old are you?’. Do men get asked these questions? No, they don’t.”

- Director of a Global E-Commerce Company

Policy Highlight:

Germany encourages paternal leave by increasing the amount of time off if *both* parents take full leave. This has led to more balanced caretaking duties and the ability of more women to stay in the workforce and participate in the economy.

Momprenneurship:

Enabled by parental leave and affordable childcare

In multiple APEC economies, interviewees expressed that a common concern was that pregnancy and child- birth significantly affect the professional careers and business ventures of women. Many interviewees believed that this is a key issue that prevents women from pursuing innovative, entrepreneurial careers with cross-border possibilities.

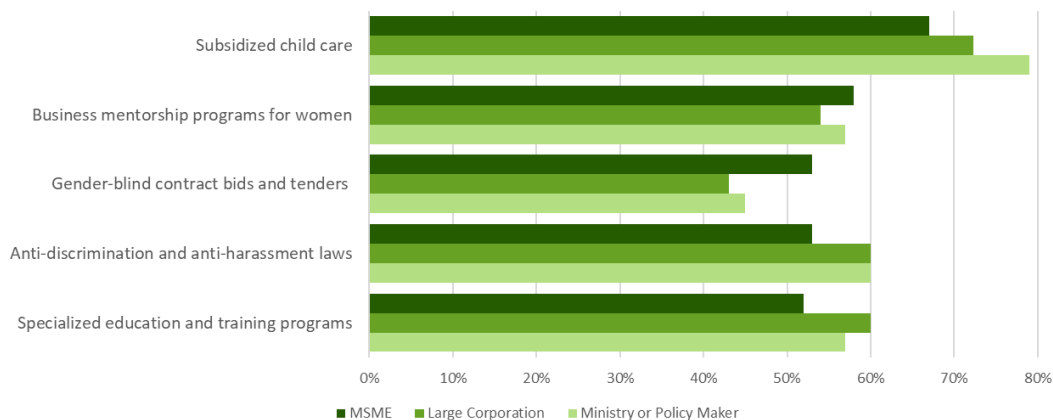
Introducing reliable support for child care was a solution that many believed would help.

73% of our questionnaire respondents believed that having a subsidized child care service would significantly improve the prospects of women-led businesses.

In addition to child care, parental leave policies can help women navigate pressures around child birth. Paternal leave can also encourage men to take an active part in early childcare and helps divide the personal and professional commitments between both parents.

The private sector has also started to create HR policies to support women before, during, and after child birth. By supporting more mothers’ return to the workforce, economies can maintain talent pools and increase their push towards innovation.

Subsidized child care was the top choice for all questionnaire respondents enabling women-led MSMEs



Readiness Support for Women: Increased Financial Access

Enhancing access to diverse forms of funding, and improving financial literacy of women-led MSMEs is vital to enable growth and scaling.

Greater inclusion of women in incubators and accelerators.

Accelerators are uniquely positioned to create positive change by encouraging a ‘growth mentality’ in women-led businesses while at the same time providing access to capital, mentors, and networks. Additionally, they can bolster specialized women-friendly capacity building programs (Abouzahr et al, 2018, p.2). Our research indicates that women believe incubators and accelerators are harder to access than men. Accelerators and supporting organizations for startups must make recruiting women entrepreneurs a focus in order to overcome this challenge.

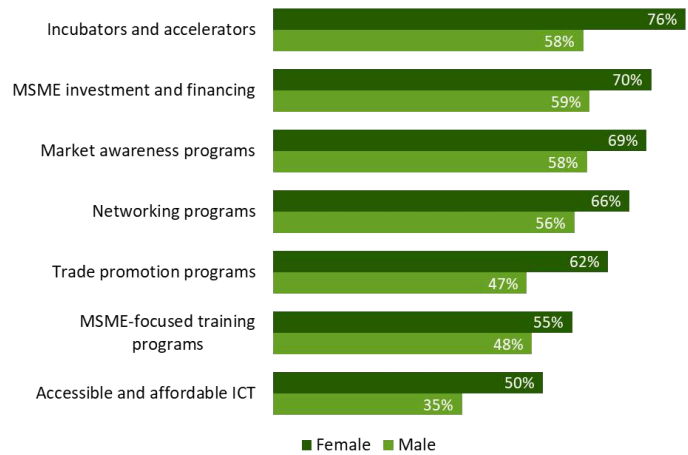
Continue to focus on microfinance, but also provide additional financial tools. A large amount of policy focus and development efforts have been targeted at providing women-owned firms in the micro sector with microfinance options. While this is important, additional focus needs to be put on women’s ability to access larger pools of capital, and, more critically, enhancing their ability to deploy that capital efficiently. When microfinance is readily available to women-led MSMEs but no other financing options are available, a disincentive to grow and scale up can occur.

Embed financial access into financial trainings. 59% of questionnaire responses by women indicated that financial training would have a major impact on women-led MSMEs in their economy.

Greater inclusion of women in the banking sector and VC space. Promoting the inclusion of women in banking and VC firms can be the first step towards addressing the massive financing gap for women-led MSMEs. VC firms that are led by women have stronger records of funding provided to women.

Crowdsourcing provides an innovative funding opportunity. Sites like the Ifundwomen in the United States or Fundnel of Singapore expand options by connecting many investors with entrepreneurs and MSMEs directly. This allows access to financial help without the barriers traditionally faced from bank lending or from angel and VC investors.

Women report incubators/accelerators and finance as being least accessible to MSMEs



Questionnaire participants who said MSME readiness programs have either 'no or limited availability' or are 'limited to only a few MSMEs'

Source: Miwe (2018) Mastercard Index of Women Entrepreneurship 2018. US

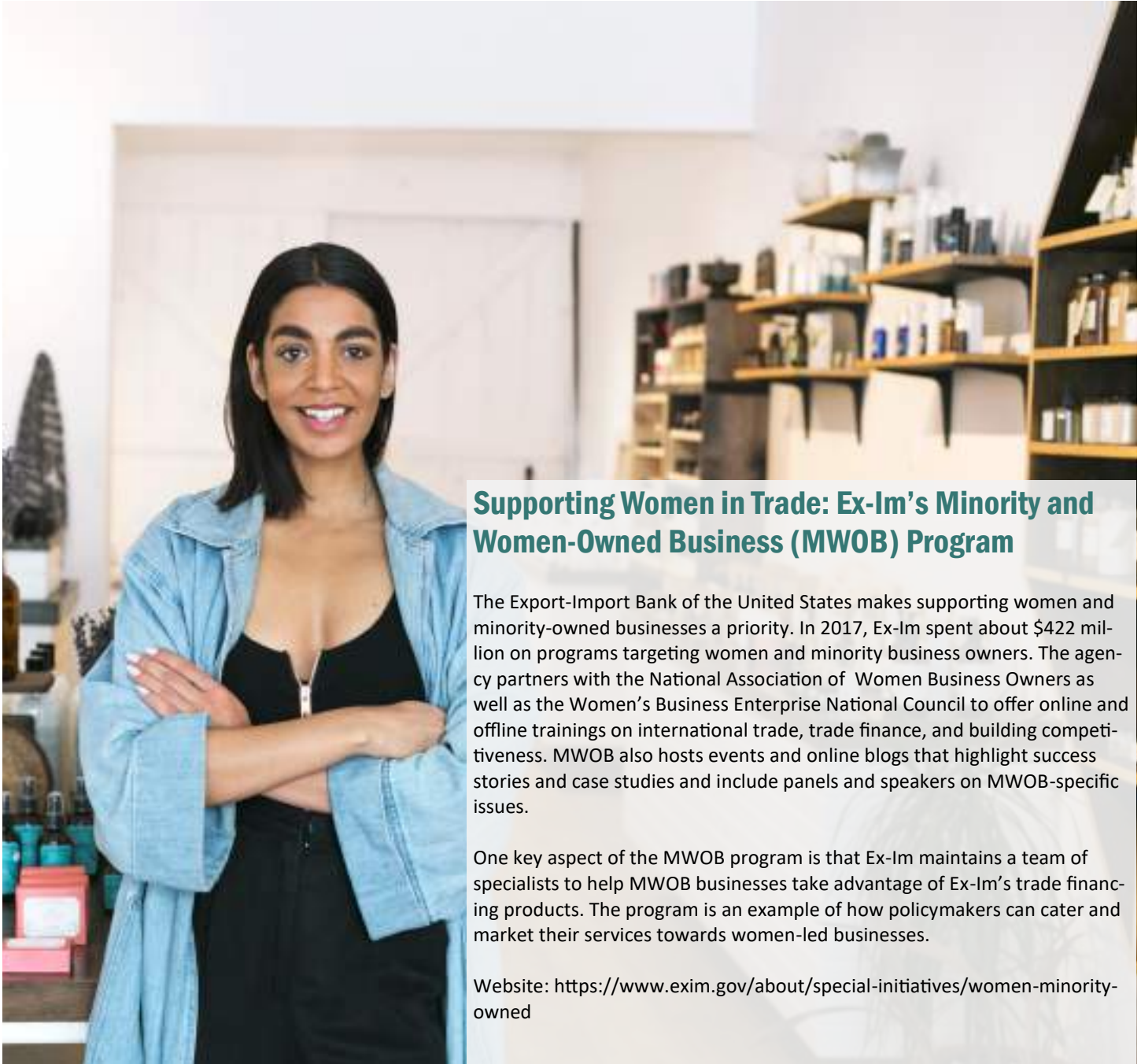
The Mastercard Index of Women Entrepreneurship measures total entrepreneurial activity by women in 59 economies, including indicators of growth mentality, ecosystem support for MSMEs and access to capital to support growth.

Mastercard Index of Women Entrepreneurship (MIWE)

Economy	2017	2018	APEC Ranking	Global Ranking (out of 57)
Australia	68.5	68.9	5	7
Canada	72.2	70.9	2	3
Chile	63.2	63.2	11	26
China	61.7	62.5	13	28
Hong Kong, China	65.1	65.8	7	15
Indonesia	61.6	62.4	14	29
Japan	55.4	51.1	19	46
Korea	53.5	57.2	18	43
Malaysia	62.8	61.9	15	30
Mexico	58.3	60.2	17	37
New Zealand	75.5	74.2	1	1
Peru	64.5	63.2	12	27
The Philippines	68.5	68	6	9
Russia	60.2	61.4	16	33
Singapore	71.2	69.2	4	5
Chinese Taipei	63.6	63.6	10	25
Thailand	67.1	65.8	8	16
United States	69.4	70.8	3	4
Viet Nam	65.8	65.5	9	18

*Data unavailable for Brunei, Papua New Guinea in 2018 Index

Readiness Support for Women: Increased Financial Access

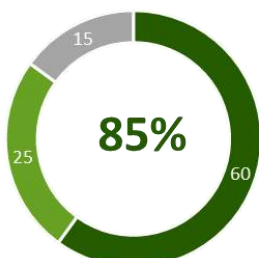


Supporting Women in Trade: Ex-Im’s Minority and Women-Owned Business (MWOB) Program

The Export-Import Bank of the United States makes supporting women and minority-owned businesses a priority. In 2017, Ex-Im spent about \$422 million on programs targeting women and minority business owners. The agency partners with the National Association of Women Business Owners as well as the Women’s Business Enterprise National Council to offer online and offline trainings on international trade, trade finance, and building competitiveness. MWOB also hosts events and online blogs that highlight success stories and case studies and include panels and speakers on MWOB-specific issues.

One key aspect of the MWOB program is that Ex-Im maintains a team of specialists to help MWOB businesses take advantage of Ex-Im’s trade financing products. The program is an example of how policymakers can cater and market their services towards women-led businesses.

Website: <https://www.exim.gov/about/special-initiatives/women-minority-owned>



85% of APEC economy respondents believe that the importance of women-led MSMEs will moderately or substantially increase in next 3-5 years

“When women business owners pitch their ideas to investors for early-stage capital, they receive significantly less– a disparity that averages more than \$1M [USD] more than men. Yet businesses founded by women ultimately deliver higher revenue– more than twice as much per dollar invested–than those founded by men, making women-owned companies better investments for financial backers.”

BCG (Abouzahr et al, 2018, p. 1)

Enabling Women-led MSMEs in Trade

Entry into Trade Presents New Challenges

Women-led MSMEs that have built readiness capabilities and are ready to participate in cross-border trade begin to face new barriers and hurdles. These hurdles occur along three distinct stages of trade, collectively called the trade pipeline: before the border, at the border and in foreign markets.



Women face challenges at every stage of the trade pipeline and, compared to men, these challenges are more difficult. The following section details what our research uncovered and presents best practices to enable women to overcome trade hurdles. In particular, we've noted that opportunities within the service industry, global value chains, and the digital economy can enable women to leapfrog over hurdles and into success.

BEFORE THE BORDER

As described in the trade pipeline section of this report, MSMEs planning to enter into cross-border trade must overcome significant hurdles, including having small scale, lacking trade knowledge and having limited talent and resources.

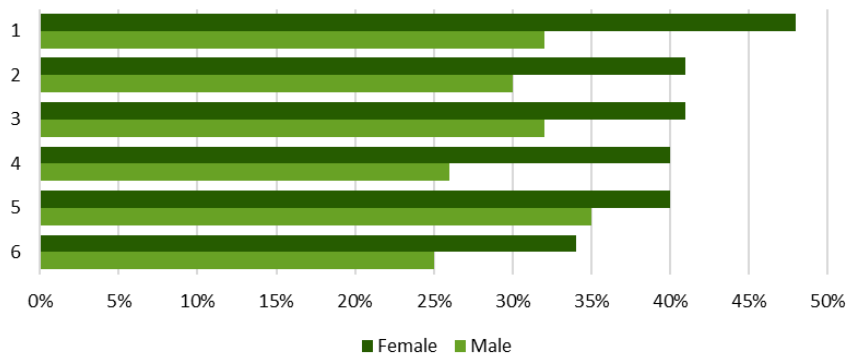
Women have higher hopes for programs which provide solutions to before the border challenges. When asked whether they believe a program would enable MSMEs to participate in cross-border trade, more women believed that programs would have a major or breakthrough change for MSMEs. Help identifying foreign partners and customers, and in export planning were programs highlighted as being highly effective.

Women-led MSMEs reported all challenges that occur before the border as being more difficult than men reported to be. Specifically, women reported issues such as identifying foreign business partners, finding foreign clients and customers, and visa issues to be much more of a challenge than men did.

"I have to bring my cousin or sister with me when I bring my goods into the city, but sometimes I can't afford the extra bus ticket, so I have to wait. Then, I run out of money."

Woman MSME owner, Malaysia

Before the border programs ranked to provide major or breakthrough change for MSMEs



1. Service connecting MSMEs with foreign partners and customers
2. A website to help MSMEs find foreign business partners and customers
3. Pairing MSMEs with business advisors with international experience
4. Export planning services (physical or online) that help which target market to enter
5. One-stop shop resource website with export process information
6. Trainings to increase awareness and utilization of FTAs

Before the border challenges:

- Finding and understanding trade rules and requirements
- Communicating with foreign contacts
- Localizing website and communication for foreign markets
- Access to trade financing and insurance
- Access to affordable logistics options
- Identifying target foreign markets
- Identifying foreign business partners
- Visa issues
- Finding foreign customers and clients

before the border challenge



Questionnaire participants who rated challenges as 'major' or 'severe'

Key Opportunities for Women-led MSMEs in Trade

THE DIGITAL ECONOMY

The digital economy presents a major opportunity for women-led MSMEs to leap forward towards the trade pipeline but requires that economies provide the infrastructure and environment necessary to enable their capitalization of this opportunity.

Digital solutions that limit the face-to-face interactions at borders and in applying for licenses reduce the opportunity for discrimination, demands for bribes or sexual favors, and gender-based violence (OECD, 2017, p. 234). Digital solutions can also help cut out the middle-men, which increases profitability for firms.

To enable these benefits, economies have many areas to strengthen. Economy-wide improvements in ICT, improvements in digital literacy, and systems and platforms that reduce gender bias are all needed. In addition, e-government, e-commerce, and online dispute resolution must be fully developed and accessible. Finally, economies must invest in building technological access and capacity for women.

Across our interviews, women reported that these improvement would differentially help them in business.

E-government reduces opportunities for bribery, exploitation, and corruption. E-commerce platforms enable women to

conduct business while avoiding gender biases. Online dispute resolution provides a less gender biased and faster method of resolving business disputes, enabling them to avoid direct confrontations and get back to business.

“Women do better than men virtually. They have quicker response times and better customer service.”

- Director of a Global E-Commerce Platform, China

Digital Drivers to Enable Women

E-commerce Platforms

Women in our study reported that using e-commerce enabled them to grow their businesses and bypass many challenges due to gender. Conducting business online also enabled women in our study to create a more flexible work schedule.

The idea of ‘minimum investment, maximum profit’ in e-commerce businesses is helping women start and grow businesses from their homes. With e-commerce, women do not need collateral or have high overhead costs due to physical locations. E-commerce expands women’s ability to grow exponentially and through international markets. Going online also removes gender biases as the online medium can place a layer of invisibility on the seller’s identity.

E-government

Women-led MSMEs experience higher levels of personal safety concerns and face an increased threat of corruption when crossing borders. E-government reduces differential impacts of corruption on women-led MSMEs. Predictable, up-to-date, and digitized information flows increase transparency. Online filing of customs paperwork allows a minimized level of interaction with officials at the border. These changes protect women and reduce the likelihood of their being taken advantage of or exploited.

“Online business is better for women because they don’t have to have face to face contact with men. Drinking is big- most ‘Me too’ accidents occur when alcohol is involved..... It is important to change mindsets. Education about equality when young is important.”

-Trade Association worker, Korea


Obstacles and Opportunities

The growing service sector offers opportunity for women

Women dominate the services sector globally, but not in developing economies. Globally, the services sector is the largest employer of women—with 62% engaged in this sector in 2015. (Women at Work ILO trends, 2016). The services sector is predicted to be a main driver of growth and employment in the future global economy. Investment in services has allowed countries like India to leapfrog manufacturing and develop more rapidly. Empowering women-led MSMEs to capitalize on services, particularly digital services across borders offers a powerful tool for avoiding at the border challenges and capitalizing on this growing trend.

GVCs: Obstacles and Opportunities

Research says that women-led businesses engaging in GVCs are more productive. However, women-led MSMEs engage in GVCs less frequently than they do in other sectors. Tailored programs which encourage women-led MSMEs to link into GVCs can offer a solution.



Laboratoria: Bringing technology skills to women How an MSME from Peru is making a difference to the women of Latin America

Among the many barriers that women-led MSMEs face in engaging in cross-border trade, language is a prominent one – one that often prevents MSMEs from even attempting to do cross border trade. However, there is one language that is universal and in fact an enabler in cross-border activities – Programming language. Mariana Costa - the CEO and founder of Laboratoria, a startup focused on training women to learn technology, calls it the language of the future!

The first of its kind in Latin America, Laboratoria focuses on providing qualified women access to training in coding that enables them to join the tech workforce. They specifically focus on finding talent from women of low-income areas who otherwise would not have the opportunity. The women who are selected for the program are given an intensive training program for 6 months to get specialization in specific areas of web development. The women enrolled in the program are given the support to find jobs, they are then required to pay a part of their salary as a training fee. And if they don't find a job, they don't have to pay. Laboratoria has already expanded its operations across multiple economies, Mexico, Chile and Brazil and has ambitions to continue scaling.

Laboratoria is a great example of how technology can be a huge enabler for women and cross border trade. Technology is one of those industries where gender and border barriers can appear insurmountable. However, building a thriving technology ecosystem is key and companies like Laboratoria drive this kind of change.

Website: <https://www.laboratoria.la>

Digital Helps Women


Finally Found Digital

Ciara showed clear business acumen from a young age and studied business through the doctoral level. She started her first business with her husband and per custom in her economy, registered it in his name. When he divorced her, she was left with no business or money, and four children to feed. She moved back in with her parents and began teaching business at the local university and mentoring other women entrepreneurs.

She soon launched another business in manufacturing. However, she could not access financing from banks or expand sales channels until she brought on two male full partners: a male colleague and her father. A co-founder issue with her colleague forced her to back out of the business eventually. She gave her part to her father.

Her third business is a virtual training center for women, an idea she generated from her mentoring work with other women entrepreneurs, who she saw repeatedly start low-margin businesses and fail to capitalize on opportunities for growth. Leveraging the stereotype of women as teachers that is prevalent in her economy, she has built a rapidly growing platform for learning and mentorship.

The business has seen rapid growth and is increasing its staff of mentors and teachers. Women-only networks are strong and supportive in her economy, and have provided a natural channel to rapidly expand. As a digital service provider, she has little overhead. Her rapid growth has caught the attention of MNCs in her economy who want to hire more women employees and train their staff regionally, which enhances the virtuous cycle of growth. She is providing additional part-time employment to nearly 100 women in her economy and others in her region, who also learn from and mentor each other as part of an expanding digital network of women entrepreneurs.



Cross-border digital education becomes a booming business for a serial entrepreneur in one APEC economy



Conclusion

Conclusion

Growing MSMEs in cross-border trade is worth the effort. Virtuous cycles are energized when MSMEs are empowered to be competitive, take advantage of the digital economy, and engage in cross-border trade directly or indirectly, through GVCs. The conscious and unconscious biases that women-led MSMEs face are severe impediments and barriers to their economic and social contributions. Yet, when these impediments and barriers are lowered, immense social and economic growth is unlocked. Empowerment of women-led MSMEs has a positive correlation with higher education and health levels.

The impact of “what does not work” programs and policies is severe. MSMEs are usually “born” into vicious cycles of low growth and low productivity. When policy and private sector interventions fail to energize them into virtuous cycles, 97% of firms in APEC become low-growth, small contributors to their economies’ social and economic growth.

The lack of a cohesive economy-level strategy exacerbates the effects of “what does not work” policies. Market distortions and MSME dependencies are amplified when economies enact a hodgepodge of programs and policies that represent differing opinions. Just as large firms who choose to remain uncommitted to a clear strategy usually fail, economies who do not coordinate efforts usually fail.

Vicious cycles can be broken. Good practices abound to accelerate virtuous cycles. A cohesive strategy enables MSMEs to access the learning, financing, networks, and information they need to successfully engage in cross-border trade. All APEC economies have good practices in place. Economies must multiply the number of good practices that are implemented and tracked.

The rapid advances in the digital economy will not reverse. Economies who do not foster business-friendly environments for e-payment, e-government, and e-commerce will permanently lag behind economies who have affordable and accessible ICT, a digitally skilled workforce, and a business-friendly regulatory environment. MSMEs who are service-based, in GVCs, or women-led benefit the most from the digital economy.

The path forward is clear for APEC and ABAC, the business community, and economies. Good practices must be shared across APEC and the world. Economies must have cohesive strategies for programs and policies that empower MSMEs to engage in cross-border trade. The business community must make their voices heard, and when economies welcome them to the negotiating table, they must show up.

The end is not yet written. The actions that APEC, ABAC, the business community, and economies take will determine the levels of virtuous–or vicious–cycles.



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Economy Assessments

Australia

MSME Capabilities and Competitiveness	<p>4</p> <p>Australia has a strong entrepreneurial culture, but MSMEs have low ambition to cross borders due to cost and complexity. Pro-MSME regulations are in place, but interviewees reported employment and taxation laws that differentially impact MSMEs. These reports mirror the findings of the WEF Global Competitiveness assessment of Australia. Training programs are available but can be cost-prohibitive. Many universities now have startup incubators, and entrepreneurial education is growing.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>Australia has a limited venture capital market. Promising startups or intellectual properties are often acquired by foreign investors. Dominance of "Big 4" banks restricts funding avenues. There is positive momentum on support for alternative financing, but development is still nascent. Funding for cross-border trade is difficult to access for MSMEs. Government grants exist but can be difficult to obtain or apply for.</p>
Technological Proficiency	<p>4</p> <p>Australian MSMEs have high technological proficiency relative to the rest of APEC. Major issues with Internet speeds and connectivity are differentially impactful on MSMEs. Interviewees expressed dissatisfaction with the rollout and performance of the NBN. A generational gap exists in ICT adoption and proficiency. Questionnaire data shows mixed opinions on efficacy of technical and e-commerce training programs. Interviewees expressed a desire for improved integration of digital literacy in school curricula.</p>
Digital Ecosystem	<p>3</p> <p>There is mixed ICT uptake among MSMEs. ICT access is differentially problematic for rural MSMEs. Internet speed and availability lags behind peers. Many e-government services exist, but interviewees expressed strong sentiment that government lacks adequate understanding of technology. Positive progress with regulatory sandboxes to promote innovation in emerging fields. Widespread use of e-payments, but e-commerce is still relatively new.</p>
Openness to Foreign MSMEs	<p>4</p> <p>Australia is party to many FTAs and is a key driver in CPTPP. Trusted Trader program is an enabler for foreign and domestic MSMEs alike. Many NTBs exist around foreign food and agriculture. Foreign entities require government approvals that may be differentially problematic for MSMEs. There is a strong domestic dispute resolution system. Foreign interviewees reported difficulty opening Australian business bank accounts.</p>
Support for Cross-Border MSMEs	<p>3</p> <p>Australia underperforms most of APEC in terms of costs and time required to export/import. The Australian Trade and Investment Commission (Austrade) offers many services, including networking programs, trade promotion services, market research information, and advisory services, among others. However, these can be expensive to access and may not be tailored specifically for MSMEs. Competition between states in trade promotion inhibits broader economy-level efforts.</p>
MSMEs in GVCs	<p>3</p> <p>MNCs can easily identify and engage with Australian MSMEs. Some large corporations have developed their own incubators and grants. Interviewees reported that MSMEs seeking to join GVCs struggle with lengthy payback periods, a lack of skilled labor, and low bargaining power. However, they also reported that engaging in GVCs remains the preferred method for Australian MSMEs seeking to participate in cross-border trade.</p>
Support for Services Focused MSMEs	<p>4</p> <p>Australian MSMEs are strong in services, but their cross-border growth is hampered by long payback periods and a lack of cross-border regulatory harmonization in services. Services MSMEs face some data localization restrictions and encounter issues with visas and free movement of employees outside of Australia. Australia promotes services heavily via involvement in various FTAs and the Trade in Services Agreement.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>No legal restrictions exist, but many interviewees reported cultural biases remain. Interviewees reported few visible female entrepreneur role models and that access to finance can be differentially problematic for women. Business and policymakers are committed to eliminating bias and discrimination. Female representation in business leadership is low, though progress has been made in improving gender balance among ASX 200 executive leadership teams.</p>

Low Score



High Score

Australia

Key Demographics

Number of MSMEs : 2,117,518

MSME Percentage of Total Enterprises: 97%

MSME Percentage of Total Employment: 68%

MSME Percentage of Contribution to GDP: 56%

Percentage of Women in Workforce: 46%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	5	3
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	21	5
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	7	5
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	15	7
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	40	13
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	11	4
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	16	3
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		4
United Nations E-government Survey 2018 (rank/193)	2	1
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	27	12
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017—Enforcing Contracts (rank/190)	3	3
(The World Bank) Doing Business 2017—Trading Across Borders (rank/190)	95	15
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	127	16
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	32	9
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	30	6
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	7	5

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Brunei Darussalam

MSME Capabilities and Competitiveness	<p>2</p> <p>Despite high levels of education and expanded capacity-building services, MSME competitiveness is limited. In interviews, access to finance, risk tolerance, market opportunity awareness, entrepreneurial mindset, marketing, and financial governance were highlighted as challenges. Our questionnaire indicated that there is governmental and some private sector support but insufficient resources dedicated to MSME competitiveness.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>MSMEs and entrepreneurs identified recently expanded and improving debt financing options but reported high risk aversion and bureaucratic burdens in application procedures. Crowd-sourced and equity financing options were reported as very limited. Most interviews identified 'self-financing' or family and friends as the most common option when starting or growing a business. Cross border financing was reportedly limited.</p>
Technological Proficiency	<p>3</p> <p>ICT infrastructure exists but is considered too slow for businesses competing at international levels. Some disparity with connectivity in rural areas. Technology training programs exist but were reported to often lag behind business and were at times outdated. Rapid adoption of new technology from abroad is common though full integration of technology in MSME business methods more rare.</p>
Digital Ecosystem	<p>3</p> <p>Access to digital payments are slow to evolve, compared to other economies. Policymakers are aware of new technologies but slow to encourage adoption and lack comprehensive policies. E-government efforts are underway but thwarted by excessive bureaucracy and lack of coordination. E-commerce exists but hampered by lack of e-payment options. Fragmented access to e-commerce platforms.</p>
Openness to Foreign MSMEs	<p>4</p> <p>The economy is open to foreign goods and services for the most part and participates in many FTAs. High number of imports. Information and access to trade logistics for foreign MSMEs was not always available, transparent, or online, but this did not appear to hamper ability to do business in Brunei. Low restrictions on foreign ownership and FDI.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>The general belief is that MSMEs should demonstrate capacity and competitiveness domestically before going abroad or linking into GVCs, which limits MSME capacity-building. Some programs and policies enable MSMEs to easily access export information, foreign market opportunities, and logistics support. Overall support is insufficient for MSMEs to cross borders.</p>
MSMEs in GVCs	<p>3</p> <p>Many MSMEs are engaged in GVCs though there is concentration in certain sectors and communities more than others. There are some programs that help MSMEs identify and engage in GVCs though few. No policies are in place for MSME cash flow sustainability regarding GVC payment terms. Standards are sometimes easily accessible and harmonized within industries. Interaction and learning, including training and development between MSMEs and MNCs, is sometimes encouraged.</p>
Support for Services Focused MSMEs	<p>3</p> <p>Support for MSMEs in services is under-developed, despite high levels of education and international travel. However, no national strategy to enable service-focused MSME imports and exports seemed to be in place.. Specific trainings, funding, and dispute resolution programs do not exist for service-sector MSMEs. Data does not flow freely across borders and security and privacy concerns are not well-defined or understood.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Easy access to affordable childcare and education help women overcome some structural, legal, and cultural barriers. Women-led MSMEs function on largely gender-specific industries and are only starting to move into other industries. Questionnaire data indicates most are hopeful that the ecosystem for women is improving and believe women-led MSMEs are as capable as men-led MSMEs in key areas.</p>

Low Score



High Score

Brunei Darussalam

Key Demographics

Number of MSMEs: 8,795

MSME Percentage of Total Enterprises: 98.43%

MSME Percentage of Total Employment: 58%

MSME Percentage of Contribution to GDP: 22%

Percentage of Women in Workforce: 43%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	53	11
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	70	14
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	58	11
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	89	18
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	67	18
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	80	18
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	51	10
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		11
United Nations E-government Survey 2018 (rank/193)	59	11
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	20	9
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	61	15
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	144	21
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	74	5
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	107	20
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	21	4
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	NA	NA

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Canada

MSME Capabilities and Competitiveness	<p>3</p> <p>Programs from Innovation, Science, and Economic Development (ISED) organization help Canadian MSMEs. While a highly entrepreneurial environment exists, attracting qualified human capital, basic business literacy and contract enforcement can be improved. Lack of diversification and ambition inhibits scaling up. Many MSMEs are started by immigrants because either they are unable to fit into the Canadian work culture or the skills from their home country are not transferable.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>Equity financing opportunities (through VCs) could be improved. Banks are much more conservative than other growing or developed economies, but programs like Canadian Small Business Financial Lending (CSBFL) and credit guarantee programs for all the schedule A banks have been instituted. But banks are not allowed to lend for soft costs, and pre-revenue investment is limited.</p>
Technological Proficiency	<p>4</p> <p>ICT Infrastructure is reliable, and affordable, and widely available. Most of the population is sufficiently technologically literate. MSMEs maintain a digital presence from initiation because they look to the US market for trade opportunities.</p>
Digital Ecosystem	<p>4</p> <p>E-Payments and E-Government are well-integrated into the business ecosystem with registration, taxes, and other administrative tasks being easy to perform. In most transactions, email confirmation is believed to be an agreement between parties. MSMEs participate in many international e-commerce platforms because the logistics ecosystem is well developed.</p>
Openness to Foreign MSMEs	<p>4</p> <p>Due to proximity to the large North American market, foreign-owned MSMEs have no problems trading with Canada. However, market dominance of MNCs exists, and while a lot of information is available online, the mechanisms of accessing the information could be improved. Additionally, any businesses that are started by foreign nationals need a partner who is a Canadian citizen or landed immigrant.</p>
Support for Cross-Border MSMEs	<p>4</p> <p>Export Development Canada provides a strong support network for Canadian MSMEs, and partnerships with UPS improve logistics. While regulations are easily accessible, a lack of social and professional networks leads to entrepreneurs not expanding abroad. Canadian Foreign Service serves as a great knowledge base with experts for trade issues, and Canadian MSMEs have a certain credibility due to the brand of the country.</p>
MSMEs in GVCs	<p>3</p> <p>Supplier diversity programs are established, but tracking and encouragement could still be improved. The lack of a centralized place for MSMEs to learn more about opportunities and high reliance on reference and background check and a low risk appetite from MNCs adversely affects MSMEs. Programs like the Canadian Digital Media Network and Women Business Enterprise Canada have nation-wide hubs and networks and help MSMEs integrate into GVCs.</p>
Support for Services Focused MSMEs	<p>4</p> <p>While Canadian services industries are competitive on the global stage, there is a challenge related to raising funding for intangible goods. For example, in the real estate sector, banks are limited in scope to loan money out for soft costs, which disadvantages services based MSMEs. However, Canadian certifications are valuable and are widely accepted throughout the world.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>The environment is favorable, and many programs exist such as Women's Enterprise Canada, Business Women in International Trade, Women Business Enterprise Canada, but challenges include lack of mentorship and coaching, lack of tracking efficacy of programs, and lack of ambition to go international.</p>

Low Score



High Score

Canada

Key Demographics

Number of MSMEs: 1,707,372

MSME Percentage of Total Enterprises: 99.91%

MSME Percentage of Total Employment: 90%

MSME Percentage of Contribution to GDP: 27%

Percentage of Women in Workforce: 47%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	3	2
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	24	7
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	2	2
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	19	9
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	25	9
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	30	9
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	17	4
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		3
United Nations E-government Survey 2018 (rank/193)	23	7
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	29	13
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	114	18
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	46	5
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	115	13
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	21	5
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	8	3
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	3	2

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Chile

MSME Capabilities and Competitiveness	<p>4</p> <p>MSMEs are strongly supported by the government in financing, training, and networking through organizations like Start-Up Chile, Pro Chile, INJUV. Major challenges include lack of basic business literacy among entrepreneurs and informality of MSMEs. In addition, there is a large unbanked population because of high minimums to start bank accounts and a largely cash-based economy, which makes e-commerce challenging.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>VC ecosystem, innovative financing mechanisms (supply chain, receivables, trade) and microfinancing (Bani Igualdad) is limited. Banks extending credit and government grants are some of the only options for entrepreneurs. Credit-guarantees and incentives from CORFO are limited in scope and scale. Funding training is still a big challenge because banks only prefer to fund physical improvements (factories or equipment).</p>
Technological Proficiency	<p>3</p> <p>ICT infrastructure and smartphone penetration is high and one of the best in the LATAM region, but their use in business is low. Technologically proficient human capital and policy makers are scarce, although government programs to encourage both, such as the Technology Transfer Offices (TTOs) in Chilean universities, have been introduced by CORFO.</p>
Digital Ecosystem	<p>3</p> <p>Government platforms and policies like SICEX (single window for export), Compra (centralized platform for government procurement), Proveedores (database of suppliers), Atiende (portal for public service information), SII (tax authority) are comprehensive, but need to be better publicized and tracked. Programs from Chamber of Commerce exist to encourage e-commerce. E-Payment is currently dominated by a monopoly of large banks.</p>
Openness to Foreign MSMEs	<p>4</p> <p>Information on trade rules and requirements are easily available, but dispute resolution, credibility, and MNC market dominance concerns exist. Chile has one of the highest labeling standards in the world, which makes it difficult for international companies. Foreign nationals can register a business in one day, similar to Chileans but cannot open a bank account until one year after they are residents.</p>
Support for Cross-Border MSMEs	<p>4</p> <p>Recognizing that Chile is a small market, the majority of MSMEs take advantage of and trade within the Pacific Alliance. MSMEs are ably supported by government programs and organizations like Pro Chile, single window SICEX Chile, and Chambers of Commerce. However, logistics concerns do exist, and tracking/tracing and credibility enhancing mechanisms could be improved to help Chilean MSMEs</p>
MSMEs in GVCs	<p>4</p> <p>Long payment terms and informality of small businesses are the main challenge facing MSMEs participating in GVCs. However, programs such as Chile Compra and Chile Proveedores that encourage government procurement from MSMEs, and newly passed Timely Payment (Pronto Pago) bill will allow Chile to move to the next stage of GVCs.</p>
Support for Services Focused MSMEs	<p>3</p> <p>Currently, definitions of MSMEs are tied purely to sales, so a specific definition for services MSMEs would help. Services sector MSMEs lack credibility enhancing mechanisms and dispute resolution mechanisms like AJCAM from the Chamber of Commerce Center of Arbitration and Mediation exist but are not widely known. IP protection could be improved particularly in relation to piracy, copyright, and patent protection.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Other than "S-Factory," not many female entrepreneur-focused programs exist. Cultural and educational barriers are probably the largest challenges and are amplified by regulations like <i>Sociedad Conyugal</i>. Mandatory child care policies are available for companies with more than 20 female employees, and need to be expanded.</p>

Low Score



High Score

Chile

Key Demographics

Number of MSMEs: 834,085

MSME Percentage of Total Enterprises: 98.50%

MSME Percentage of Total Employment: 46%

MSME Percentage of Contribution to GDP: N/A

Percentage of Women in Workforce: 41%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	19	6
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	29	10
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	65	12
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	16	8
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	41	14
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	43	12
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	34	9
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		14
United Nations E-government Survey 2018 (rank/193)	42	9
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	56	16
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	56	14
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	68	12
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	13	1
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	31	8
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	58	10
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	26	11

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

People's Republic of China

MSME Capabilities and Competitiveness	3	Networks of entrepreneurs are geographically concentrated and generating innovation but, no formal networking functions or mentorship programs are in place, especially for women. Market dominance by large firms make market entry and competition tough for MSMEs.
Accessibility and Efficacy of MSME Financing	3	There is good availability of formal and informal venture capital. Supportive financing programs exist for MSMEs engaged in cross-border trade and for MSME-directed FDI.
Technological Proficiency	3	There is heavy investment by government for ICT. While major cities are well-connected and believe they have adequate startup skills, rural parts of China still lag. The level of technological readiness remains relatively low.
Digital Ecosystem	4	China has been a key innovators in e-payment with solutions like Alipay, Taobao, and Tenpay, making e-payments wide-spread. MSME participation in e-commerce is high with platforms like Alibaba and DHGate making it easier to sell online. Companies also offer educational programs to help small businesses. Greater access to mobile technology in China is key. MSMEs still need to overcome regulatory and infrastructure challenges in order to fully leverage the opportunities.
Openness to Foreign MSMEs	2	Information on customs and NTBs is unclear, out of date, and not digitally available. China remains a closed market with high tariff rates and complex schedules. Tariffs and burdensome import procedures are the most problematic factors for importing. Dispute resolution is timely and costly, and corruption sometimes occurs. The efficiency of courts and enforcing contracts vary significantly across the country.
Support for Cross-Border MSMEs	3	The world's largest exporter, China's availability of transport services is amazing. China's Federation of Logistics efficiently utilizes supply chains to connect firms to domestic and international opportunities. Good logistics services reduce the cost of trade. Clearing customs remains cumbersome, requiring significant paperwork. However, identifying potential markets and buyers as well as technical requirements and standards abroad are the two most problematic factors for exporting.
MSMEs in GVCs	3	China's transport infrastructure is robust, especially in terms of air and port connectivity. MNCs can easily identify and engage some MSMEs. No policies are in place for MSME cash flow sustainability regarding GVC payment terms. Standards are sometimes easily accessible and harmonized within industries. Interaction and learning, including training and development between MSMEs and MNCs, is sometimes encouraged. There is good availability of risk finance.
Support for Services Focused MSMEs	3	China is the world's largest exporter and is more commodities-focused. Specific trainings, funding, and dispute resolution programs exist for service-sector MSMEs but are not universally known and accessible. Cross-cultural barriers are difficult for services. Regulation is high, and requirements are not universally known and accessible.
Supportive ecosystem for women-led MSMEs	3	There is a healthy proportion of women-led MSMEs but a lack of formal networking functions, recruiting events and mentoring. Gender-biases still exist.

Low Score



High Score

People's Republic of China

Key Demographics

Number of MSMEs: 56,061,600

MSME Percentage of Total Enterprises: 97.90%

MSME Percentage of Total Employment: 82%

MSME Percentage of Contribution to GDP: 58%

Percentage of Women in Workforce: 44%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	43	10
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	42	11
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	93	14
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	34	13
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	10	4
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	64	14
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	69	13
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		12
United Nations E-government Survey 2018 (rank/193)	65	13
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	1	1
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	5	4
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	97	16
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	124	15
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	52	13
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	67	12
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	28	13

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Hong Kong, China

<p>MSME Capabilities and Competitiveness</p>	<p>4</p> <p>There are a wide variety of resources for MSMEs, including the Support and Consultation Centre, which is run by the Trade and Industry Department in collaboration with various trade and industrial organizations. This provides basic business information services that focus on providing knowledge and resources for MSMEs. Hong Kong organizes seminars and workshops to help broaden MSME's business knowledge and MSMEs can also apply for the SME Mentorship Programme.</p>
<p>Accessibility and Efficacy of MSME Financing</p>	<p>4</p> <p>While the government of Hong Kong does offers different types of loans and funding schemes to support and promote the development of MSMEs in Hong Kong, there is a lack of venture capital and angel investment opportunities. Additionally, the HKMC SME Financing Guarantee is not being properly utilized as banks are reluctant to promote these loans as they have to deal with extended payback periods from the HK government.</p>
<p>Technological Proficiency</p>	<p>4</p> <p>The ICT sector of Hong Kong is among the most advanced in the world. Hong Kong has a large pool of skilled ICT professionals and to foster the ICT industry development, Hong Kong has emphasized initiatives, including funding support, provision of infrastructure, international cooperation, and manpower development. According to the annual global ICT Development Index published by ITU, Hong Kong ranked second in Asia and sixth in the world.</p>
<p>Digital Ecosystem</p>	<p>4</p> <p>Hong Kong is extremely well connected: Internet access is available almost everywhere via WiFi or broadband. Additionally the Hong Kong government launched a one-stop portal, GovHK, to facilitate public access to online government information and services. However Hong Kong is a little behind other economies when it comes to digital payments and e-commerce platforms.</p>
<p>Openness to Foreign MSMEs</p>	<p>5</p> <p>Hong Kong is the world's second-largest recipient of foreign direct investment. This is due to the fact that capital gains are not taxed and profits can be freely converted and remitted. Additionally, foreign and Hong Kong-owned company profits are taxed at the same rate. There are no preferential or discriminatory import/export policies that affect foreign investors. Foreign investments face no disincentives, such as quotas, bonds, deposits, or other similar regulations.</p>
<p>Support for Cross-Border MSMEs</p>	<p>5</p> <p>The Hong Kong Trade Development Council helps Hong Kong's MSMEs connect with business clients and partners around the world by hosting trade fairs and promotional activities, networking and outreach events, and trade missions. As a direct result, more than 70% of Hong Kong MSMEs are now exporting globally.</p>
<p>MSMEs in GVCs</p>	<p>4</p> <p>While Hong Kong has tended to specialize in GVC that focus on logistics and finance, recently the government has been providing support to enhance Hong Kong enterprises' competitiveness for greater participation in the GVCs. There a few programs that help MSMEs identify and engage in GVCs, but there their are no standardized payment terms for MNCs. Training and development programs between MSMEs and MNCs are in the processes of being developed.</p>
<p>Support for Services Focused MSMEs</p>	<p>4</p> <p>Hong Kong's is one of the most service-oriented economies in the world. In 2015, the services sector constituted a share of roughly 93% of Hong Kong's (GDP). There are programs that provide training, mentorship, and support for service-focused MSMEs. Hong Kong is known as a regional hub for business dispute resolution with well-developed and well-trusted mediation and arbitration services.</p>
<p>Supportive ecosystem for women-led MSMEs</p>	<p>4</p> <p>Women represent 45% of Hong Kong's entrepreneurs compared to the global average of 37%. Additionally, there are a number of international platforms for women entrepreneurs such as Female Entrepreneurs Worldwide. These programs along with local meet up groups, such as the Women's Foundation and The Hong Kong Women Professionals and Entrepreneurs Association highlight Hong Kong's supportive ecosystem for women. However, cultural bias and discrimination still exist.</p>

Low Score



High Score

Hong Kong, China

Key Demographics

Number of MSMEs: 314,282

MSME Percentage of Total Enterprises: 98%

MSME Percentage of Total Employment: 47%

MSME Percentage of Contribution to GDP: 50%

Percentage of Women in Workforce: 49%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	13	4
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	1	1
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	3	3
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	13	6
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	11	5
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	14	6
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	29	8
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		7
United Nations E-government Survey 2018 (rank/193)	NA	NA
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	61	19
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	28	9
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	31	1
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	130	18
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	12	3
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	25	5
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	15	7

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Indonesia

MSME Capabilities and Competitiveness	<p>2</p> <p>Significant efforts have been made to empower MSMEs, but confusion still exists. Questionnaire respondents noted the critical importance of MSMEs and that there is a lack of coordination. While entrepreneurship is high among educated people, uneducated populations are stuck in low-wage, low-growth sectors. External indices confirm that entrepreneurship, the operating environment, and starting a business are difficult.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>Venture capital is underutilized due to a lack of transparency and uneven education even though there is large interest from both domestic and international VC. In Jakarta, MSMEs mostly have access to financial resources, but strong repercussions for bankruptcy keep access to formalized finance low. In this area, external indices show that Indonesia is at par, but no questionnaire respondents said that MSMEs were "highly capable" or "globally competitive."</p>
Technological Proficiency	<p>2</p> <p>ICT infrastructure is not present across the entire economy and can be unreliable in major cities. Awareness of and access to training is low. Demand is very high for technologically proficient workers. Private sector solutions for technology adoption are dominant. Indonesia ranks 126 out of 137 on the Global Entrepreneurship Index for Technology Absorption. An unevenly educated population prevents talented tech workers from realizing their potential.</p>
Digital Ecosystem	<p>2</p> <p>The launch of a single window in 2018 shows policy dedication to furthering the digital ecosystem. E-payment restrictions are high, decreasing the competitive potential of both large and small Indonesian firms. E-commerce participation through informal businesses is high. Major indices rank Indonesia low both globally and within APEC.</p>
Openness to Foreign MSMEs	<p>2</p> <p>Protectionism is strong. The presence of language requirements for foreign workers, impractical lease requirements, and physical presence laws impede all firms, especially MSMEs. Access to information is difficult and not conveyed in a timely manner. Indonesia ranks close to the median or in the bottom half for all major indexes. Enforcing contracts and trading across borders are particularly high barriers.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Access to up-to-date and accurate information is difficult. Large tech multinationals are increasing their presence in Indonesia to upskill and provide mentorship to promising MSMEs. The Indonesian market is not fully developed, so firms first focus domestically before exploring cross-border potential. Interviewees confirmed that exporting is much easier than importing.</p>
MSMEs in GVCs	<p>2</p> <p>GVCs contribute heavily to Indonesia's GDP and employment, but MSMEs cannot compete against family-run market dominating firms, which locks MSMEs into low-wage, low-growth operations. Policy maker support for MSMEs in GVCs is low. The majority of questionnaire respondents said any of the recommendations to date to enable MSMEs in GVCs would have a major or breakthrough improvement.</p>
Support for Services Focused MSMEs	<p>2</p> <p>Policy and programs supporting service-focused MSMEs is low, as evidenced in questionnaire responses where the biggest existing area of support is e-commerce platforms that allow MSMEs to sell their services online, a private sector solution. Very few barriers were rated as "not a challenge," with most being major to severe challenges. Most policy and program recommendations would be major improvements.</p>
Supportive ecosystem for women-led MSMEs	<p>2</p> <p>Strong professional networks of women-led MSMEs exist but constantly face strong cultural barriers to participation in higher wage, higher growth sectors. Interviewees noted that digital economy firms are inclusive. Questionnaire respondents confirm a lack of regulatory restrictions on women and that strong cultural biases prevent the equal participation of women in business.</p>

Low Score



High Score

Indonesia

Key Demographics

Number of MSMEs: 57,900,00

MSME Percentage of Total Enterprises: 99%

MSME Percentage of Total Employment: 97%

MSME Percentage of Contribution to GDP: 56%

Percentage of Women in Workforce: 38%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	94	19
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	65	13
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	144	20
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	33	12
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	19	8
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	90	20
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	126	18
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		18
United Nations E-government Survey 2018 (rank/193)	107	18
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	4	3
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	145	19
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	112	19
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	92	8
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	79	16
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	136	19
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	29	14

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Japan

MSME Capabilities and Competitiveness	3	There is a separate agency in Ministry of Economy, Trade, and Industry agency supports MSME growth policy. Entrepreneurship education requirements are developing. Government is placing an increased focus on innovation, though there is still significant room for improvement in changing the entrepreneurship culture. Japan has a lower business entry rate compared to other economies. Foreign language education and global mindset are major barriers.
Accessibility and Efficacy of MSME Financing	3	MSME tax incentives, small business loan programs, and government funding opportunities, are available. Credit guarantee program helps MSMEs by having government guarantees of bank loans taken out by MSMEs. Venture capital funding is limited but improving through Ministry of Economy, Trade, and Industry VC funding programs. The awareness of government funding programs is limited and accessibility could use improvement.
Technological Proficiency	4	ICT infrastructure is readily accessible and available and within top 10 of world rankings, though the acceptance rate of new ICT solutions is slow. Digital literacy is high within OECD. Technology training is prioritized in the education system and computer programming will become mandatory in schools starting in 2020. There is a 99% digital usage rate for businesses. Some digital literacy programs exist but are not specific to MSMEs.
Digital Ecosystem	4	Internet is affordable and easily accessible. The national strategy to fully digitize government processes is led by the Ministry of Economy, Trade, and Industry. There is a prioritization to achieve "Society 5.0" through the full utilization of technological innovation including IoT, AI and Big Data. There is a plan to implement an e-payment system and enable broad use of cashless payment systems by 2020 but the plan is currently only somewhat developed.
Openness to Foreign MSMEs	3	Japan has restrictive requirements for foreign businesses entering the country. While tariffs on most imported goods into Japan are relatively low, cultural, regulatory, and other non-tariff barriers exist. Support programs and resources are available for foreign businesses such as JETRO. Transparency of regulations and border administration is high.
Support for Cross-Border MSMEs	3	Some programs and policies enable MSMEs to easily access export information and foreign market opportunities and affordable access to qualified business networks and advisors. MSMEs lack FTA knowledge; programs are not focused on FTA utilization. Japan has a low foreign market access ranking compared to other countries.
MSMEs in GVCs	4	MNCs can easily identify and engage some MSMEs and many MSMEs are involved in GVCs, though there is room for improvement. Interaction and learning, including training and development between MSMEs and MNCs, is sometimes encouraged.
Support for Services Focused MSMEs	3	An ecosystem for e-commerce exists and the number of e-businesses are growing in Japan. There is easy access to information on cross-border trade for services. However, national strategy does not focus on getting MSMEs into digital services, and the language barrier is still an issue in enabling service companies to go abroad. Participation in services GVCs is lower than goods GVCs.
Supportive ecosystem for women-led MSMEs	2	Some support programs and government policies exist for women in business. However, in our questionnaire, men were more positive than women on the supportiveness of the business environment for women. Cultural barriers still make it difficult for women to start a business and engage in trade. Women are highly educated but have low participation in the labor force. Japan has a low ranking on the Mastercard Women Entrepreneur Index.

Low Score



High Score

Japan

Key Demographics

Number of MSMEs: 5,706,106

MSME Percentage of Total Enterprises: 99.81%

MSME Percentage of Total Employment: 87%

MSME Percentage of Contribution to GDP: 50%

Percentage of Women in Workforce: 43%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	28	9
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	14	4
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	106	15
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	8	5
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	28	11
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	7	2
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	8	1
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		8
United Nations E-government Survey 2018 (rank/193)	10	5
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	50	15
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	51	13
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	51	6
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	133	19
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	11	2
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	31	7
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	46	19

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Republic of Korea

MSME Capabilities and Competitiveness	<p>4</p> <p>Multiple resources exist for MSMEs, including departments like KBIZ and the Ministry of SMEs and Startups, which focus on helping to design a conducive MSME environment and provide knowledge and resources for MSMEs. Training modules are cited as being useful. Culture is changing toward being more friendly to entrepreneurship but has room for improvement.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>The private venture capital and angel investment sectors are limited with most of this type of investment coming from the public sector. Multiple opportunities exist to gain funding from the government, like credit guarantees from KODIT, SBC and KIBO, but research has shown that MSMEs receiving funding from these programs have lower productivity gains than non-recipients.</p>
Technological Proficiency	<p>5</p> <p>Korea is seen as a world leader for ICT infrastructure. Educational programs for technology training are sufficient but college tuition is ranked the third highest in the OECD. Eighty-eight percent of questionnaire takers said internet access is affordable. Room for improvement exists in technology absorption—the speed in which businesses can absorb new technologies and the strength of the technology sector.</p>
Digital Ecosystem	<p>4</p> <p>The internet and e-commerce are widely used. Internet speed is the highest in the world. Government regulations are somewhat restrictive, but regulatory sandboxes and regulatory reform are being initiated to allow for the growth of new technologies. E-commerce is strong; domestic e-commerce comprised over 25% of Korea's total retail industry in 2017.</p>
Openness to Foreign MSMEs	<p>3</p> <p>High tariffs, difficult import procedures and technical standards pose challenges for foreign MSMEs. Language and cultural barriers can make market entry and finding partnerships within the economy challenging, however younger generations are more skilled in foreign languages. Policies supporting foreign direct investment and processes have been streamlined in recent years.</p>
Support for Cross-Border MSMEs	<p>4</p> <p>KOTRA provides support to MSMEs looking to export, including trainings, finding opportunities in new markets and support within foreign economies. As of 2016, Korea was connected to 52 economies through 15 FTAs. Areas for improvement include providing tailored education to enable MSMEs to self sufficiently find new opportunities and greater access to mentors.</p>
MSMEs in GVCs	<p>3</p> <p>Korea has strong GVC participation in the electronics, ship building industries, and other manufacturing industries. However, there is relatively low participation in service oriented GVCs. Training and development programs between MSMEs and MNCs are not common. Technology transfer and IP concerns may limit MSMEs from engaging with MNCs.</p>
Support for Services Focused MSMEs	<p>3</p> <p>The majority of MSMEs are service oriented, but productivity of the service sector still lags behind that of manufacturing. Regulations for services limit their growth and have contributed to lower productivity. National strategy for services is limited. Flexible labor markets and greater availability of training could help improve the transition to high value-add services.</p>
Supportive ecosystem for women-led MSMEs	<p>2</p> <p>Women face discrimination in the workforce and in business due to strong cultural norms. Regulations, where in place, do not discourage discrimination. E-commerce and remote work represent areas where gender discrimination is less prevalent and may represent an opportunity.</p>

Low Score



High Score

Republic of Korea

Key Demographics

Number of MSMEs: 3,599,133

MSME Percentage of Total Enterprises: 99.91%

MSME Percentage of Total Employment: 86%

MSME Percentage of Contribution to GDP: 49%

Percentage of Women in Workforce: 48%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	24	7
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	47	12
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	9	6
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	90	19
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	64	17
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	6	1
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	27	7
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		6
United Nations E-government Survey 2018 (rank/193)	3	2
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	15	7
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	1	1
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	33	2
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	105	10
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	28	7
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	66	11
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	43	18

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Malaysia

MSME Capabilities and Competitiveness	<p>4</p> <p>There is a centralized SME coordinating agency with a high level of government support. Use of a highly sophisticated and data-driven approach to assessing MSME strengths, setting readiness goals, and training MSMEs and startups is used. More STEM, foreign language, and entrepreneurial primary and secondary education was reported as desired, in interviews. The ecosystem overall is coordinated, resource-rich and effective.</p>
Accessibility and Efficacy of MSME Financing	<p>4</p> <p>There are highly innovative financing schemes and PPPs for financing, expanding support for varied forms of MSME financing. A venture capital sector exists and is growing in sophistication. Government programs provide guarantees to banks for MSME financing. Tax policies exist that incentivize investment in innovative MSMEs. Supportive financing programs exist for MSMEs engaged in cross-border trade and for MSME-directed FDI.</p>
Technological Proficiency	<p>3</p> <p>There is a concentration of technological proficiency in urban areas but also supportive programs to help rural areas catch up. ICT infrastructure is readily accessible and affordable. Technology training programs for MSMEs should be affordable and relevant to an MSME's stage of development and sector. Specialized funding exists to assist adoption of tech. SMECorp has programs to fast-track tech adoption in MSMEs and support tech driven startups in key sectors.</p>
Digital Ecosystem	<p>3</p> <p>Information on trade rules and requirements as well as on potential partners is online and transparent. ICT is available and accessible. The economy is party to many useful FTAs. Foreign ownership requirements do not present a challenge to investment and business operations. The process for customs and NTBs is transparent, and necessary information available online. There are some reports of border corruption but not widespread.</p>
Openness to Foreign MSMEs	<p>3</p> <p>Information on trade rules and requirements as well as on potential partners is online and transparent. ICT is available and accessible. The economy is party to many useful FTAs. Foreign ownership requirements do not present a challenge to investment and business operations. Process for customs and NTBs is transparent, and necessary information available online. Some reports of border corruption, however not widespread.</p>
Support for Cross-Border MSMEs	<p>4</p> <p>Specialized data-backed programs to support MSME trade exist with metrics for MSME contribution for exports. MATRADE and other SME agencies provide programs and policies that enable MSMEs to easily access export information, foreign market opportunities, and logistics support. MSMEs have affordable access to qualified business networks, mentors, and advisors. Private sector and PPP efforts enable ease of doing business. Information on regulatory changes and FTAs is transparent.</p>
MSMEs in GVCs	<p>3</p> <p>Malaysia is well-linked in GVCs, though still leaning towards low-margin MSME linkage. There is room for growth in GVC service sector linkage. MNCs can easily identify and engage some MSMEs. Currently no policies for sustainable MSME cash flows regarding payment terms, but public sector programs are in place to assist. Standards are often accessible and harmonized within industries. Interaction and learning, including training and development between MSMEs and MNCs, is sometimes encouraged.</p>
Support for Services Focused MSMEs	<p>2</p> <p>Malaysia focuses on services as well as products and supports high growth industries across several service sectors. A national strategy exists and is improving service-focused MSME imports and exports. Specific trainings exist for service-sector MSMEs but are not universally known and accessible. Free flows of data are adequate but do not fully consider security and privacy concerns.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Malaysia is generally supportive of women's education and advancement. The ability to start and expand an enterprise varies by socio-economic status. Women-led MSMEs are present in many sectors but still concentrated in low-growth, low-wage sectors. Legal restrictions still exist. Women in trade reported perceiving differential challenges compared to men in trade. Questionnaire data indicates a strong desire for more support programs for women in business and trade.</p>

Low Score



High Score

Malaysia

Key Demographics

Number of MSMEs: 645,136

MSME Percentage of Total Enterprises: 97.31%

MSME Percentage of Total Employment: 65%

MSME Percentage of Contribution to GDP: 36%

Percentage of Women in Workforce: 38%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	58	12
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	26	8
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	111	16
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	21	10
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	9	3
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	35	10
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	124	17
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		10
United Nations E-government Survey 2018 (rank/193)	48	10
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	11	6
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	44	12
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	61	10
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	107	11
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	47	12
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	51	9
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	30	15

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Mexico

MSME Capabilities and Competitiveness	<p>2</p> <p>Mexico's largest challenge is its very large proportion of informal MSMEs. INADEM has multiple MSME programs but is substantially underfunded. Some innovative incubators and accelerators exist, but many more are needed. Few MSMEs are aware of available support programs, and programs impact fewer than 12-15,000 MSMEs. Mexico does not have a strong culture of entrepreneurship. Most MSMEs are started for necessity. School curriculums stress STEM over business-related education.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>Access to MSME financing and investment is the biggest challenge for MSMEs in Mexico. Strong government guarantee programs (NAFIN) and government funding for VCs have a positive impact but are not sufficient for the overall challenge. Few MSMEs are able to access these programs. The lack of preparedness by MSMEs to receive financing is a major challenge. Banking practices discriminate against MSMEs. New Fintech laws and an emerging smaller banks offer positive future opportunities.</p>
Technological Proficiency	<p>2</p> <p>Overall levels of technological proficiency lag in Mexican MSMEs due to the amount of informal MSMEs. Most micro and small enterprises don't use technology. Innovative government support programs (INADEM) exist and are having positive impacts, but they are limited. Online training, tutorial classes, master classes, and support programs exist, but impact is limited. Technological readiness was noted as the second major challenge for Mexican MSMEs.</p>
Digital Ecosystem	<p>3</p> <p>Though digital commerce is a strong government priority, Mexico continues to lag in this area. Progress in e-government is positive. The internet is readily available and smartphone penetration is strong. However, Telecom packages give preference to large e-commerce platforms. E-payments alternatives restrictions continue hinder the competitive potential of MSMEs. Low levels of technological proficiency and high eCommerce fraud levels in Mexico are hindering the development of the digital ecosystem.</p>
Openness to Foreign MSMEs	<p>4</p> <p>Mexico has created an "open for business" environment for foreign MSMEs. E-government advances help with trade and customs information. However, e-commerce has not developed as quickly due to high levels of fraud. Corruption, a lack of transparency, and difficulties accessing business networks present challenges for foreign MSMEs. Mexico's large controlling groups create real challenges. Dispute resolution was reported to be a major to severe challenge by more than 70% of questionnaire respondents.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>ProMexico plays a vital role in promoting opportunities for Mexican MSMEs both in international trade and in GVCs. However, overall these programs are insufficient for the challenge. Essentially all Mexican MSMEs are domestically focused Few MSMEs are outward facing. INADEM's programs are essentially domestically focused. There are new emerging opportunities in nearing programs for MNCs focused on the North American market.</p>
MSMEs in GVCs	<p>4</p> <p>The government is prioritizing enabling more MSMEs to engage in GVCs. Innovative public-private partnership like CCMX (Centro de Competitividad de Mexico), ProMexico programs with the EU, FUMEC (US-Mexico tech transfer programs), and INADEM value chain programs are having positive impacts. Increasing numbers of large MNCs are engaging MSMEs. However, the upfront engagement costs and obtaining global certifications remain real challenges for Mexican MSMEs.</p>
Support for Services Focused MSMEs	<p>2</p> <p>Specific policies and programs supporting service-focused MSMEs are low; some programs exist, but promoting services for MSMEs remains a low priority outside of GVC-specific programs. Financing for services-focused MSMEs was reported as the single biggest challenge by questionnaire respondents. A few Mexican MSMEs have strong global positions, but that is more idiosyncratic to the founding entrepreneurs than an economy-wide competence.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Significant attention is being paid to the role of women in business. Projects get "more points" in competitive processes when they are women-led. Large MNCs in Mexico are promoting women's inclusion. However, significant cultural bias, especially in financial institutions and the tradition of collateral being in the name of men, limit growth for women-led MSMEs. In our questionnaire, men were a full point more positive than women regarding the supportiveness of the business environment for women.</p>

Low Score



High Score

Mexico

Key Demographics

Number of MSMEs: 3,656,619

MSME Percentage of Total Enterprises: 99.83%

MSME Percentage of Total Employment: 75%

MSME Percentage of Contribution to GDP: 52%

Percentage of Women in Workforce: 36%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	75	15
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	88	18
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	90	13
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	78	17
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	56	15
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	70	16
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	58	11
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		17
United Nations E-government Survey 2018 (rank/193)	64	12
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	18	8
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	41	11
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	63	11
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	66	4
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	64	15
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	86	13
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	37	17

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

New Zealand

MSME Capabilities and Competitiveness	<p>4</p> <p>New Zealand has a strong entrepreneurial culture. Ambition to cross borders among MSMEs is mixed but often necessary due to the small domestic market size. A recently created Small Business Council is working closely with the Minister for Small Business to advise on policies. Several government agencies are working to improve MSME outcomes and train entrepreneurs. Many training programs are available but can be cost-prohibitive.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>New Zealand's venture capital market lags behind APEC peers in size, but funding is available to promising MSMEs. Interviews revealed issues around readiness to onboard finance: banks are hesitant to lend to unprepared or risky MSMEs, and entrepreneurs are hesitant to take on equity funding. Despite this, New Zealand ranks first overall in Ease of Access to Loans on the WEF's Global Competitiveness Report.</p>
Technological Proficiency	<p>4</p> <p>Strong ICT infrastructure. Internet speeds and access at industry standards. High tech proficiency among MSMEs. Shortages of skilled workers remain. Interviewees described poor connections between academia, R&D, and the private sector, as well as a strong desire to increase economy-wide R&D funding. Callaghan Innovation grants are difficult for MSMEs to obtain. Recent changes to R&D tax incentives are a positive step.</p>
Digital Ecosystem	<p>4</p> <p>There is a high ICT uptake among MSMEs, but mixed digital literacy; only 20% of questionnaire respondents rated NZ MSMEs as highly capable. Government has a strong understanding of digital opportunities. Plans to appoint a Chief Technical Officer are a positive step, but a qualified, well-vetted candidate will be essential to success. Many e-government services are offered. There is widespread use of e-payments and e-commerce.</p>
Openness to Foreign MSMEs	<p>4</p> <p>New Zealand is party to many FTAs, including the CPTPP. Market dominance exists in some industries, but markets are largely open to competition. MSMEs have access to networks and advisors (e.g., through NZTE, MBIE, or trade associations), but more than half of questionnaire respondents stated that formal networking and market awareness programs were available to only a few MSMEs.</p>
Support for Cross-Border MSMEs	<p>3</p> <p>Strong support for cross-border MSMEs is available through New Zealand Trade and Enterprise (NZTE) but can be difficult to access if MSMEs are not a part of the "Focus 700" (a small group of firms identified as having high growth potential). Trade information is available through NZTE and Ministry of Business, Innovation and Employment, but interviewees reported that specialized market research is expensive to acquire.</p>
MSMEs in GVCs	<p>2</p> <p>MSMEs struggle to make connections with MNCs. Lengthy payback periods are common. Most MSMEs participating in GVCs are involved in primary industries with little bargaining power, ability to upskill, or opportunity to increase value-add. New Zealand has opportunities for growth in services as a part of GVCs due to its skilled workforce, high digital literacy, and extensive FTA participation.</p>
Support for Services Focused MSMEs	<p>3</p> <p>NZ does not have a distinct economy-level strategy on services-sector MSMEs nor does it offer specific training programs for these businesses. Services MSMEs crossing borders are most impacted by a lack of regulatory harmonization elsewhere in APEC. NZ promotes services via involvement in FTAs and the Trade in Services Agreement and also scores favorably on ECIPE's 2018 Digital Trade Restrictiveness Index.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>There is strong support for women in small business. NZ ranks first globally on the Mastercard Index of Women Entrepreneurs. Business and policymakers are committed to eliminating bias and discrimination, yet female representation remains low in business leadership. Fewer women are working in STEM and ICT. Sixty-five percent of questionnaire respondents believe women's business mentorship would be a major or breakthrough improvement.</p>

Low Score



High Score

New Zealand

Key Demographics

Number of MSMEs: 144,740

MSME Percentage of Total Enterprises: 98.56%

MSME Percentage of Total Employment: 53%

MSME Percentage of Contribution to GDP: 30%

Percentage of Women in Workforce: 47%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	NA	NA
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	8	3
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	1	1
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	1	1
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	16	6
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	9	3
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	NA	NA
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		5
United Nations E-government Survey 2018 (rank/193)	8	4
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	65	20
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	21	8
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	56	8
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	111	12
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	23	6
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	NA	NA
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	1	1

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Papua New Guinea

MSME Capabilities and Competitiveness	<p>2</p> <p>While government has created a policy to prioritize and support and grow MSMEs, not enough resources have been allocated and progress has been slow. There is no business education focus in schools. Many businesses operate in the informal sector with no intention of formalizing as an MSME. There is a lack of data collection on businesses/MSMEs and PNG data cannot be found in many world rankings.</p>
Accessibility and Efficacy of MSME Financing	<p>1</p> <p>Accessing finance is a challenge for MSMEs due to difficulty in obtaining collateral and high interest rates for bank loans. A limited number of government funding and aid programs exist for MSMEs, and demand is higher than number of existing programs. MSMEs do not have support on demonstrating cashflow and revenue to obtain loans.</p>
Technological Proficiency	<p>1</p> <p>Internet access is limited, inconsistent, and expensive. Technology training programs are not easily accessible. A severe lack of technologically proficient workers is present, though motivation to learn new technology is high. Digital literacy is low and those with internet access are mostly self-taught. Mobile phone use and mobile payments are increasing but still limited.</p>
Digital Ecosystem	<p>2</p> <p>Despite growth and improvement in ICT infrastructure with increased investment in internet connectivity and mobile services, internet is still expensive and unreliable and data cost is high. Some e-government processes exist such as registering a business online but are significantly behind other economies in world rankings. Limited e-payment programs exist though utilization is low due to lack of internet access.</p>
Openness to Foreign MSMEs	<p>2</p> <p>Australia, China, and other foreign countries are increasing their business presence in PNG. PNG is facing challenges in obtaining foreign currency to pay for imported goods, making it difficult to trade with other countries. There are strict formal guidelines in currency exchange. Cost to import is significantly high in ease of doing business report.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Some programs enable MSMEs to access mentors and advisors, though most MSMEs rely on informal networks for business advice. Lack of infrastructure makes transportation and logistics prohibitively expensive for small businesses looking to export goods. There is a lack of ICT and digital infrastructure support for services. PNG ranks low on ease of doing business trading across borders.</p>
MSMEs in GVCs	<p>2</p> <p>MSMEs do not have the capacity to meet MNC needs, and very few MSMEs in PNG are involved in GVCs. MNCs cannot easily identify and engage MSMEs for their GVCs. Policies do not exist for MSME cash flow sustainability regarding GVC payment terms. Interaction and learning do not occur between MSMEs and MNCs.</p>
Support for Services Focused MSMEs	<p>2</p> <p>There is no national strategy to enable service-focused MSME imports and exports. Due to a lack of ICT infrastructure and insufficient digital ecosystem, MSMEs are not able to access e-commerce and digital service opportunities. MSMEs in services are not focused on exporting due to lack of digital opportunities.</p>
Supportive ecosystem for women-led MSMEs	<p>2</p> <p>There is a lack of data available on women entrepreneurs. Some support and resource programs exist for women specific MSMEs, though cultural barriers still exist. Women-led MSMEs are clustered in low-margin, low-growth industries. Policy efforts are perceived to be significantly lagging behind other economies.</p>

Low Score



High Score

Papua New Guinea

Key Demographics

Number of MSMEs: 50,000

MSME Percentage of Total Enterprises: N/A

MSME Percentage of Total Employment: N/A

MSME Percentage of Contribution to GDP: 10%

Percentage of Women in Workforce: 49%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	NA	NA
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	NA	NA
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	129	19
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	NA	NA
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	NA	NA
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	NA	NA
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	NA	NA
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		21
United Nations E-government Survey 2018 (rank/193)	171	19
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	NA	NA
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	171	21
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	137	20
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	NA	NA
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	NA	NA
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	NA	NA
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	NA	NA

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Peru

MSME Capabilities and Competitiveness	<p>2</p> <p>MSMEs are generally more of a survival business rather than innovative entrepreneurship. The few innovative MSMEs that exist often lack the support system needed to scale and expand. MSMEs outside the capital of Lima often lack access to many programs and policies due to geographical limitations. Peru needs a stronger push to promote innovation and competitiveness among MSMEs.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>There are funding initiatives by the government. However, funds are usually limited and the government doesn't have the required bandwidth to support a large number of MSMEs. Private banks are resistant toward loaning to MSMEs without a guarantee. The informal nature of MSMEs further complicates the funding initiatives. Venture capital is also very limited.</p>
Technological Proficiency	<p>2</p> <p>Technological proficiency and labor remains a concern. Technology has not scaled and many places outside Lima are still not well connected. Programs and policies have helped but is not adequate. STEM education is less popular and needs a push to drive more innovation on the technology aspect. There is a shortage of proficient labor as well.</p>
Digital Ecosystem	<p>3</p> <p>Peru has shown a strong intent in developing a technology infrastructure with programs to improve technology use within government agencies and extend fiber optic networks. However, the e-commerce and e-payment ecosystem has yet to take off. There are not many established e-commerce players and a large majority of the population doesn't trust e-payment options.</p>
Openness to Foreign MSMEs	<p>4</p> <p>Peru has a relatively open policy toward foreign MSMEs, encouraging foreign investments and businesses. However, bureaucracy and other reasons have prevented foreign investment and business participation. More programs/policies could be designed to encourage foreign MSMEs to engage. This would open up the ecosystem.</p>
Support for Cross-Border MSMEs	<p>3</p> <p>Peru has fewer restrictions around cross-border trade for MSMEs. Initiatives such as Exporta Facil have been enablers for trade. However, given the competitive nature of global markets, Peruvian MSMEs need more support to scale before becoming competitive. Programs need to be more active than passive.</p>
MSMEs in GVCs	<p>2</p> <p>GVCs do not face significant restrictions, but the ecosystem hasn't developed yet. GVCs exist in more traditional and established industries such as mining but not in the emerging industries. The digital ecosystem, logistics, government support, etc. would help GVCs in become a larger part of Peruvian economy.</p>
Support for Services Focused MSMEs	<p>3</p> <p>Peru has scope to improve in promoting services. Tourism is a major industry that has accounted for a large majority of services in Peru. However, lack of proper connectivity is a barrier for growth in services. Embracing the digital economy and improving the ecosystem would be crucial for growth acceleration. It could also be a key cross-border enabler.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>The economy has policies to promote and encourage women in business. The Ministry of Women has taken initiatives to promote women in business and labor force. However, there is no significant program to help women-led MSMEs in particular. Cultural biases also exist, acting as a barrier for women to participate in the business force.</p>

Low Score



High Score

Peru

Key Demographics

Number of MSMEs: 1,197,963

MSME Percentage of Total Enterprises: 99.78%

MSME Percentage of Total Employment: 90%

MSME Percentage of Contribution to GDP: 47%

Percentage of Women in Workforce: 45%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	67	13
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	81	16
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	114	17
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	48	14
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	61	16
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	81	19
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	85	15
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		16
United Nations E-government Survey 2018 (rank/193)	77	16
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	58	18
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	63	16
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	92	13
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	14	2
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	60	14
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	101	15
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	27	12

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

The Republic of The Philippines

MSME Capabilities and Competitiveness	<p>2</p> <p>The Department of Trade and Industry is the key agency for MSMEs, but support is fragmented as multiple other agencies also have programs for MSMEs. There is a lack of focus in developing creativity and innovation as a student mindset in the formal education system. Tracking of the outcomes of MSME programs is limited. Lack of skills, education, and preparation are cited as a strong factor holding back entrepreneurially minded Filipinos.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>Obtaining funding from banks is extremely difficult and policies laid out in the Magna Carta for MSMEs have been ineffective in significantly increasing lending to micro and small businesses. Tax policies are difficult for MSMEs to comply with. Government funding programs often have restrictions that disqualify many MSMEs. MSME lenders often have interest rates of 20% or higher. Microfinancing and financial literacy programs have high potential to improve accessibility.</p>
Technological Proficiency	<p>2</p> <p>ICT access is slow and unreliable across areas of the country. MNCs have reported challenges in finding workers with IT skills, indicating that there are limited workers with sufficient technology skills. Programs to increase technology for MSMEs are difficult to access, and more training is needed for the adoption of new technologies.</p>
Digital Ecosystem	<p>3</p> <p>MSMEs often utilize social media for e-commerce, but e-payments are not fully developed. The largest e-commerce platform reported that 80% of transactions are paid using the cash on delivery option. Broadband access is not widespread and speeds are below standards. E-government is in early stages of development.</p>
Openness to Foreign MSMEs	<p>3</p> <p>Difficult import procedures, lack of sufficient domestic logistics, and corruption make importing and doing business in the economy difficult, especially to remote regions. The 2016 de minimis increase from 10 PHP to 10,000 PHP will boost foreign MSME's ability to import. The economy is a participant in 11 FTAs.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Few programs exist that provide support and comprehensive information to MSMEs. Mentorship programs have room for improvement. There is no easily available, central source for trade information. Ease of doing business within the economy is low, hampering the ability of MSMEs to grow to cross-border commerce.</p>
MSMEs in GVCs	<p>2</p> <p>Philippine MSMEs are weakly linked to GVCs and face multiple barriers including the ability to comply with standards and regulatory requirements and a mismatch of needed skillsets. Lower labor costs also exist in nearby economies. More programs are needed to link MSMEs with MNCs.</p>
Support for Services Focused MSMEs	<p>2</p> <p>Service based MSMEs are included in policy, but there are limited provisions and programs specific to this sector of MSMEs. Most initiatives, including One Town One Product, Go Lokal!, and Shared Service Facilities are focused on goods/manufacturing businesses.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>The culture overall is positive toward women's empowerment. Women have high ownership participation in firms and are viewed as being reliable and good at managing finances—increasing potential for receiving bank loans. This ranking could have also been a 3 based on restrictions that married women face in obtaining capital and cultural expectations that women stay home after having children. Additionally, opportunities for women in rural areas may be lower.</p>

Low Score



High Score

The Republic of The Philippines

Key Demographics

Number of MSMEs: 816,759

MSME Percentage of Total Enterprises: 99.57%

MSME Percentage of Total Employment: 61%

MSME Percentage of Contribution to GDP: 36%

Percentage of Women in Workforce: 40%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	84	17
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	105	19
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	173	21
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	54	15
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	70	19
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	76	17
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	137	19
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		19
United Nations E-government Survey 2018 (rank/193)	75	15
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	32	14
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	149	20
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	99	17
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	39	3
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	93	18
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	93	14
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	9	6

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

The Russian Federation

MSME Capabilities and Competitiveness	<p>2</p> <p>Public sectors, like JSC RSMB Corporation, provide business trainings that help MSMEs gain competitiveness and foster entrepreneurial mindset. However, interviewees noted that MSMEs still need to improve their marketing, sales, and foreign language skills. Regulations and tax system should be revised to encourage MSMEs' formalization.</p>
Accessibility and Efficacy of MSME Financing	<p>1</p> <p>Government sponsors a few firms, but most MSMEs cannot access finance effectively. Banks' loans require a high interest rate, 15% or higher. Venture capitals' funding is limited to firms in particular industries. According to our questionnaire, 60% state that a tax incentive for financial institutes to lend to MSMEs would be highly effective.</p>
Technological Proficiency	<p>4</p> <p>ICT infrastructure is readily accessible and affordable. Technologically proficient workers satisfy market's demand. However, both public and private sectors need to be aware of benefits of technology and actively adopt it in their systems. Eighty percent of questionnaire participants state reducing cost of technology through MNC-MSME partnership would be highly effective.</p>
Digital Ecosystem	<p>3</p> <p>E-government and e-commerce platforms exist but need more development and marketing to increase utilization. E-customs are not yet developed. Interviewees stated MSMEs need more training and encouragement to adopt digital technology, including e-signature and digital marketplace.</p>
Openness to Foreign MSMEs	<p>2</p> <p>Useful FTAs exist and government has put legislative efforts to improve stability of the business environment and created single-window programs to ease registration processes. However, policy makers still need to provide predictive business regulations and improve data localization requirements to ease foreign MSMEs doing business in Russia.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Russian Chamber of Commerce provides programs that help MSMEs get access to foreign market opportunity. However, interviewees note MSMEs need more support, including an online platform that provides FTA or foreign partners information. Current regulations make foreign transactions difficult. Lack of e-custom with simplified process impede MSMEs to cross borders.</p>
MSMEs in GVCs	<p>2</p> <p>MSMEs face difficulty connecting with MNCs and negotiating for pay terms. Business people recommended policy makers set stricter payment timeline. Additionally, they stated it would be a major improvement to have a program where MNCs and MSMEs partner and transfer knowledge like foreign market information and MNCs' standards.</p>
Support for Services Focused MSMEs	<p>3</p> <p>Public sectors, like Corporation for SMEs, provide training and funding programs for service-sector MSMEs but are not widely known nor accessible. E-commerce platforms for services exist. Interviewees recommended using e-commerce platform to promote service MSMEs, particularly the Internet or software type of companies, to serve the international market.</p>
Supportive ecosystem for women-led MSMEs	<p>2</p> <p>Public sectors have emphasized helping women-led MSMEs, creating programs like Russian Women Forum. Regional governments offer funding to women-led MSMEs. However, interviewees noted most women-led MSMEs are present in low-growth sectors and do not have access to finance. Per our questionnaire, subsidizing child care and providing business mentorship programs for women are two highly effective programs.</p>

Low Score



High Score

The Russian Federation

Key Demographics

Number of MSMEs: 4,500,00

MSME Percentage of Total Enterprises: N/A

MSME Percentage of Total Employment: 25%

MSME Percentage of Contribution to GDP: 21%

Percentage of Women in Workforce: 49%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	78	16
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	114	20
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	28	8
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	110	20
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	89	20
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	37	11
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	66	12
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		13
United Nations E-government Survey 2018 (rank/193)	32	8
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	2	2
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	18	7
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	100	18
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	129	17
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	104	19
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	130	18
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	33	16

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Singapore

MSME Capabilities and Competitiveness	<p>4</p> <p>Strong policy-driven support for MSMEs exists, but an entrepreneurial culture is lagging, mostly due to high quality of life in Singapore. Risk-taking is not encouraged, leading many to prefer business opportunities within large established firms. Questionnaire respondents feel that support is high yet MSMEs are not globally competitive. There is a strong presence of accelerators, incubators, training, and education opportunities.</p>
Accessibility and Efficacy of MSME Financing	<p>5</p> <p>Plentiful opportunities exist for MSMEs to receive traditional and venture capital, including for innovative MSMEs. Interviewees felt that innovative, digitally-focused MSMEs without a track record occasionally struggle to access formal capital. Both traditional and venture capital are available, as external indices show.</p>
Technological Proficiency	<p>4</p> <p>ICT infrastructure is universally accessible, affordable, and reliable. Training and funding programs are accessible and varied. The market for technologically skilled workers is hampered by residence requirements, but the labor market is more efficient when compared to APEC and the world. Questionnaire respondents felt that major impacts can be had through reduced cost of technology.</p>
Digital Ecosystem	<p>5</p> <p>E-commerce and e-government are strong. The market is conducive to the usage of e-payments, and e-government is widespread, accessible, and information is up to date. E-commerce platforms are competitive. Questionnaire respondents felt that major impacts can be realized through digital economy training.</p>
Openness to Foreign MSMEs	<p>5</p> <p>Transparency of law, reliability of infrastructure, and political stability continue Singapore's status as the desired location for Southeast Asia business formation and headquarters. Some cultural barriers exist but are minor impediments.</p>
Support for Cross-Border MSMEs	<p>5</p> <p>Robust access is present to useful and timely information on foreign markets, experienced mentors, and funding. Private sector and PPP efforts further policy goals. Questionnaire respondents felt that IP protection and dispute resolution mechanisms have the potential for the highest impact to support cross-border MSMEs. Continuing to simplify and streamline customs information and decisions will enhance the business-friendly ecosystem.</p>
MSMEs in GVCs	<p>4</p> <p>MNCs can easily identify and engage with MSMEs. Further policy efforts to stabilize MSME cash flow could be made. Interviewees noted that collaboration and networking within and across GVC sectors is weak. Questionnaire respondents felt that major improvements can be seen in standardizing GVC trainings to apply to groups of MNCs and creating "one stop shops" for MSMEs wanting to enter into GVCs.</p>
Support for Services Focused MSMEs	<p>4</p> <p>Service-focused MSMEs receive specialized training, support, and mentorship. Dispute resolution can be improved through lower costs. Questionnaire respondents felt that major improvements can come from increasing the ease of processing cross-border payments, finding cross-border customers, potentially through a dedicated services e-commerce platform, and increasing the presence of service-sector clauses in FTAs.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>No legalized barriers exist, but cultural traditions influence women's participation in the workforce, a result of the strong emphasis on women's responsibilities for childcare and housekeeping. Questionnaire respondents felt that programs and policies that would be most impactful are subsidized child care, gender-blind contracts, business mentorship programs for women, and quotas for networks.</p>

Low Score



High Score

Singapore

Key Demographics

Number of MSMEs: 217,899

MSME Percentage of Total Enterprises: 99%

MSME Percentage of Total Employment: 65%

MSME Percentage of Contribution to GDP: 49%

Percentage of Women in Workforce: 45%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	27	8
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	2	2
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	6	4
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	3	3
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	4	2
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	13	5
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	22	5
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		2
United Nations E-government Survey 2018 (rank/193)	7	3
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	57	17
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	2	2
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	42	4
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	84	7
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	1	1
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	2	2
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	5	4

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Chinese Taipei

MSME Capabilities and Competitiveness	<p>4</p> <p>Multiple public-sector programs, like Taitra and SME Administration's, are effectively helping MSMEs stay competitive and improve access to information. However, the majority of the interviewees were concerned about the shortage of talents and stated industry-academic partnership programs could help create a talent pipeline for the strategic sectors. Retaining local talent and attracting foreign talent is also important.</p>
Accessibility and Efficacy of MSME Financing	<p>3</p> <p>Major financial sources are accessible to large firms but limited to MSMEs. Business people recommend policy makers give tax incentive for financial institutes or MNCs to give credit to MSMEs. It is believed that the market is more efficient and effective to select potential MSMEs than the public sectors. Additionally, the economy needs more venture capitals to build up a robust entrepreneurship eco-system.</p>
Technological Proficiency	<p>4</p> <p>ICT infrastructure and technologically skilled workers are globally competitive. To let MSMEs stay competitive in the Fourth Industrial Revolution, policy makers should support them in the process of digital transformation, including understanding the costs and benefits and being able to adopt technology.</p>
Digital Ecosystem	<p>4</p> <p>E-commerce, e-government, and e-payment methods are available. However, promotion and increasing utilization of platforms are as important as creating them. For example, most interviewees were not aware of cross-border e-commerce platforms, like Taiwantrade.com, limiting its effectiveness. Policy makers need digital literacy to adjust regulations and let the environment quickly adopt technology.</p>
Openness to Foreign MSMEs	<p>3</p> <p>Information of trade policies and requirements is transparent. Law and contract enforcement is high, easing foreign firms doing business in Chinese Taipei. But digital trade, including cross-border e-commerce platform and e-payment, is to be improved. Interviewees noted that the high income tax rate for foreigners can lower foreign talents' willingness to work or start business in the economy.</p>
Support for Cross-Border MSMEs	<p>3</p> <p>Programs that help gather export and foreign market information exist, but their effectiveness needs to be improved. Interviewees stated that government should ensure overseas unions can effectively support MSMEs to build partnerships and find customers in foreign markets. A shortage of foreign language, beyond English, talents can limit MSMEs doing businesses in Southeast Asian economies.</p>
MSMEs in GVCs	<p>3</p> <p>MSMEs do not have difficulty receiving payment from MNCs, but they need more training and support to participate in GVC. According to our questionnaire, the ability to assess and take risks of the upfront investment is the major challenge. Interviewees recommend policy makers encourage MSMEs to participate in strategic industries and MNCs to get involved with supply chain finance for MSMEs.</p>
Support for Services Focused MSMEs	<p>3</p> <p>Chinese Taipei has emphasized industry upgrade and developing the service industry. However, MSMEs need training and support to assess foreign market opportunity and to design globally competitive products and services. Major financial institutes still mainly rely on tangible assets to determine firms' loans, making it difficult for software-type companies to access finance.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Women-led MSMEs are supported and perceive low differential challenges in doing business or trade. However, according to our questionnaire, areas to be further improved include cultural impediment and lack of business networks. Subsidizing child care and incentivizing women to pursue advanced training, including entrepreneurship and innovation, are the top two effective programs for women-led businesses.</p>

Low Score



High Score

Chinese Taipei

Key Demographics

Number of MSMEs: 1,279,784

MSME Percentage of Total Enterprises: 97.63%

MSME Percentage of Total Employment: 86%

MSME Percentage of Contribution to GDP: 85%

Percentage of Women in Workforce: 51%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	18	5
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	27	9
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	16	7
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	6	4
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	18	7
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	23	8
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	24	6
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		9
United Nations E-government Survey 2018 (rank/193)	NA	NA
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	23	11
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	10	5
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	55	7
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	135	20
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	33	10
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	39	8
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	25	10

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Thailand

MSME Capabilities and Competitiveness	<p>2</p> <p>Thai MSMEs are mostly domestically-focused and lack capability to trade. MSMEs are somewhat capable when it comes to business skills. Programs exist to help MSMEs, but they are not widely known, are ineffective, or are under resourced. Support for MSMEs among government agencies exists in spirit, but coordination between public and private sector stakeholders is fragmented or non-existent. Lack of coordination also exists at the governmental level among agencies.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>A growing venture capital sector exists in Thailand, but accessing funding for traditional MSMEs is still a challenge. Current government financing programs have mixed results. Accessing traditional lines of credit such as bank loans remains a significant challenge for MSMEs in Thailand, as MSMEs are often unable to meet collateral requirements or demonstrate strong documentation and governance. Some of the highest-performing MSMEs are often self-financed.</p>
Technological Proficiency	<p>3</p> <p>Accessible internet is available in urbanized areas, with some rural areas still having unreliable access. The ability of Thai MSMEs to on-board technology is limited. A large gap exists between the highest-performing MSMEs and those that are less developed in terms of technological proficiency. Fifty-six percent of questionnaire respondents indicated that Thai MSMEs were either "somewhat capable" or "not capable" when using technology.</p>
Digital Ecosystem	<p>3</p> <p>The e-payment ecosystem is nascent and developing but the regulatory environment around them still lags. E-government adoption is still in the beginning stages. Access to ICTs (especially via mobile) are developing and becoming widespread. E-commerce environment is generally well-developed, although a lot of selling takes place over social media sites. The regulatory environment for the digital economy surrounding e-signatures and e-commerce is still developing.</p>
Openness to Foreign MSMEs	<p>2</p> <p>Access to the Thai domestic market remains a challenge, specifically around border administration. Corruption and transparency at the border is still an issue. Ownership requirements make it difficult to establish a physical presence in Thailand. Tariffs and NTBs are a challenge to navigate for firms attempting to export to Thailand. A low de minimis threshold impedes the amount of duty-free imports. Visa issues still pose a challenge for professionals attempting to do business in Thailand.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Dedicated programs exist to help MSMEs engage across borders, with varying effectiveness. Program key performance indicators are not always developed or well-understood. The Thai government lacks wholesale knowledge of the MSME ecosystem and struggles to offer effective cross-border programs that meet the needs of Thai exporters. Thai firms looking to export are often unable to navigate government agencies and identify resources available to them.</p>
MSMEs in GVCs	<p>3</p> <p>Government in Thailand is actively working to promote the engagement of MSMEs in global value chains. Programs to involve MSMEs in GVCs are developing. Several issues still exist around linking MSMEs with GVCs, market dominance of multi-nationals engaged with Thai MSMEs in global value chains, and the nature of the relationship between MSMEs and MNCs (relationship primarily around MNC reducing costs).</p>
Support for Services Focused MSMEs	<p>2</p> <p>Programs related to services-sector MSMEs are not widely available or unknown. Restrictions on digital trade abundant, including restrictions on establishment and cross-border data flows.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>Women often occupy leadership positions and positions of power. The environment for women entrepreneurs is developing. Sixty-seven percent of survey respondents feel that the business environment is becoming more supportive and accepting of women-led MSMEs. Women-led MSMEs are generally thought of as equally capable compared to men in several areas of business expertise according to questionnaire data. Cultural biases still remain against women in certain areas.</p>

Low Score



High Score

Thailand

Key Demographics

Number of MSMEs: 2,646,549

MSME Percentage of Total Enterprises: 99.76%

MSME Percentage of Total Employment: 78%

MSME Percentage of Contribution to GDP: 37%

Percentage of Women in Workforce: 46%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	71	14
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	84	17
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	36	9
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	31	11
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	27	10
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	62	13
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	120	16
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		15
United Nations E-government Survey 2018 (rank/193)	73	14
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	10	5
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	34	10
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	57	9
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	96	9
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	44	11
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	120	17
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	16	8

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

United States of America

MSME Capabilities and Competitiveness	<p>4</p> <p>U.S. MSMEs are competitive and operate at a relatively sophisticated level. The entrepreneurial environment and mindset are highly developed. National goals exist for the promotion of MSMEs, but coordination and execution of programs and policies between the public and private sector to achieve these goals is lacking. The ability by U.S. MSMEs to identify new business opportunities is limited. There is a distinct lack of a global mindset among U.S. MSMEs.</p>
Accessibility and Efficacy of MSME Financing	<p>5</p> <p>A highly developed venture capital sector exists. Cross-border financing mechanisms are available via the U.S. Export-Import Bank, and general MSME funding programs are developed through organizations such as the Small Business Administration. MSMEs still have some difficulties accessing bank financing. Issues exist around collateral requirements and ability by businesses to collect documentation and demonstrate good governance.</p>
Technological Proficiency	<p>4</p> <p>Access to ICTs is widespread. U.S. MSMEs are generally capable of on-boarding technology. There is a high supply of technologically skilled workers in the United States that allows businesses to contract out certain functions. Technological training programs are widespread. ICT infrastructure is still unreliable in parts of the United States, especially rural areas.</p>
Digital Ecosystem	<p>4</p> <p>A highly developed and innovative e-payments sector exists in the United States. E-government adoption is widespread with varying levels across federal, state, and local agencies. E-commerce is highly developed but is also dominated by a select few companies. Regulations surrounding the digital ecosystem are generally well-developed and are light-touch. MSMEs and business customers are willing and able to conduct commerce online, and online transactions are widespread.</p>
Openness to Foreign MSMEs	<p>3</p> <p>Information on trade rules is online and transparent. The complexity of tariffs and compliance with customs regulations is a challenge for foreign MSMEs. A high amount of HS codes makes customs documentation and clearance difficult for foreign MSMEs. Border infrastructure and capacity is highly developed, with minimal levels of corruption. Some tariff rates are still high for certain goods, and over 20% of goods entering the United States are subject to duties, 58th best in the world.</p>
Support for Cross-Border MSMEs	<p>4</p> <p>Programs exist within federal, state, and local governments to help MSMEs with the internationalization process. Cross-border financing and export insurance programs are available. Programs in the United States are underutilized due to lack of awareness. FTA provisions are also underutilized by MSMEs in the U.S.; MSMEs have limited understanding of how to use them. Tariff rates faced by U.S. MSMEs in foreign markets are higher than average.</p>
MSMEs in GVCs	<p>4</p> <p>MSMEs in the United States are generally able to easily identify and engage with MNCs in global value chains. Some MNCs are dominant in certain sectors. Value chains in the United States are highly developed with a significant amount of high-quality supplier firms. Questionnaire data indicates that U.S. business leaders, MSMEs and policymakers feel the United States is still lagging behind comparable economies in promoting trade and GVCs.</p>
Support for Services Focused MSMEs	<p>4</p> <p>Services sector development and engagement in international trade is high. The United States was the largest exporter of services in the world in 2017 with a total value of \$752 billion in exports. Programs exist to help services-sector MSMEs. Some data restrictions remain an issue in the United States. The United States is in talks with a number of countries concerning agreements to liberalize the services trade.</p>
Supportive ecosystem for women-led MSMEs	<p>4</p> <p>The position of women in society is advancing. The entrepreneurial environment for women is highly developed, but access to financing can be a challenge for women-led MSMEs, especially venture capital. Accessing business networks, including mentorship programs, professional associations etc. is also difficult at times. Policies of non-discrimination and women's empowerment are being pursued, but cultural biases still remain in some sectors.</p>

Low Score



High Score

United States of America

Key Demographics

Number of MSMEs : 27,827,900

MSME Percentage of Total Enterprises: 99.94%

MSME Percentage of Total Employment: 58%

MSME Percentage of Contribution to GDP: 54%

Percentage of Women in Workforce: 46%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	1	1
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	22	6
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	49	10
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	2	2
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	1	1
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	15	7
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	15	2
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		1
United Nations E-government Survey 2018 (rank/193)	11	6
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	22	10
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	16	6
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	36	3
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	120	14
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	17	4
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	1	1
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	4	3

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Viet Nam

MSME Capabilities and Competitiveness	<p>2</p> <p>Viet Nam established the SME Law to increase support measures for SMEs in terms of incentives, credit access, land rental preferences, and human resource development. However, domestic businesses have often complained of unnecessary and cumbersome regulations while setting up businesses. In the World Bank's Ease of Doing Business 2017, Viet Nam ranked 82nd amongst 190 economies. Especially concerning was the rank of starting a business which was 123rd.</p>
Accessibility and Efficacy of MSME Financing	<p>2</p> <p>Gaining access to credit is a major challenge for MSMEs. It is challenging for MSMEs to gain access to commercial loans as banks often decide to dispense loans to larger firms. Banks are unlikely to loan to MSMEs due to lack of assets, a higher risk of defaulting as well as a lack of financial transparency. Alternative funding such as Venture Capital or P2P platforms do exist, but however they are few and far between.</p>
Technological Proficiency	<p>2</p> <p>Viet Nam has heavily invested in infrastructure and passed economic policies encouraging entrepreneurs to start technology companies in order to spur economic growth. Viet Nam has focused on STEM and producing well-trained IT and software engineers. However, technology is inconsistent throughout the country and many places outside the major cities are still not well connected. There is a shortage of proficient labor as well as other economies raid Viet Nam for talent.</p>
Digital Ecosystem	<p>2</p> <p>Viet Nam recently implemented a national strategy promoting a digital economy with the goal of developing startups and encouraging e-commerce by providing funding, enacting legislation, and stimulating mentorships. Digital online services such as the Innovation Partnership Program are being designed to help with knowledge sharing and training functions as well as to increase reach, accessibility and transparency of many of these services.</p>
Openness to Foreign MSMEs	<p>3</p> <p>Viet Nam's startup scene is attracting a growing number of foreign entrepreneurs. The government is aiding foreign MSMEs by providing training, mentorship, and business incubators/accelerators. It is relatively easy to get a Viet Nam business visa. However, there are still challenges with both the legal and administrative environment, and time-consuming procedures and a strict system make it challenging for innovative companies.</p>
Support for Cross-Border MSMEs	<p>2</p> <p>Recently, the government has designed programs and policies to enable MSMEs to engage in international trade. However, due to their limited understanding of foreign markets and international trade issues, MSMEs are limited when it comes to entering foreign markets and participation in international trade. Trade promotion agencies do not have the capacity to help MSMEs or have outdated or irrelevant information.</p>
MSMEs in GVCs	<p>2</p> <p>Vietnamese SMEs are linked with global supply chains at a significantly lower percentage than neighboring economies. Viet Nam has implemented a policy to integrate further with global value chains focusing on procurement, operations, and sales. Viet Nam believes this will allow firms to alleviate competition, reduce risks, and lower production costs.</p>
Support for Services Focused MSMEs	<p>3</p> <p>There is a lot of room to grow in terms of Viet Nam promoting its services. While it has begun to embrace the digital economy and is promoting e-commerce, tourism is still the industry that promotes service based MSMEs. However, Fintech, IT, and software engineering are all emerging in Viet Nam's largest cities.</p>
Supportive ecosystem for women-led MSMEs	<p>3</p> <p>While Viet Nam's business climate for women is generally supportive, there are biases that directly impact women's ability to access financing as well as a lack of access to resources and markets. It is challenging for women entrepreneurs to balance work and family due to traditional views on women's roles and responsibilities. However, the government has created numerous policies to support women in business and there are a wide variety of programs focusing on women entrepreneurs.</p>

Low Score



High Score

Viet Nam

Key Demographics

Number of MSMEs : 333,835

MSME Percentage of Total Enterprises: 97.73%

MSME Percentage of Total Employment: 47%

MSME Percentage of Contribution to GDP: 40%

Percentage of Women in Workforce: 48%

Leading Indices

	World Ranking	APEC Ranking
MSME Capabilities and Competitiveness		
(GEDI) Global Entrepreneurship Index 2018 (rank/137)	87	18
(WEF) Global Enabling Trade Report 2016—Operating Environment (rank/136)	78	15
(The World Bank) Doing Business 2017—Starting a Business (rank/190)	123	18
Accessibility and Efficacy of MSME Financing		
(WEF) The Global Competitiveness Report 17/18—Ease of Access to Loans (rank/137)	69	16
(WEF) The Global Competitiveness Report 17/18—Venture Capital Availability (rank/137)	38	12
Technological Proficiency		
(WEF) Global Enabling Trade Report 2016—Availability and Use of ICTs (rank/136)	66	15
(GEDI) Global Entrepreneurship Index 2018—Technology Absorption (rank/137)	73	14
Digital Ecosystem		
APEC Fintech E-payment Readiness Index 2016 (rank/21)		20
United Nations E-government Survey 2018 (rank/193)	88	17
(ECIPE) Digital Trade Restrictiveness Index 2018 (rank/65)	5	4
Openness to Foreign MSMEs		
(The World Bank) Doing Business 2017— Enforcing Contracts (rank/190)	66	17
(The World Bank) Doing Business 2017— Trading Across Borders (rank/190)	94	14
Support for Cross-Border MSMEs		
(WEF) Global Enabling Trade Report 2016—Foreign Market Access (rank/136)	79	6
(WEF) Global Enabling Trade Report 2016—Efficiency and Transparency of Border Admin (rank/136)	86	17
(GEDI) Global Entrepreneurship Index 2018—Internationalization (rank/137)	102	16
Supportive Ecosystem for Women-led MSMEs		
Mastercard Index of Women Entrepreneurs 2018 (rank/57)	18	9

Bottom Ranking Percentile

0-20%

21-40%

41-60%

61-80%

81-100%

Top Ranking Percentile

Report	Description	Organization
APEC E-payment Readiness Index 2016	The APEC E-payment Index, comprising four pillars and 39 indicators, was constructed to gauge the readiness and capacity of each of the 21 APEC economies to engage in e-payment (including both e-payment and m-payment services), and to further develop their overall e-payment ecosystem. Within this index, we have also provided the specific economy score on the sub-indexes of regulation, infrastructure, demand, and innovation.	
The World Economic Forum Global Enabling Trade Report 2016	The Enabling Trade Index assesses the extent to which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods over borders and to their destination. The 2016 edition of the ETI covers 136 economies, which together account for 98 percent of world GDP and 98.3 percent of world merchandise trade. Within this index, we have also provided the specific economy score on the sub-indexes of Foreign Market Access, Efficiency and transparency of border administration and Operating environment.	
The GEDI Global Entrepreneurship Index 2018	The GEDI Global Entrepreneurship Index 2018 – The Global Entrepreneurship Index is a composite indicator of the health of the entrepreneurship ecosystem in a given country. The GEI measures both the quality of entrepreneurship and the extent and depth of the supporting entrepreneurial ecosystem. They have identified the 14 components that they believe are important for the health of entrepreneurial ecosystems. Within this index, we have also provided the specific economy score on the sub-indexes of opportunity perception, startup skills, and networking. Pillars ranked in the report: Opportunity Perception, Startup Skills, Risk Acceptance, Networking, Cultural Support, Opportunity Perception, Technology Absorption, Human Capital, Competition, Product Innovation, High Growth, Internationalization, Risk Capital	
The World Bank Doing Business 2017	<i>Doing Business 2017: Equal Opportunity for All</i> , a World Bank Group flagship publication, is the 14th in a series of annual reports measuring the regulations that enhance business activity and those that constrain it. <i>Doing Business</i> presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies. <i>Doing Business</i> measures regulations affecting 11 areas of the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Data in <i>Doing Business 2017</i> are current as of June 1, 2016. The indicators are used to analyze economic outcomes and identify what reforms of business regulation have worked, where and why.	
MasterCard Index of Women Entrepreneurs 2018	The Mastercard Index of Women Entrepreneurs 2018 continues its focus on the progress and achievement of women entrepreneurs/business owners around the world. Using 12 indicators and 25 sub-indicators, the Index looks at how 57 economies (representing 78.6 percent of the world's female labor force) differ in terms of the level of Women's Advancement Outcomes, Knowledge Assets & Financial Access and Supporting Entrepreneurial Factors. The Index also provides insight on which factors and conditions are most conducive to closing the gender gap among entrepreneurs/business owners in an economy. We also look at which conditions are the biggest disablers or deterrents of women's ability to thrive in the business world.	
The World Economic Forum Global Competitiveness Report 2017 – 2018	The Global Competitiveness Index has been measuring the factors that drive long-term growth and prosperity for over four decades, helping policymakers identify challenges to be addressed and strengths to build on when designing the economic growth strategies for their countries This is captured within the GCI by including a weighted average of many different components, each measuring a different aspect of competitiveness. The components are grouped into 12 categories, the pillars of competitiveness: Within this index, we have also provided the specific economy score on the sub-indexes of Women in labor force, ratio to men, Ease of access to loans, venture capital availability and ICT use	
The United Nations E-Government Survey 2018	The UN EGovernment Survey report looks at how e-government can facilitate integrated policies and services across the three dimensions of sustainable development, and is produced every two years by the UN Department of Economic and Social Affairs. It is the only global report that assesses the e-government development status of the 193 UN Member States. It serves as a tool for countries to learn from each other, identify areas of strength and challenges in e-government and shape their policies and strategies in this area. It is also aimed at facilitating discussions of intergovernmental bodies, including the United Nations General Assembly and the Economic and Social Council, on issues related to e-government and development and to the critical role of ICT in development .	
European Centre for International Political Economy (ECIPE) Digital Trade Restrictiveness Index 2018	The Digital Trade Restrictiveness Index (DTRI) measures how countries in the world restrict digital trade. The DTRI is based on a wide spectrum of digital trade policies covering more than 100 policy measures across 64 countries worldwide. The index is the first global initiative to provide transparency of applied digital trade restrictions and sheds light on how countries compare with each other. The index is based on the Digital Trade Estimates (DTE), a database that ECIPE has developed and that is freely available for anyone to use.	

Standardized Scale Used to Assess Economy

	MSME Capabilities & Competitiveness	Accessibility and Efficacy of MSME Financing	Technological Proficiency
1	No agencies address MSME concerns. Policies for MSMEs are fragmented and enacted in a patchwork manner. Schools do not provide education on fundamental business skills. No data exists on MSMEs. Training is sporadic, always given in the same format, and not geared towards digital skills. MSME regulations do not consider MSME characteristics. No mentorship and advisory programs. Culture does not support entrepreneurship.	Venture capital is non-existent or severely restricted. Banks do not receive support for MSME financing. Tax policies do not consider MSME characteristics. MSME-directed FDI is very limited. Supportive financing programs for MSMEs engaged in cross-border trade do not exist.	ICT infrastructure is not universal, is expensive, and unreliable. Technology training programs are not specific to MSMEs' various development stages and/or sectors and are unaffordable. Technology transfer is nonexistent, limiting innovation. A severe lack of technologically proficient workers is present.
3	A centralized MSME ministry/agency may exist or programs and policies may be distributed across many ministries/agencies. A national MSME policy may be made but action is weak. Some business education in schools is present. Data on MSMEs may exist, but is not complete and regularly updated. Some training modules are varied with an emphasis on digital training, but others lag behind. Some pro-MSME regulations exist but major areas are not pro-MSME. Access and availability of mentorship and advisory programs is not universal. A culture supportive of entrepreneurship is not widespread.	The presence and funding of venture capital is limited. Government programs may provide some guarantees to banks for MSME financing but access is not universal. Tax policies which incentivize investment in innovative MSMEs are lacking. Supportive financing programs for MSMEs engaged in cross-border trade and for MSME-directed FDI are limited.	ICT infrastructure is readily accessible and affordable in some areas but not with uniform reliability across the entire economy. Some technology training programs exist for MSMEs that are affordable and relevant to an MSME's stage of development and sector. Some technology transfer programs from innovative developed economies exist, but it is not fully realized. Demand is high for technologically proficient workers exist because supply is low. Limited specialized funding exists to assist adoption of technology.
4			
5	A separate MSME ministry/agency exists to fulfill a national MSME policy. Advocacy for business education in schools is strong. Data on MSMEs is accessible and online. Training modules are varied, with an emphasis on digital training. Pro-MSME regulations exist along with mentorship and advisory programs. Strong culture to support entrepreneurship.	A well-financed and engaged venture capital sector exists. Government programs provide guarantees to banks for MSME financing. Tax policies exist which incentivize investment in innovative MSMEs. Supportive financing programs exist for MSMEs engaged in cross-border trade and for MSME-directed FDI.	ICT infrastructure is readily accessible and affordable. Technology training programs for MSMEs should be affordable and relevant to an MSME's stage of development and sector. Active technology transfer programs from innovative developed economies. Availability of technologically proficient workers meets market need. Specialized funding exists to assist adoption of technology.

	Digital Ecosystem	Openness to Foreign MSMEs	Support for Cross-Border MSMEs
1	MSMEs do not use ICT. Internet access, especially for broadband speed, is limited to urban areas, inconsistent, and expensive. Policy makers are not digitally literate, nor are MSMEs. The clear opportunities presented by digitization are not well-known. E-government and e-payments are non-existent. Policies and regulations governing the digital economy impede and present barriers to MSME participation. Systems are not interoperable. MSMEs do not participate in e-commerce and there are few, if any, e-commerce platforms and marketplaces.	Information on trade rules and requirements and potential partners is not online and is unclear. Dispute resolution is unjust, untimely, and prohibitively expensive. Fraud is high. ICT is expensive and not accessible by foreign MSMEs. MNCs dominate markets. FTA participation is low. Foreign ownership requirements are a barrier to investment and business operations. Information on customs and NTBs is complex, unclear, out of date, and not digitally available.	Programs do not exist to enable MSMEs to easily access information on exports, foreign market opportunities, and logistics. Programs for MSMEs to access qualified business networks, mentors, and advisors are non-existent or prohibitively expensive. Private sector and PPP efforts do not enable ease of doing business, including localization, translation, and logistics services. Information on regulatory changes and FTAs are unclear, difficult to understand, and out of date.
2			
3	Some MSMEs utilize ICT and are able to access affordable internet access at broadband speeds. Some MSMEs and policy makers are digitally literate and some understand the opportunities presented by digitization. E-government may exist for some services and ministries but not all. Policies and regulations governing the digital economy exist but may not be comprehensive, well-designed, or supportive of MSME participation. Systems are not interoperable. Some MSMEs participate in e-commerce. Some e-commerce platforms and marketplaces exist but competition is not robust.	Some information on trade rules and requirements as well as potential partners is online and transparent. Dispute resolution is timely, costly, and corruption sometimes occurs. Fraud exists and impedes MSMEs. ICT is sometimes available and accessible, depending on location. Some sectors experience market dominance by MNCs. Participation in some useful FTAs exists. Foreign ownership requirements present an impediment to investment and business operations. Information on and process for customs and NTBs is only sometimes transparent, streamlined, regularly updated, and available online.	Some programs and policies enable MSMEs to easily access export information, foreign market opportunities, and logistics support; as well as enabling MSMEs to have affordable access to qualified business networks, mentors, and advisors. Some private sector and PPP efforts enable ease of doing business, including localization, translation, and logistics services. Information on regulatory changes and FTAs is sometimes transparent, easy to understand, and conveyed in a timely manner.
4			
5	Uptake among MSMEs of ICT is high. Internet access is affordable and widely available. Broadband speeds are at industry standard. Digital literacy is advanced among MSMEs and policy makers. Strong understanding of opportunities presented by digitalization. Many e-government services available. Policies and regulations governing the digital economy are well-developed and supportive of MSME participation. E-payments are widespread. Many choices of e-payment providers. Systems are interoperable. MSME participation in e-commerce is high. Many choices of competitive e-commerce platforms and marketplaces.	Information on trade rules and requirements as well as on potential partners is online and transparent. Dispute resolution occurs in just and available courts. There is a low level of fraud. ICT is available and accessible. Market dominance by MNCs is low. The economy is party to many useful FTAs. Foreign ownership requirements do not present a challenge to investment and business operations. Information on and process for customs and NTBs is transparent, streamlined, regularly updated, and available online.	Programs and policies enable MSMEs to easily access to export information, foreign market opportunities, and logistics support; as well as enabling MSMEs to have affordable access to qualified business networks, mentors, and advisors. Private sector and PPP efforts enable ease of doing business, including localization, translation, and logistics services. Information on regulatory changes and FTAs is transparent, easy to understand, and conveyed in a timely manner.

	MSMEs in GVCs	Support for Services Focused MSMEs	Supportive ecosystem for women-led MSMEs
1	MNCs cannot identify and engage MSMEs for their GVCs. Policies do not exist for MSME cash flow sustainability regarding GVC payment terms. Standards are unclear and varied within industries. Interaction and learning do not occur between MSMEs and MNCs.	No national strategy to enable service-focused MSME imports and exports. Specific trainings, funding, and dispute resolution programs do not exist for service-sector MSMEs. Commercial presence requirements are not sector-specific and are unnecessary. Data does not flow freely across borders and security and privacy concerns are not well-defined or understood. The ecosystem does not allow for competitive E-commerce platforms for services.	Excruciating impediments and barriers exist for women in trade, particularly in competitiveness. Legal restrictions are present, preventing women from owning property, signing contracts, and accessing finance. Cultural impediments and barriers to women's engagement in trade are prohibitively high, including personal safety concerns. Women in trade perceive strong differential challenges compared to men in trade. Women-led MSMEs are clustered in low-margin, low-growth industries.
2			
3	MNCs can easily identify and engage some MSMEs. No policies are in place for MSME cash flow sustainability regarding GVC payment terms. Standards are sometimes easily accessible and harmonized within industries. Interaction and learning, including training and development between MSMEs and MNCs, is sometimes encouraged.	A national strategy exists but does not fully enable service-focused MSME imports and exports. Specific trainings, funding, and dispute resolution programs exist for service-sector MSMEs but are not universally known and accessible. Commercial presence requirements are not sector specific. Free flows of data are impeded by regulation, and do not consider that security and privacy concerns are met. Some competitive e-commerce platforms for services are enabled.	Women-led MSMEs are sometimes supported across the other assessment areas, especially competitiveness. Women-led MSMEs are present in many sectors but are still most represented in low-growth, low-wage sectors. Legal restrictions on property ownership and legal authority may exist. Cultural impediments and barriers to women's engagement in trade are significant. Women in trade sometimes perceive differential challenges compared to men in trade.
4			
5	MNCs can easily identify and engage MSMEs, and policies are in place for MSME cash flow sustainability regarding GVC payment terms. Standards are easily accessible and harmonized within industries. Interaction and learning, including training and development between MSMEs and MNCs, is highly encouraged.	A national strategy enables service-focused MSME imports and exports. Specific trainings, funding, and dispute resolution programs exist for service-sector MSMEs. Commercial presence requirements are sector specific as necessary. Free flows of data are enabled by regulation, given that security and privacy concerns are met. An enabling and competitive environment for e-commerce platforms for services exists.	Women-led MSMEs are supported across the other assessment areas, especially competitiveness. Women-led MSMEs are distributed evenly across sector. No legal restrictions on property ownership and legal authority exist. Cultural impediments and barriers to women's engagement in trade are low. Women in trade do not perceive differential challenges compared to men in trade.



Appendix

Appendix I: Participating Organizations and Companies

500 Startups Vietnam	Buy2Korea	FIXER Inc.
AC Trade Advisory	Cámara de Comercio de Santiago (Chamber of Commerce Santiago)	Fubon Financial Venture Capital
Acter Co.	Canadian Digital Media Network	Fundacion Mexico-Estados Unidos para la Ciencia The US-Mexico Foundation for Science (FUMEC)
Action Electronics	Cardig	Fundbox
Adoptimize	Catalo Group	Functioneight
ADRO Ventas Online	Caterina Meloni	Fundnel
Agrome IQ	Cencosud	Gaoxin Digital
Aindessa, Peru	Center for Asia Pacific Trade Compliance and Information Security	Genteel
Al-Huffaz	Center for International Private Enterprise (CIPE)	Getchee
AmCham Indonesia	Centro de Competitividad de Mexico (CCMX)	Gettingtglobal.org
AMCham Vietnam	Centro Promotor de Diseño	Global Rus Trade
American Chamber of Commerce of Mexico - AMCHAM	Chile Pacific Foundation (Fundacion Chilena del Pacifico)	Go-JEK
AMOS International Pte Ltd	Chung-Hua Institution for Economic Research	Golf Skin
Andragogy	Chuo University	Greenpac
Angel Ventures	CIMB Bank	Gresmex
Angels of Impact	CK Interbiz Co	Headhunters Sport
Anko Food Machine Co.	CoffeeWorks	Heungjin Testing Machine Co. Ltd.
APRU	Coin Hills	HKIAC
Aquaz	Consejo Empresarial Mexicano de Comercio Exterior, Inversion Y Tecnologia (COMCE)	Hong Kong General Chamber of Commerce
ASELA	Comex Peru	hourmaster.com
Ashani CPAs and Business Advisors	Commando Limited	HouzSpecial Inc.
Asia-Pacific MSME Trade Coalition (AMTC)	Connecting Founders	HPA
Asian Development Bank	CONUPIA	Human Nature
Asian Trade Centre	Council of Small Business Australia	Hunter Powell Investments Limited
Asociación de Empresas Chilenas de Tecnología	Creativo	IExpert
Associaon Nacional de Importadores y Exportadores de la Republica Mexicana (ANIERM)	Cumpló	Ignition Innovations, Inc
Association of the Medium and Small Handicraft Industry of Chile (AMPICH)	DARe	INADEM
Auckland Tourism, Events, and Economic Division	Dart	Incubit Inc.
Australian Chamber of Commerce & Industry	David Madden, Revolution of Necessity	INDUPAN - Trade Association of the Bread Industry
Australian Government Department of Jobs & Small Business	Demand Generator	Industrial Technology Research Institute
Australian High Commission	Dr. Andrea Bjorklund	Infocomm Media and Development Authority of Singapore
Australian Ministry of Trade, Tourism & Investment	Dr. Jeffrey Cornwall	Infusiones Del Este
Australian Services Roundtable	Dr. J George Wang	Innotherapy
Autox	Dr. Pai-Ling Yin	Institute for Small Scale Industries, University of the Philippines
Baiduri	Dr. Monica Kirya	International Department, Russian Direct Investment Fund
Banco De Chile	Dr. Thomas Pugel, NYU Stern	International Finance Corporation, World Bank Group.
Banyan Global	Dynamic Media	International Shippers & Services Association
Barangay Liptong Small	East by West Ferries	ioNetworks
Coconut Farmers Association (BLISCOFA)	Ecological, Peru	IQ DIGITAL
Base 2	EFA	Iron Duke Partners
Bauen, Peru	EGV Ingeria	J. Stephen Labs
Bedu	Elieen's Farm	Jane Clare
Bellery Enterprise	Embassy of the United States of America, U.S. Department of Commerce, U.S. Commercial Service	Jo Eddington Consultants
Bizhare	Employers and Manufacturers Association	Jong le Nara
Blue Bird Group	Endeavor Chile	JP Morgan
Blue7Team	Enterprise Singapore	JR-Company
Brandon Capital Partners	Establishment Kecantikan dan Kesehatan An Nuur As Salwaa	Juntoz
Brankas	Expara Thailand	Ka-Entrep, Micro and Small Entrepreneurs Organization of the Philippines
Brookings Institution	Export Council of Australia	Khipu
Bureau of Small and Medium Enterprise Development, Department of Trade and Industry	ExportNZ	KIBAR
Business Link Pacific	FASKE Logistics	KICHINK
Business NZ	FEMSA	Kiidu
	Ferrum Engineering Ltd.	

Kina Bank Limited (PNG)	Omise Holdings Pte. Ltd.	Tapioca Delight
KITA	Organization of Women in Trade	Thai Banker's Association
KLT Fruits Inc	Otenta	Thai Chamber of Commerce
Korea Business Development Center	Pacific Primitive Art	Thai Federation of Industries
Korea Small Business Corporation	Pad39	Thailand Board of Trade
Korean Trade - Investment Promotion Agency (Kotra)	Philippine Airlines	Thailand Smart Trade Center
Ku Ka	Philippine Business for Social Progression (PBSP)	The Australian APEC Study Centre
Kum Sung Diamond Co. Ltd	Philippine Digital Asset Exchange (PDAX)	The Bill & Melinda Gates Foundation
Kunna Grocery	Philippine Trade Training Center	The Creative Corp
Laboratoria	Plastered 8	The Curry Puff Factory
Lamchin	Plug and Play Japan	the Failure Institute
Lightron Inc	PNG Super Coffee	The Icehouse
Livvy Pierce	ProChile	The Japan Chamber of Commerce and Industry
Los Angeles Regional Export Council	ProMexico - Global Supply Chains	The Treasury New Zealand
LVK Group of Companies	PT Kandang Karya Teknologi	Think Global Consulting
Makerspace Manila	PT Pan Brothers TBK	Timnet Korea
ManpowerGroup	Public Policy International	Titan Works Limited
Marsman Drysdale Group	Publy	Tribe Theory
Matal	Qsearch	Tualpaca
MEDIOS ALTERADOS	Ramirez Abogados (ANIERM)	UBS
Merca Puntal	REA Group	Universidad de Lima
Messy Bessy	Republic of the Philippines Department of Science and Technology	University of Michigan
Metis Gaia	Rita Phil	University of Southern California
Mexflex	RMIT University	University of Tokyo
Mexican Business Council for Foreign Trade, Investment and Technology	Said Business School	Uniweb
Microsoft	Samuelu Sefuiva & Associates Consulting	USAID
Ministry of Business Innovation & Employment	Scotia Bank, Peru	US ASEAN Business Council
Ministry of Cooperatives and SMEs of the Republic of Indonesia.	SEAF	vCargo
Ministry of Economics & Finance, Peru	Semiconductor & Electronics Industries in the Philippines Foundation Inc (SEIPI)	VCCI
Ministry of Economy, Trade and Industry	Sentbe	WeConnect
Ministry of Foreign Affairs & Trade	Shanghai Utopia Media Co., Ltd.	WISE
Ministry of Labor & Employment generation, Peru	Shuhan He	WithUs Game
Ministry of Tourism & Trade, Peru	Singapore Business Federation	Women's Business Enterprise Canada
Mitsubishi Heavy Industries, Ltd.	Sinhan Aquas Co. Ltd	Women's Enterprise Organizations of Canada
Mitsui & Co., Ltd.	Sleep Drops	World Bank Group
Mitz Fundacion	Siri Terjesen, American University	World Trade Organization
Mizuho Bank, Ltd.	Small & Medium Enterprise Administration	Xero
momo.com inc.	Small Business Association of Australia	XP Mind
Mujeres del Pacifico	SME Association of Australia	Xparring
Multicaja	SME Bank	Youngil
Mumtaz	SME Corp	
Murray River Organics	SoGal Ventures	
Nabi Dreams Inc.	Solar Solutions PNG Ltd	
Nacional Financiera, Banca de Desarrollo.	Solti Corp.	
Secretaria de Hacienda Y Credito Publico (NAFIN)	Soongsil University	
NaRaYa	Spectra Industrial	
Navin Danapal	Startegy Venture Builder	
New Zealand Food & Grocery Council	Starting Industrial Co., Ltd.	
New Zealand Trade & Enterprise	Startup Lady	
Nexsys	Startup Mexico	
Niugini Native	Sunwah Group	
Nural Izzati	Support Council for ABAC-Japan	
NZ Game Developers Association	Sustainable Brands Thailand	
O-Spa International	Synergy Group	
Offset Outfitters	Tailor Innovations	
	Taipei Fubon Bank	
	Taitra	
	Taiwan Institute of Economic Research	

Appendix II: Questionnaire Results and Interview Protocol

Interested research and parties contact us for access to the questionnaire instrument and the data. Contact information can be found at <http://info.marshall.usc.edu/academic/gpp/abac/Pages/default.aspx>

Appendix III: Research Limitations

There are several limitations to a field study built on interview data.

Limited Research Scope

The explicit objective was to capture the APEC business voice on barriers and impediments to cross-border trade for MSMEs. This means adopting what is referred to throughout this report as the “business perspective.” The business perspective includes all factors that impact a firms’ strategic and profit-seeking decisions. No effort was made to limit discussion with business executives to factors that can be influenced by policy initiatives in the short or medium term. The report explicitly acknowledges that many of the factors included in the analyses are beyond the influence of governments. However, we include them because business executives reported that they do deter and discourage them from doing cross-border trade for MSMEs in certain economies. Deficiencies in infrastructure, geographic location, institutional voids, and lack of critical resources were often reported as reasons for not starting cross-border trade by MSMEs in a particular economy. We believe it is important that policy makers have this information.

This study is intentionally a field research project based on interviews with APEC businesses, and it is limited to conditions affecting cross-border trade environments in 2018. It is not longitudinal. If it proves valuable it will be because it complements and expands upon more secondary data based studies. It is not intended to substitute for the rigor of econometric studies.

There are both advantages and disadvantages to a field study designed specifically to capture the personal experiences and opinions of APEC business leaders. The obvious advantage is that the primary data collected is interview data that captures the real problems and challenges encountered by firms. The major disadvantage is that the data is qualitative, making it extremely difficult to compare across firms which leads to challenges in drawing out rigorous generalizations.

Substantive Limitations

The validity and generalizability of any and all findings and conclusions of this report is constrained by the quality and knowledge of the set of business executives and thought leaders available for interviews. The ABAC Secretariats made honest attempts to have researchers interview a representative sample of business executives and “multipliers.” However, the findings of the report are directly limited to the quality and comprehensiveness of the information received from the interviews. Limited numbers of interviews were obtained in Russia and Canada. For these economies, substantial use of secondary information was used to complement the data received during the interviews.

Research Design and Methodological Limitations

Twelve different interviewers were used during this research. In most cases, one interviewer conducted all the interviews within an economy. This created a problem of cross-interview rater reliability. Efforts were made during the interview analyses phase to use standardized protocols and rating schemes to ensure comparability across interviewer. There is no way of knowing whether we have captured a fair sample of executive opinions in an economy. We gained confidence when executives repeated the same set of barriers and impediments. But this remains a major limitation of this study.

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Appendix V: Team Biographies



Baylis Beard | Team Co-Lead | USA
Economies: Malaysia and Brunei Darussalam

Before attending USC Marshall, Baylis built and directed an NGO in Washington D.C., redesigning and expanding the coordinated crisis assessment and response between various municipal systems. She has worked extensively in women's and human rights and is passionate about developing inclusive economic growth through PPPs, inclusive finance and sustainable business models and social entrepreneurship. Baylis graduated with a Bachelor's degree in Spanish Literature with a coursework concentration in global development studies from Grinnell College.



Jasmine Hagans | Team Co-Lead | USA
Economies: Indonesia and Singapore

Jasmine is passionate about connecting consumers with technology that meets their needs and wants and will be entering a career in consulting post-graduation. Prior to USC Marshall Jasmine graduated with a Bachelor's degree in Music with minors in Business Administration, Urban Studies, and History from Northeastern University. She worked in education in Seoul, South Korea, and the music industry and arts non-profits in the US, most recently as Curator of Lectures and Concerts at the Museum of Fine Arts, Boston.



Jayesh Usha Hariharan | India
Economies: Chile & Canada

Jayesh was closely involved in the early-growth stage of CinePlay, a media startup in India as the Head of Operations, but has also worked across the entertainment industry value chain, including in Sales & Distribution at Reliance Broadcast Network and in Acquisitions at Magnolia Pictures. A self-professed nerd of the economics and the media industry, Jayesh graduated with a double-major in Film/ TV Production and Economics from New York University.



Sara Spoede | USA
Economies: Republic of Korea and Republic of The Philippines

Sara will be entering an operations role within the healthcare industry post-MBA. Prior to USC Marshall, she worked at Beachbody for three years where she did product development on a supplement line. Sara received her Bachelor degree in Food Science from the University of Missouri-Columbia.



Larissa Insogna | USA

Economy: The People’s Republic of China

Larissa hopes to pursue a career in tech and ultimately start another business. Before Marshall, she founded and scaled a distribution company that marketed and exported California wines to international markets. Outside of work, Larissa is a sommelier, a web designer and loves traveling for inspiration. She holds a bachelors degree in International Relations with a focus on Economics from the University of California Irvine.



Corey Fine | USA

Economies: Hong Kong, China and Viet Nam

Corey is interested in business development and strategy and is looking to work for a tech startup upon completion of his MBA program. Prior to USC Marshall, he was a strategic sales specialist working for an e-commerce platform. Corey graduated with a Bachelor’s degree in Business Administration from the University of Denver.



Liang-Yun (Jack) Lin | Chinese Taipei

Economies: Chinese Taipei and The Russian Federation

Jack is passionate about creating business strategies to develop technologies and grow businesses. Before attending USC Marshall, he worked in the semiconductor industry as an engineer designing chips for smartphones. Jack holds a Master’s degree in Electrical Engineering from University of California, Los Angeles.



Kanae Mori | USA

Economies: Japan and Papua New Guinea

Kanae is passionate about the intersection of business and social impact, and spent the past five years working on developing strategic cause-marketing and corporate social responsibility campaigns for corporate partners like Citi, Williams-Sonoma, and Sodexo. Kanae graduated with a Bachelor’s degree in Global Studies and Psychology from University of California, Santa Barbara.



Ryan Falk | USA

Economies: Thailand and The United States of America

Ryan intends to pursue a career in the hospitality industry post-MBA. Prior to USC Marshall, he worked in the U.S. House of Representatives devising legislative strategies and managing constituent relations for a Member of Congress. Ryan holds a Bachelor's degree in Finance from American University.



Abhijith (Abhi) Vijayakumar Binsu | India

Economy: Peru

Abhi has a technology consulting background in the financial services industry and has worked with clients in various Middle Eastern economies. He holds a bachelor's degree in Electrical & Electronics Engineering from the College of Engineering, Trivandrum. Abhi is passionate about technology and the impact it can bring to the world. He intends to take up a role in the technology industry post his MBA.



Matt Dion | USA

Economies: Australia and New Zealand

Matt intends to pursue a role in product strategy in the Interactive Entertainment industry. Previously he has worked extensively in Human Resources and Operations within the Sports and Mobile Gaming industries. Matt holds a Bachelor's degree in Sport Management from the University of Massachusetts Amherst.



Carl W. Voigt | Ph.D. | New Zealand

Economy: Mexico

Carl Voigt serves as faculty director for the USC Marshall-ABAC research program. He is a Professor of Clinical Management & Organization. He has worked jointly with ABAC since 2005 to direct teams of MBA researcher on 14 research projects for ABAC. He specializes in teaching business, corporate, and global strategy, and management courses in USC Marshall's undergraduate, MBA and EMBA programs. His academic interests are business, corporate and global strategy, and in particular in entrepreneurship.