APEC 2017 SECOND SENIOR OFFICIALS’ MEETING (SOM 2) AND RELATED MEETINGS

APEC STUDY CENTERS CONSORTIUM CONFERENCE 2017

PROCEEDINGS

12-13 May 2017  ■  Hanoi, Vietnam

APEC VIETNAM 2017
CREATING NEW DYNAMISM, FOSTERING A SHARED FUTURE
CONFERECE AGENDA

Day 1: May 12, 2017

08:00 - 08:30  Registration

08:30 - 09:15  Opening Remarks: Nguyen Vu Tung, DAV President

   Keynote Speech: H.E. Mr. Bui Thanh Son, Deputy Foreign Minister, Vice Chairman of the National Committee for APEC

   Remarks: Denis Hew, Director of APEC Policy Support Unit (PSU)

09:15 - 09:30  Photo Session

09:30 - 11:00  SESSION 1: THE ASIA–PACIFIC REGION: NEW TRENDS, CHALLENGES, AND OUTLOOK

This session will focus on analyzing the global and regional context, identifying new trends of regional economy and assessing their implications to APEC. Emerging trends in the region can pose challenges to economic growth, the achievement of Bogor goals as well as the post-2020 vision of APEC. Therefore, a comprehensive assessment on regional trends is imperative for APEC leaders and enterprises in crafting development strategy.

Moderator: Vo Tri Thanh, Central Institute for Economic Management, Vietnam

- APEC Regional Trend Analysis
  Emmanuel A. San Andres, APEC Policy Support Unit
- Trade Policy Priorities in an Uncertain Regional Trade Environment
  Robert Scollay, University of Auckland, New Zealand
- Trends towards reducing trade costs: Comparing multilateral and regional commitments in Trade Facilitation
  Tham Siew Yean, ISEAS-Yusof Ishak Institute, ASC Singapore
- Challenges and opportunities for economic growth and trade in APEC region: undisclosed potential
  Ksenia Proka and Nikita Pyzhikov, ASC Russia
- Relocation of Investment and Trade Diversification in APEC: Trends and Challenges for Mexico
  José Ernesto Rangel Delgado, Juan Gonzalez Garcia, and Angel Licona Michel, APEC Study Center & Pacific Study Center University of Colima, Mexico

Discussion

11:00 - 11:15  Coffee Break
SESSION 2: RELEVANCE AND DYNAMISM FOR APEC IN THE NEW CONTEXT

Discussion on this topic is aimed at answering several questions including: Which role can APEC play in enhancing economic cooperation, prosperity and development? What measures can be taken by member economies to encourage APEC’s effectiveness and relevance in the new context? What are the key factors generating new dynamisms for APEC in the near future and post-Bogor period? Which is APEC’s position in the evolving regional architecture?

Moderator: Alan Oxley, RMIT University, Australian APEC Study Centre

- APEC beyond Economic Cooperation: Its Achievement for the Past Three Decades
  Ippei Yamazawa and Toshiya Takahashi, ASC Japan
- Building an APEC Framework for Advancing Regional Economic Integration
  Chen-Sheng Ho, International Affairs Department, Taiwan Institute of Economic Research
- APEC’s New Role in Further Promoting Asia-Pacific Regional Economic Integration
  Liu Chenyang, Nankai University, ASC China
- Where should APEC go? To build the Asia-Pacific Community of Inclusiveness and Development
  Lu Jianren, China-ASEAN Research Institute, Guangxi University; and Chinese Academy of Social Sciences

Discussion

12:45 - 14:00 Lunch

14:00 - 15:30 SESSION 3: PROMOTING RESILIENCE, SUSTAINABLE AND INCLUSIVE GROWTH AMONG APEC MEMBER ECONOMIES

This session focuses on solutions for APEC economies in order to pursue sustainable development given the context of increasing threats to economic security such as climate change, food and energy security, epidemics, transnational crimes, etc. The discussions will cover the following issues: (i) Developing climate-friendly and resilient economy for ensuring sustainable development; (ii) APEC’s role in the accomplishment of Sustainable Development Goals (SDGs); (iii) Risks management recommendations for APEC economies.

Moderator: Eduardo Pedrosa, PECC

- Regional and global initiatives for sustainable infrastructure
  Ken Waller, RMIT University, ASC Australia
- Logistic Infrastructures and Growth: from Building to Utilizing
  Souknilanh Keola, Bangkok Research Center, Institute of Developing Economies, Japan External Trade Organisation (IDE-JETRO)
- Food for Sustainable Growth, Food for Zero Hunger
  Kan Zaw, Myanmar Academy of Social Sciences
- Financial inclusion in APEC: Achievements, Issues and Future Agenda
  Can Van Luc, Bank for Investment and Development of Vietnam

Discussion

15:30 - 15:45 Coffee Break
15:45 - 17:15 SESSION 4: PROMOTING HUMAN RESOURCE DEVELOPMENT AND TECHNOLOGICAL INNOVATION IN THE ASIA – PACIFIC REGION

Human resources and technological innovation are key factors in enhancing competitiveness and economic growth prospect for APEC members. The digital age also requires new approaches to education, training and human capital development. In this session, participants are invited to elaborate opportunities for promoting regional trade and integration through education and technological cooperation.

**Moderator:** Li Wentao, Nankai University, ASC China

- **Determinants of new product introduction trials: Organizational characteristics of innovative firms in Vietnam**  
  Yasushi Ueki, Economic Research Institute for ASEAN and East Asia, Indonesia

- **Entrepreneurship in APEC and Hong Kong**  
  Cheung-Kwok Law, The Chinese University of Hong Kong, ASC Hong Kong

- **Identifying Key Drivers of Current Skill Shortages in the APEC Tourism Labour Force**  
  Anthony Makin et al., Griffith University, ASC Australia

- **Returns to Education in the Philippines: Semiparametric Quantile Approach**  
  Mariel Sauler and Maria Tomaliwan, School of Economics, De La Salle University, Philippines

- **Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Realizing Pillar 1 via Business-to-Business (B2B) E-Commerce**  
  Jovito Katigbak, Foreign Affairs Research Specialist, the Philippines

Discussion

17:15 - 18:45 SESSION 5: DEEPENING REGIONAL ECONOMIC INTEGRATION – WAYS FORWARD

Increasing globalization skepticism and the surge of protectionism are creating counter-forces to regional economic integration. In this context, the key question is how to deepen regional economic integration while addressing sustainability and social equity. This session will provide an analysis of potential economic and social benefits and costs, as well as the prospect of regional integration initiatives; identify challenges economies may face; and explore possible pathways towards realizing regional integration initiatives.

**Moderator:** Robert Scollay, University of Auckland, ASC New Zealand

- **Analysis on the Ways to Move the FTAAP Forward: Progress, Challenges and Future Actions**  
  Li Wentao, Nankai University, ASC China

- **Promoting FTAAP and finding ways forward to achieve Bogor goal and beyond**  
  Maura Ada Iliuteanu, Economic Research Institute for ASEAN and East Asia

- **Drawing on the prospective benefits from the TPP**  
  Alan Oxley, RMIT University, ASC Australia

- **An Analysis of Goods and Services Market Integration among Asia Pacific Countries**  
  Seongman Moon, Chonbuk National University, Korea

- **Have APEC economies reached economic convergence?**  
  Rowell Casaclang, Foreign Service Institute, the Philippines

Discussion

End of Day 1
09:00 - 10:30 SESSION 6: THE DEVELOPMENT OF AN APEC’S LABOR MOBILITY FRAMEWORK

This year APEC SOM starts a new initiative ‘APEC Labor Mobility Framework’ under the joint initiatives by Australia and Vietnam. It aims to enhance and improve the labor mobility among APEC economies. If successfully implemented, it will be a most promising challenge, while labor movements and refugees cause various frictions in Europe and North America. But it will also be a difficult task because of a big diversity among APEC members. This session will discuss different types of labor mobility within APEC, and other matters related to labor issue among APEC member economies.

Moderator: Tran Viet Thai, Vietnam ASC

- Progress on the Development of an APEC Labour Mobility Framework
  Jabulane Matsebula, Australian Government Department of Employment

- Towards a more flexible model for inviting migrant workers
  Junichi Akashi and Ippei Yamazawa, ASC Japan

- A Decomposition Analysis Of Wage Inequality in the Philippines
  Neriza Cacas-Chow, Maria Dabbay, and Mariel Sauler, School of Economics, De La Salle University, Philippines

- Le Kim Dung, Ministry of Labour, Invalids and Social Affairs, Vietnam

Discussion

10:30 - 10:45 Coffee Break

10:45 - 12:15 SESSION 7: ENHANCING CAPACITY AND COMPETITIVENESS OF MSMEs

MSMEs have been considered as one of the most important driving forces for economic growth and development in the region. This session is to examine ways to enhance capacity and competitiveness of MSMEs for adaptation to new trends and challenges in the Asia Pacific region. The topic also includes measures to support start-up businesses and foster a regional network of MSMEs, as well as to promote MSMEs’ participation in the regional value chain.

Moderator: Can Van Luc, Bank for Investment and Development of Vietnam

- Enhancing Competitiveness of SMEs in APEC: New Directions for Technological Cooperation
  Jin-sang Lee, State University of New York in Korea

- SMEs in Regional Integration – Lessons from ASEAN?
  Sothea Oum, Asia Growth Research Centre, Singapore University of Adelaide

- The academic sector: role in strengthening the competitiveness of MSMEs
  Esteban Zottele de Vega et al., Universidad Veracruzana, Mexican Consortium of ASCs

- The role of Global Business Alumni Network in enhancing the global competitiveness of SMEs
  Lorna Wright, York University, Canada

- Factors affecting business success of small and medium food enterprises in the Philippines
  Elaine Borazon, College of Home Economics, University of Philippines, Diliman

Discussion

12:15 – 12:25 Wrap-up Session

12:25 – 12:45 ASCC Business Meeting/ASCC 2018 Announcement
<table>
<thead>
<tr>
<th>12:45–14:00</th>
<th>Lunch</th>
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<td>End of Conference</td>
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APEC Regional Trend Analysis (ARTA):
*Global economic momentum and optimism fuel near-term growth*

APEC Study Centre Consortium Conference 2017
Ha Noi, 12-13 May 2017

Presented by
Emmanuel A. San Andres, Analyst
APEC Policy Support Unit
APEC continues to grow amid firmer signs of a global recovery

The APEC region posted a GDP growth of 3.5% in 2016, only slightly lower than the 3.6% growth in 2015, reflecting firmer signs of a global cyclical recovery following the 2008 global financial crisis.

Sources: Asian Development Bank (ADB), International Financial Statistics (IFS), The World Bank (WB), The Economist Economic and Financial Indicators, various economy sources, and APEC PSU staff calculations.
Sustained contributions from private and government consumption remained as the main fuel for APEC’s growth even as trade activity in the region is more upbeat in 2016.

GDP by Expenditure (y-o-y, in percent), 2016

Legends: PCE - private consumption expenditure; GCE - government consumption expenditure; and GFCF - gross fixed capital formation.

Note: Data not available for Papua New Guinea. Missing bars denote either nil growth or unavailable data.

Sources: ADB various economy sources and APEC PSU staff calculations.
Export and import merchandise trade values improve in 2016

- On average, the APEC region’s merchandise trade values contracted by 4.1% for exports and 3.7% for imports in 2016, better than contraction of 8.7% and 11.4% in 2015.

Note: Data not available for Papua New Guinea
Source: World Trade Organization (WTO), Brunei Darussalam Economic Planning and Development Office and APEC PSU staff calculations.
In 2015, the APEC region attracted USD 953 billion worth of FDI, equivalent to around 54.1 percent of world FDI and a growth of 42.3% from the 2014 level.

APEC economies comprise the top 10 recipients of FDI in 2016

- Estimated FDI inflows show that five APEC members comprise the top 10 host economies in 2016, along with the UK; Brazil; France; Netherlands; and India.

**Estimated FDI inflows (in billion USD): Top host economies, 2016**

- United States: 385
- China: 139
- Hong Kong, China: 92
- Singapore: 50
- Australia: 44

Source: UNCTAD Global Investment Trends Monitor (1 February 2017)
Trade-facilitating measures have increased while investment-friendly measures remain significant

- Trade-facilitating measures are higher than trade-restrictive measures as of latest data.
- Investment-friendly measures remain significantly larger than investment-restrictive measures, but the latter are on an uptrend.

Note: Only nine of the 21 APEC member-economies belong to the G-20, including: Australia; Canada; China; Indonesia; Japan; Korea; Mexico; Russia; and the United States.

Source: UNCTAD-OECD-WTO Trade and Investment Measures.
Short-term outlook points to higher and more stable growth in 2017-2019

- APEC posted a higher GDP growth in 2015-2016 compared to world GDP.
- APEC is expected to grow higher at 3.8% in 2017-2018, tapering to 3.7% in 2019, in line with world GDP.
- The upward trend in APEC’s GDP growth mirrors the trajectory of world growth.

Source: IMF, WB, and PSU staff calculations.
The Good:

- Between 1950 and 2015, the world’s output grew at an annual average rate of 3.8 percent.
- APEC’s share in world GDP increased from 48.9 percent to 53.9 percent between 1989 and 2015.
- Globalisation contributed to:
  - Economic Growth
    - Increased demand
    - Global value chains
  - Poverty Reduction
    - Job creation
    - Lower prices
  - Better living conditions
    - Access to medicines
    - Access to information
    - Technology sharing

Source: World Integrated Trade Solution (WITS), UN Comtrade; APEC PSU calculations.
Globalisation: The Good, the Bad, and the Role of Policy

The Bad:

- Lack of inclusive growth
- Changes in demand for labour
  - Reallocation of resources away from some sectors
- Changes in demand for skills
  - Skill-biased technological change
- Impact on low- and medium-skill workers

Elasticity of employment (by skill level) with respect to trade

Notes: *** = significant at 95% confidence level; ** = significant at 90% confidence level; * = significant at 85% confidence level.
Source: ILO; IMF; World Bank; Directorate-General for Budget, Accounting, and Statistics (Chinese Taipei) data; APEC PSU calculations.
The Role of Policy:

Domestic policies
- Short-term adjustment policies- Income support and unemployment insurance
- Long-term adjustment policies- Retraining and placement services
- Complementary policies- Access to credit and housing and better infrastructure and education

Regional cooperation
- Greater openness in international markets
- Customised policies to ease local adjustment
- Soft laws: environment, labour standards
Globalisation: The Good, the Bad, and the Role of Policy

APEC’S Role:

- Bogor Goals 1994
  - “Attain sustainable growth and equitable development of APEC economies, while reducing economic disparities among them, and improving the economic and social well-being of our people.”


- Boracay Action Agenda 2015

- APEC Education Strategy 2016

Thank You

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Trade Policy Priorities in an Uncertain Regional Trade Environment

Robert Scollay
New Zealand APEC Study Centre, University of Auckland
Presented at
APEC Study Centre Consortium Conference
Ha Noi, Vietnam, 12-13 May 2017
Outline

• Sources of Uncertainty

• Potential responses

• Trade Policy Priorities
  • Core Issues
  • Contested Issues
  • Rally public support for trade and economic integration
  • Leverage APEC’s unique advantages
Sources of Uncertainty

- Anti-globalisation backlash → diminished support for regional integration

- Protectionism/nationalism/“nativism”

- Challenges to FTAAP
  - TPP pathway “out of service”
  - RCEP outcome uncertain
  - Future of US-China economic relations uncertain

- Distracting geopolitical developments e.g. N. Korea
Potential Responses

• Consolidate APEC’s trade and regional economic integration agenda
  • Concentrate on “Bogor goals” as key reference point in APEC’s agenda
    • Strong focus on core issues
    • Seek greater consensus on contested issues

• Develop robust/convincing counter-arguments to opponents of trade and integration, highlighting both
  • the benefits
  • options for mitigating the downsides
  • Emphasis on “win-win” against “zero-sum” approaches to trade

• Leverage APEC’s unique advantages
Trade Policy Priorities for Addressing Bogor Goals

• Core Issues
  • Services
  • NTMs
  • Tariffs
  • Investment
  • Trade Facilitation (including supply chain facilitation)

• Contested Issues (examples)
  • Electronic Commerce, Digital Trade and Cross Border Data Flows
  • Dispute settlement (including ISDS)
  • Intellectual Property
Core Issues - Services
The Case for Services

Role in Trade
• Almost 50% (probably more) of global trade on value added basis
• Key determinant of manufacturing competitiveness
  • Services inputs at every stage of production processes
• Key components of trade facilitation

Role of Services in the Economy
• Essential contribution to productivity and growth
• Vital role in growth model for breaking through Middle Income Trap

Role in Connectivity
• Services are the medium for connectivity

Role in Global Value Chains and Production Networks
• Key to efficient connection between supply chain links (“service link costs”)
• Add value to every link in the chains
• Can raise value across the entire supply chain
Services Trade is Highly Restricted:
Services Trade Restrictiveness of APEC Members in the World Bank STRI
Progress on Services Trade Liberalisation Has Been Slow

- Well-known limitations on effectiveness of WTO’s GATS
- Some GATS-based FTAs have been shown to be “GATS-minus”
- RCEP approach to services understood to be GATS-based
  - ERIA study showed very little “GATS-plus” in RCEP precursor agreements
- TPP outcome on services was disappointing:
  - World Bank assessment: TPP commitments seldom go beyond countries' applied policies…….explicit liberalization resulting from the agreement is limited only to a few countries and a few areas.
- Diagnosis: many governments remain unconvinced of economic benefits and political saleability of services trade liberalisation
- Remedy: provide concrete evidence of benefits and potential for political saleability (case studies, sharing of experience)
Ways Forward on Services

• APEC Services Competitiveness Roadmap is a flagship programme with potential to substantially increase services trade openness

• Supported by programmes such as Services Action Plan, Manufacturing Services Action Plan, and sectoral initiatives

• Success depends on willingness of governments to implement supporting domestic reforms

→ Need for ongoing focus on complementary work programmes designed to showcase the economic benefits of services trade liberalisation
Core Issues – NTMs
The Case for Focus on NTMs

• Aggregate cost of NTMs greatly exceeds aggregate cost of tariffs (CSS)
• NTMs in APEC economies have increased as tariffs have fallen
  (2016 Bogor Goals Assessment)
• For some sectors of merchandise trade NTMs are now the main form of
government intervention
  (OECD)
• NTMs playing an increasingly central role in shaping international trade
  patterns
  (UNCTAD)
The Challenge of NTMs

- The universe of NTMs is very large (UNCTAD’s taxonomy identifies hundreds of NTMs)
  - Need business input to assist with prioritisation (ABAC)
- Assigning costs to specific NTMs (e.g. for prioritisation) is difficult
  - Business input again necessary
- NTMs (unlike tariffs) cannot be reduced to zero
  - Some serve legitimate purposes and some may be welfare-enhancing
  - Separating legitimate from protectionist purposes not always easy
  - Legitimate purposes may be achieved at lower costs but cost-saving difficult to estimate
- Links between specific NTMs and specific trade agreement provisions often difficulty to establish
- Issues in credibility and monitoring of commitments
- Problems in establishing credible estimates for trade modelling purposes
- Sector-specific approach may be realistic/pragmatic but may also create distortions

Conclusion:
- scope for substantially increased APEC attention to NTMs
- Input from ABAC and other business groups will be essential
Core Issues - Tariffs

• Tariffs have fallen in the APEC region but agricultural tariffs remain higher and “peak tariffs” persist
• Average tariffs of APEC members now relatively low
→ Stylised fact?: tariffs don’t matter any more?
• But retention of small number of very high peak tariffs can substantially affect the benefits from trade liberalisation

Case Study: modelling of TPP outcome
• TPP agreement provides for elimination for 96-100% of tariff lines (98-100% for most member)
• Almost all exceptions are in agriculture (often involving very high peak tariffs)
• Modelling shows that retention of small number of very high peak tariffs can dramatically affect benefits from trade liberalisation for both exporting and importing countries
  • 70% reduction in benefits for one exporting country, 35-60% reduction for some exporting countries

Conclusion:
• APEC should not ignore remaining high tariffs in agriculture
  (NTMs also tend to be higher in agriculture than in other sectors)
Core Issues - Investment

- Bogor goals 2016 progress report notes “efforts to improve investment conditions”
- But OECD 2014 regulatory restrictiveness index suggests APEC region may lag behind other leading regions
  - APEC members comprise
    - 9/17 economies with restrictiveness above OECD average (including 8/10 with the most restrictive index reading)
    - 2/23 economies with restrictiveness below OECD average
- ERIA’s FTA Mapping Study also indicated substantial FDI restrictiveness in ASEAN economies
- APEC’s work programme on investment needs to focus on potential ways to reduce FDI restrictiveness
Core Issue: Trade Facilitation including Supply Chain Facilitation

• APEC’s successful record on trade facilitation should equip it well to advance supply chain issues

• Supply chain dimension exists for all trade and investment issues

• APEC has developed extensive programmes in this area e.g.
  • Facilitating global supply chains
  • Supply chain connectivity
  • Facilitating SME participation in supply chains
  • Manufacturing-related services in supply chains and value chains

• This area of work must continue to be developed and enhanced, and linked as appropriate to relevant work programmes on trade and investment issues

• E-Commerce/Digital Trade will inevitably increase its importance in regional trade flows

• Cross-border data flows a crucial but contentious issue
  • Free flow of data viewed as essential by many business interests
  • Governments must address concerns related to personal information protection, consumer protection, and cyber-security also
  • TPP “compromise” reflected a lack of consensus among member economies
    • Free flow of data the default requirement, but qualified by provision for exceptions on public policy grounds

• Essential for APEC to continue its work toward building consensus and capacity on approaches to the challenges of digital trade
Contested Issues: Dispute Settlement (DS) and Investor State Dispute Settlement (ISDS)

• TPP chapter on Dispute Settlement (DS) as a possible model?

• Investor-State Dispute Settlement (ISDS) proved extremely contentious in TPP negotiations with political opposition continuing despite substantial concessions to public opinion in the agreed text

• Potential for a substantial APEC work programme on ISDS, exploring effective approaches to achieving balance between investor protection and public policy concerns
Contested Issues: Intellectual Property

Need a principles-based framework

- welfare maximisation as the objective
- crucial difference between trade liberalisation and intellectual property protection
  - trade liberalisation: more liberalisation generally improves welfare
  - IP: welfare is maximised by optimising level of IPR protection
    - Too little reduces welfare → insufficient innovation
    - Too much reduces welfare → excessive capture of monopoly rents
      → limits on access to ideas, information

Need to develop

- Paradigm based on optimisation rather than maximisation of IP protection
- Empirical resources to allow quantification of effects of competing proposals
The Essential Condition: Building Support for Trade

• Need to highlight more effectively
  • Benefits of trade and regional economic integration
    • Case Study approach?
• Trade as “win-win” rather than “zero-sum”
• Potential ways to mitigate adverse impact
  • Taking seriously the concerns of those adversely affected
  • Ensure that all sections of the community share in the benefits of trade
  • Increased focus on APEC’s “inclusive growth” agenda
    • ‘connectivity’ and pro-MSME policies as means of transforming exclusion into inclusion
  • Structural reform as a process to enhance community well-being as well as economic efficiency
Leveraging APEC’s Unique Advantages

• Utilise
  • APEC’s strengths in consultation, sharing experiences, consensus building, capacity building
  • Advantages of non-negotiating, non-threatening environment

• Develop
  • Effective mechanisms for communicating messages to communities in APEC economies
Thank you!

谢谢 ありがとう 감사합니다
ขอบคุณครับ Cám ón anh
¡muchas gracias! Maraming salamat
Tenkyu tru спасибо
Trends towards reducing trade costs: Comparing multilateral and regional commitments in Trade Facilitation

Tham Siew Yean
Senior Fellow
ISEAS-Yusof Ishak Institute
Outline

- Trade costs and trade facilitation
- WTO Trade Facilitation Agreement
  - Background
  - Core provisions
  - Notice for implementation
- Trade Facilitation in ASEAN
  - Objectives, scope and work programs
- Synergies between WTO and ASEAN Trade Facilitation
- Conclusion
Trade costs and Trade Facilitation measures

• Trade facilitation measures aim to simplify and streamline international trade procedures to allow for the easier flow of trade across borders and thereby reduce the costs of trade.
• Within this broad understanding, there can be different definitions of trade facilitation based on different set of policies that can affect the cost of exporting and importing.
  – It can be narrowly defined as improving cross border administrative measures or more broadly to include behind the border measures, including infrastructure, institutional transparency, good governance, and domestic regulations.
• Empirically, the impact of improvements in trade facilitation on trade performance is an increasingly popular research area in the last ten years.
• Two main conclusions can be tentatively drawn from this body of empirical work:
  – For partial equilibrium analysis using for example the gravity model, the gains on export performance from improved trade facilitation measures that are narrowly defined are less than that compared to improvements in regulatory environment, or transport and communication infrastructure.
  – Second, general equilibrium models on the impact from improved trade facilitation on real income, indicate that the gains can be substantial. For example, global GDP can increase by almost 5 per cent if national facilitation performance is raised to halfway of global best practice. Developing countries in Asia also reportedly stand to benefit the most from trade facilitation reforms.
WTO TFA

• The Trade Facilitation Agreement entered into force on 22 February 2017 when the WTO obtained the two-thirds acceptance of the Agreement from its 164 Members.

• 118 WTO Members have domestically ratified a Protocol of Amendment and notified the WTO of their acceptance of this Protocol.

• This Protocol of Amendment, which was officially opened for acceptance on 27 November 2014, will insert the Agreement on Trade Facilitation into the WTO Agreement.

• Full implementation of the TFA is expected to slash members' trade costs by an average of 14.3 per cent, with developing countries having the most to gain.
WTO TFA: Continued

• The objective of the TFA:
  – To facilitate the movement, clearance and release of goods through more efficient customs and border procedures.

• The TFA has three sections:
  – **Core provisions**: 35 technical measures that impose obligations on WTO members to:
    • (1) increase transparency;
    • (2) improve governance through disciplines on rule and decision-making processes;
    • (3) implement streamlined and modernised border procedures and control techniques; and
    • (4) enhance the movement of goods in transit.

  – **Special and Differential treatment**:
    • Developing and LDCs have more time and assistance to implement agreement
    • Implementation is divided into three categories:
      o Category A Commitments - The most developed WTO Members must implement upon entry into force or after one year for LDCs;
      o Category B commitments will be implemented after a certain transitional period following the entry into force.
      o Category C contains measures that member countries not only require a transitional period for implementation for, but also capacity building assistance.

  – **Institutional arrangements**:
    • Administering the TFA such as Committee on Trade Facilitation
WTO TFA: Continued

• Special Features of TFA:
  – Core provisions – binding and non-binding (i.e., encourage rather than oblige members);
  – For the first time in WTO history, the commitments of developing and least-developed countries are linked to their capacity to implement the TFA;
  – Agreement states that assistance and support should be provided to help countries achieve that capacity - WTO Trade Facilitation Agreement Facility
    • Under the Agreement, WTO “donor members” agree to facilitate the provision of assistance and support for capacity building “on mutually agreed terms either bilaterally or through the appropriate international organizations.”
    • the Agreement does not mandate that donors provide this assistance or define a process to match donors with countries requiring assistance, but leaves it to the respective members to work these arrangements out among themselves.
WTO TFA: Continued

- Core provisions: 12 articles

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<tr>
<td>3. Advance Rulings</td>
<td>9. Movement of Goods Intended for Import under Customs Control</td>
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<td>5. Other Measures to Enhance Impartiality, Nondiscrimination, and Transparency</td>
<td>11. Freedom of Transit</td>
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<td>6. Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties</td>
<td>12. Customs Cooperation</td>
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### ASEAN members: Summary of notice for implementation

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<th>ASEAN member state</th>
<th>% of measures that will be fully implemented</th>
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<tr>
<td>Brunei</td>
<td>86</td>
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<td>Cambodia</td>
<td>0 (ratified but has not notified measures for implementation)</td>
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<td>Indonesia*</td>
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<td>Laos</td>
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<td>Malaysia</td>
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<td>Myanmar**</td>
<td>0 (ratified but has not notified measures for implementation)</td>
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Note: Indonesia has not yet ratified

** Myanmar data extracted from [https://www.tfadatabase.org/members/myanmar](https://www.tfadatabase.org/members/myanmar)
### Other developing APEC members: Summary of notice for implementation

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<th>Country</th>
<th>% of measures that will be fully implemented</th>
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<td>Papua New Guinea**</td>
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<td>Peru**</td>
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** Data extracted from WTO [https://www.tfadatabase.org/members](https://www.tfadatabase.org/members)
ASEAN Trade Facilitation Measures

ASEAN Trade Facilitation Framework, 2008

Objectives
- Competitive, efficient, and seamless movement of goods
- Minimize impact of NTMs, eliminate NTBs
- Active engagement of private sector,
- Address gaps in implementation,
- Enhance Institutional coordination,
- Improve monitoring mechanisms
- Promote Implementation of TF measures

Scope
- Customs and transport facilitation,
- Transparency of trade regulations and procedures,
- Standards and conformance
- Private sector engagement

Work Programs
- Non-tariff measures
- ATIGA Rules of Origin
- ASEAN Customs Integration
- Standards and Conformance
ASEAN Economic Community 2025
Consolidated Strategic Action Plan

• The ASEAN Economic Community (AEC) Blueprint 2025 was adopted by the ASEAN Leaders in 2015 as part of the ASEAN 2025: Forging Ahead Together.
• The new Blueprint incorporates and carries forward the work of the AEC Blueprint 2015, which was adopted in 2007, and charts the broad trajectories of ASEAN economic integration from 2016 to 2025 following the formal establishment of the AEC on 31 December 2015.
• The AEC Blueprint 2025 aims to strengthen and reinforce the following five characteristics of the ASEAN Economic Community by 2025:
  (a) A Highly Integrated and Cohesive Economy;
  (b) A Competitive, Innovative, and Dynamic ASEAN;
  (c) Enhanced Connectivity and Sectoral Cooperation;
  (d) A Resilient, Inclusive and People-Oriented, People-Centred ASEAN; and
  (e) A Global ASEAN
• To achieve these characteristics, strategic measures as operationalised by key action lines1 will be pursued by relevant ASEAN sectoral bodies through their corresponding sectoral work plans.
• The Consolidated Strategic Action Plan (CSAP) complements the AEC 2025 Blueprint by listing the key action lines that will be implemented in pursuit of ASEAN economic integration from 2016 to 2025.
• In the entire CSAP document, the topic of trade facilitation receives the most extensive coverage.
  – It spans a total of four pages with 31 key action lines.
Consolidated Strategic Action Plan

• Accelerate and Deepen the Implementation of Trade Facilitation Measures

• Trade in Goods
  ✓ Enhancing the ATIGA Trade Facilitation Measures
    ➢ Support the adherence to Trade Facilitation provisions under the ATIGA and the WTO TFA
    ➢ Explore improved disciplines in ATIGA on Trade Facilitation, especially for micro, small, and medium enterprises (MSMEs)
    ➢ Strengthen the implementation monitoring mechanism of the Trade Facilitation measures
  ✓ Operationalise Trade Facilitation platforms
    ➢ Full operationalisation of the ATR/NTR, ASEAN Single Window (ASW), Tariff Finder, ASEAN Solution for Investment, Services and Trade (ASSIST)
    ➢ Optimising ATR in facilitating intra ASEAN trade including hyper-linking to ASW Web Portal
    ➢ Effective implementation of ASSIST
    ➢ Conduct consultations between CCA and ASWSC to enhance the ASW.
    ➢ Encourage the utilisation of existing Trade Facilitation platforms, such as ASW, ATR and ASSIST.
  ✓ Deepen public and private sector engagement

• Customs
  ✓ Promote trade facilitation by streamlining and simplifying border procedures e.g. through the full implementation of the ASEAN Single Window to facilitate the exchange of cross-border documents as well as promoting WTO Trade Facilitation Agreement implementation
  ✓ Promote ASEAN Connectivity through the implementation of the ASEAN Customs Transit System along the North-South and East-West Corridor
Exploring synergies between WTO and ASEAN: Transparency

- WTO TFA: Article 1 - Publication and Availability of Information
- ASEAN Trade Facilitation Platforms:
  - The ASEAN Trade Repository (ATR)
    - aims at providing transparency on the trade and customs laws and procedures of all ten AMS.
    - The actual information is web-linked to the ATR from a network of National Trade Repositories (NTRs), which are the domestic portals maintained by each AMS.
    - The ATR is the electronic interface through which the public can freely access the information available on the NTR of each AMS.
    - The ATR is maintained by the ASEAN Secretariat and can be accessed at this: http://atr.asean.org/links/result?level=2&id_topic1=45&id_topic2=&country_code=kh&key=
  - The ASEAN Trade Repository contains trade related information such as:
    - Tariff nomenclature
    - MFN tariffs
    - ROO
    - NTMs
    - National trade and customs laws and rules
    - Procedures and documentary requirements
    - Administrative rulings
    - Best practices in trade facilitation applied by each Ams
    - List of authorized traders of AMS

(The Authorised Economic Operator or AEO refers to operators involved in the movement of goods along the international trade supply chain who have achieved the required security standards and are accredited by the member country)
Exploring synergies between WTO and ASEAN: Transparency

- ASEAN Trade Facilitation Platforms (Continued):

  - ASEAN Solution for Investment, Services and Trade (ASSIST):
    - ASSIST is a non-binding and consultative mechanism for the expedited and effective solution of operational problems encountered by ASEAN-based Enterprises on cross-border issues related to the implementation of ASEAN economic agreements and within the framework of the ASEAN Economic Community (AEC) launched in 2015.
    - ASSIST can be accessed on this website: assist.asean.org
    - ASSIST enables the business sector to interact directly with ASEAN Member States to fully implement the ASEAN economic agreements in line with the AEC Blueprint 2025.
    - It will initially be available only to address cross-border problems to trade in goods and will subsequently be extended to cover trade in service and investments issues.
    - ASSIST was developed in partnership with the “ASEAN Regional Integration Support from the EU” project (ARISE).
Some Discussions

• ASSIST is non-binding and not user-friendly
• Need for transparency and sharing of information in WTO FTA and ATR.
  – The ATR requires participating countries to be willing to publish information on their import and export procedures and documentary requirements (make it easily available online and these adhere with WTO (TFA Art 1.1 and 1.2).
  – Yet these WTO articles have only received the commitment of 6 out of 10 ASEAN members.
  – TFA database indicates that Indonesia has only notified 3 measures, none of which directly relates to the sharing of information. Even if they did, the fact that Indonesia has not ratified the TFA means that obligations may not commence for a while. Conversely, Cambodia and Myanmar have ratified the TFA, but have not fully or partially notified of a single measure.
  – The WTO TFA commitments cast some doubt on whether all of the ASEAN countries can truly commit to all the promises made in the CSAP.
  – The CSAP is narrower and covers fewer countries and can therefore count on better implementation.
    • The key action lines that start with the more definitive verbs (operationalise, implement, conduct) should provide better traction than those that start with less definitive ones (explore, support, encourage). For the former, it is good to see a commitment to strengthen the implementation monitoring mechanism by next year.
Single Window: Comparing TFA and ASEAN

- Article 10.4 on single window of WTO TFA is *non-binding* (best endeavor);
- Yet based on WTO’s assessment of the implementation of the TFA, technical measures of the Agreement that are considered by developing and least developed countries to be the highest priority for technical assistance and support for capacity building are:
  - single window, border agency coordination, authorised operator, risk management and advance rulings.
  - Why is this so?
  - It is not necessarily because they are the most challenging to implement.
  - “No country is starting from scratch. All WTO members that completed a needs assessment are fully compliant with some of the measures. Most countries are already fully implementing, or in the process of implementing, a good number of the measures, often with donor support. In many cases a measure might be considered a high priority because it is already part of the country’s modernization programme and/or is in high demand from traders”.
  - AMS are already committed to the ASW and are implementing certain measures but see this as an opportunity to expand or improve their existing programmes.

Source: [https://www.wto.org/english/res_e/booksp_e/aid4trade15_chap4_e.pdf](https://www.wto.org/english/res_e/booksp_e/aid4trade15_chap4_e.pdf) page 115
ASEAN Single Window:
  - The Agreement to establish and implement ASW signed in 2005;

The ASEAN Single Window (ASW) is a regional initiative that connects and integrates National Single Window (NWS) of ASEAN Member States.

The ASW's objective:
  - To expedite cargo clearance and promote ASEAN economic integration by enabling the electronic exchange of border documents among ASEAN Member States.

Indonesia, Malaysia, Singapore, Thailand and Vietnam are now using the ASW to exchange electronic certificates of origin.

Once the Protocol for the Legal Framework to implement the ASEAN Single Window is fully ratified, the electronic certificates will be used for assigning preferential tariff rates under ATIGA and further expedite the customs clearance of goods between the participating ASEAN Member States in the ASW.
  - Other ASEAN Member States are at the different stages of preparation and will join thereafter when they are ready.

ASEAN Member States are working to expand the ASW to support the exchange of export declaration information through the ASEAN Customs Declaration Document (ACDD) data to support Member States' Risk Management System and exchange of electronic Phyto-sanitary certificates.
  - In the future, the ASW may also be used to exchange other documents such as cargo documentation, shipping manifests and other port or transport documents.
Freedom of Transit

- WTO TFA includes a specific article on freedom of transit, and strengthens the key principle of freedom of transit as defined by Article V of the General Agreement on Tariffs and Trade (GATT).
  - Article 11 introduces transit measures that have minimum documentation requirements and formalities, and the requirements for transit guarantees.
  - Out of the 17 disciplines, two are not binding

- ASEAN Customs Transit System (ACTS)
  - The ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) signed on 16 December 1998 in Ha Noi, Viet Nam: Protocol 7 to AFAFGIT and its Technical Appendix establish the legal and technical provisions for the operation of ACTS to operate as an effective and efficient Customs transit system within ASEAN Member States
  - ACTS is a harmonized and fully computerized customs transit management system for the control of movement of goods in transit through the AMS:
    - It is based on 5 key elements:
      ✓ Fully computerized;
      ✓ System open to all authorized traders;
      ✓ Risk Profiling System: To allow reliable traders exemptions from a range of standard requirements
      ✓ One guarantee valid in all countries to cover the goods throughout the entire journey
      ✓ Single regional customs document for transit
  - ACTS Pilot - The system will be piloted in Malaysia, Singapore and Thailand in late 2016 and early 2017.
  - ASEAN REGIONAL INTEGRATION SUPPORT FROM THE EU 2013-2016 (ARISE) has produced ACTS procedural manuals for Customs, Transport and the private sector, and have provided procedural training for Government and private sector stakeholders in these sectors.
  - Once the pilot phase is over, the system will be fully rolled out on the pilot countries, and plans will be made to roll the system out in Cambodia, Laos PDR, Myanmar and Viet Nam.
  - In a subsequent phase, Brunei, Indonesia and Philippines may join the system, if a business need exists.
Conclusion

• Many of the ASEAN platforms and initiatives are, in principle, great ideas.
• If full implementation of the above becomes a reality, there could be considerable reductions in compliance costs on the part of traders. Increased regulatory transparency, predictability and efficiency would likely save traders vital time, effort, and resources.
   Striking a balance between “flexibilities in implementation” of transit procedures and achieving uniformity
   Role of technical assistance
   Actual implementation – proper follow through from regional commitments to national level implementation
   Take into account different state of readiness of AMS – pilot project approach, differentiated timeline, etc
   Need strong institutional capacity (ASEAN Secretariat) to support implementation of TF measures

• There are obvious synergies between WTO FTA and ASEAN trade facilitation plans
  – Need AMS to commit to both and to implement both for the synergies to work well.
CHALLENGES AND OPPORTUNITIES FOR ECONOMIC GROWTH AND TRADE IN THE APEC REGION: undisclosed potential
ECONOMIC GROWTH SLOWDOWN

APEC economies’ and global GDP growth

Source: IMF World Economic Outlook database, October 2016

APEC Economies
APEC economies suffer from a sharper economic growth decline – 2.71 per cent in 2016

World
Global economic growth is estimated to have fallen to 3.08 per cent in 2016 which is the weakest performance since the global financial crisis
TRADE SLOWDOWN
APEC economies’ and global exports of goods and services

APEC Economies
In 2015 the growth rate of member economies exports for the first time since the financial crisis, fell below the global average and amounted for 1%

World
Since 2012 world trade has been growing at a significantly lower rate than during the pre-crisis period - about 3% per year

Source: IMF World Economic Outlook database, October 2016
Why international trade has been growing at a slower pace recently?

**CYCLICAL FACTORS:** economic crises may severely influence trade growth and such influence may go well beyond crisis periods (Abiad et al, 2014)

**CHANGE IN INCOME-TRADE RELATIONSHIP:** in 1990-s, the growth of global real GDP by 1 per cent contributed to the growth of international trade by 2.4 per cent, in 2000-s the same GDP growth caused only 1.2 per cent of trade growth. Possible cause - *the slowdown of international fragmentation process* (Constantinescu, Mattoo, Ruta, 2015).

**THE RISE OF UNCERTAINTY IN THE WORLD:** there is strong correlation between uncertainty in importer markets and countries’ exports to these markets even when controlling for potentially confounding factors such as financial constraints and reductions in wealth. After a certain threshold the marginal increase in uncertainty has greater negative effects on trade (Taglioni and Zavacka, 2013)
Slower trade growth: new normal?

PAUL KRUGMAN: faster growth of trade in the past was caused by several factors

- Since 1950 up to 1970 it was simply that global trade was returning to the levels of trade relative to output that prevailed before World War I

- High levels of long-term elasticity of trade to income is a result of structural changes that took place after World War II: two waves of liberalization and formation of global value chains

- While it may be true, one may hardly argue that there is lack of potential for future liberalization

- Although there is no direct evidence of protectionists measures being a reason for international trade slowdown, the data suggests there was little liberalization during post-crisis period. Tariff and non-tariff barriers remain
While the average level of applied tariff by APEC economies is not high, one of the factors that may impede intra-APEC trade is a high level of tariff overhang. Uncertainty caused by high levels of overhang has a negative impact on exports (Handley, 2014) while the elimination of tariff overhangs increases the probability of exporting by 12 percent (Osnago et al, 2015).
Increasing role of non-tariff barriers (trade in goods)

The number of NTMs applied by WTO members in merchandise trade has increased from 3.2 to 10.4 thousand measures from 2000 to 2016.

According to the New Zealand Institute of Economic Research, the weighted average ad valorem equivalent (AVE) of NTMs applied to merchandise trade in the APEC region accounts for 9.7 per cent. or 790 billion dollars per year.
Increasing role of non-tariff barriers (trade in goods)

Changes in the structure of NTMs applied by APEC economies

The average annual number of technical barriers to trade applied by APEC economies during the period of 2005-2010 amounted for 45 units, while during the period of 2011-2016 it skyrocketed up to 160 units. The same is true for the SPS measures, which number increased sharply from 127 units to 187 per year respectively.
Increasing role of non-tariff barriers in services

Average number of measures per type of measure, by service sectors (in APEC)

Source: APEC Collective Strategic Study on Issues Related to the Realization of the FTAAP

APEC economies have higher STRI scores than the OECD average 43% of all restrictions in services – limits on foreign equity

* Except Brunei, Hong Kong, Papua New Guinea, Chinese Taipei, Singapore, The Philippines, Malaysia, Peru and Thailand.
Increasing role of non-tariff barriers (FDI)

Average number of measures per type of measure, by service sectors (in APEC)

FDI restrictions in APEC economies by sector, 2016

The highest number of restrictions are applied by APEC economies in the following sectors: radio and TV broadcasting; air transport; media; maritime transport; communications

* - Except Brunei, Hong Kong, Papua New Guinea, Chinese Taipei, Singapore and Thailand

Source: OECD FDI Regulatory Restrictiveness Index
Increasing role of non-tariff barriers

Number of new protectionism trade measures implemented in the APEC region from 2009 to 2016.

Since 2009 the number of discriminatory trade measures in the APEC has increased 5.2 times and reached 637 in 2016.

Source: Global Trade Alert
KEY FINDINGS

1. Recently, the global economy has not been growing as fast as it used to. The APEC region is not the exception.

2. While it may be true that international trade growing at a similar rate as global GDP is a “new normal”, there is a potential for future liberalization.

3. APEC economies continue to apply high non-tariff barriers both in trade in goods and services, as well as in international investments.

4. The increased focus should be placed on the liberalization of highly-protected agricultural sectors, such as the production of dairy products, cereals, meat and rice.

5. There is also a high potential for liberalization of services trade by APEC countries, especially in the transportation, logistic and courier services sectors.

6. Eliminating or reduction of the described non-tariff barriers may well contribute to the increased rates of trade growth among APEC members.
Thank you for being attentive!
Relocation of Investment and Trade Diversification in APEC: Trends and Challenges for Mexico

ASCCC, HANOI, VIETNAM
12-13 MAY 2017
JOSÉ ERNESTO RANGEL DELGADO
JUAN GONZÁLEZ GARCÍA
ÁNGEL LICONA MICHEL
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- Introduction
- Historical aspects of protectionism and free market
- The relocation of investment and the diversification of trade in APEC: Challenges for Mexico
- Conclusions
- References
Introduction

The processes of integration in the world, whether formal or informal, date back to the twentieth century, although pro-trade or protectionist policies have more seniority. From the point of view of informal processes, the most important are those carried out in the Pacific Basin region.

In this sense, and in a concrete way, in the year 1994, at the Asia Pacific Economic Cooperation (APEC) 2nd Summit Meeting, leaders declared the Bogor Goals, looking for trade liberalization and investment facilitation in the Asia-Pacific region according to the level of development of member economies: in 2010 for developed economies and in 2020 for developing economies.
Introduction

From the same decade of the nineties of the last century until today, has been discussed around the feasibility of the Bogor goals. The first goal was largely surpassed by the unflattering policies of trade facilitation that prevailed within the framework of the World Trade Organization (WTO), which eventually permeated the APEC philosophy. The 2020 target, judging by the stagnation in many of the negotiating processes in both APEC and the WTO, seems unlikely. Trying to meet the Bogor goals, was born the Transpacific Partnership Agreement.

Today, with the neo-protectionist speeches and actions of some countries, such as England, who are formally seeking their exit from the European Union (EU) after the BREXIT triumph, or as the US new administration, the return of protectionist trade policies forces us to reflect on the actions and decisions that each economy must take.
Introduction

- Derived from the new international context and, even more, by the formal US exit of the TPP before it starts, plus the formal announcement of the beginning of the NAFTA´s renegotiation process in May 2017, it is important for Mexico to rise more emphasis on the potential of the Asia-Pacific region as a strategic and potentially high-yielding region.

- In this paper, it is argued that Asia Pacific represents options for greater integration and rapprochement with that region, which, apart from the actions and neo-protectionist discourses of England and the United States, makes it essential to analyze the feasibility of Mexico’s insertion in the ongoing formal integration processes of Asia Pacific economies, such as the Asia Pacific Free Trade Area (FTAAP); the Comprehensive Economic Cooperation Project (RCEAP); the Latin American Pacific Alliance (PA), and the TPP itself, individually or jointly, that can contribute to the relocation of investments and diversification of trade. To opt for these processes of new economic integration, some aspects usually neglected has to be considered.
Following this paper, we will analyze, from a historical perspective, the bases and foundations of free trade, as well as some of the policies and free trade actions, extrapolating them to the current context, to try to answer the question that will guide this paper: Will Mexico take advantage of the American new protectionism facing the Asia Pacific free trade?
Historical aspects of protectionism and the free market

We consider relevant to incorporate aspects of historical order to explain the distant aspects of a process of relocation of investment and ongoing trade diversification, in the face of current trends of nationalist protectionism in the Asia Pacific region.

According to economic history, to understand the genesis of international trade, it is necessary to go back to the XII and XIII centuries, when it is possible to observe that it is in the cities of the Mediterranean and the Baltic Sea that a free regional trade arises. It is in Italy towards the XIV-XV centuries that a rapid development of commercial capital is observed. The accelerated trade between cities like Milan, Genova and Florence gives place to economic conditions of commerce that began to spread to other cities like Bremen, Hamburg and Lubeck; propitiating the emergence of capitalism. Later, in the XVI century, Spain is positioned as a world power supported by territories in America (Mexico and Peru). (Karataev, et al., 1964: 65). So we can not imagine this economic system without the presence of international trade.
Historical aspects of protectionism and the free market

Under Spanish rule, Holland is one of that countries that achieves a greater development. In 1609, the Bank of Amsterdam was founded and played an important role in shaping capitalism. So that by the XVIII century, Holland was the model capitalist nation. However, because its domestic industry was insufficiently developed to meet the demands of its colonies, particularly in Asia, so the development of the global capitalism by England with the Indies Oriental Company was taken (Karataev, et al., 1964).

It is precisely in the centuries mentioned that the economic doctrine of mercantilism arises, whose appearance is based on concrete historical-economic aspects that characterize the decline of feudalism, promoting the foreign market (sell more and buy less). This doctrine is accompanied on the one hand by a national protectionism and on the other by the Adam Smith's "invisible hand," enhancing the free market (Torres, 1980).
Historical aspects of protectionism and the free market

This is confirmed by the processes of economic integration unfolding in the global economy (Balassa, 1980), resulting in an enlarged production with scale economies, where the movement of the capital factor is manifested in the form of foreign direct investment but also in some limits to the labor economic factor, as well as the trade concentration in a given area.
Historical aspects of protectionism and the free market

- Thus, the original premise of exporting surplus production is surpassed by another that focuses on the objective of production for exporting, putting the external market ahead than the internal one, and therefore, a tendency towards the creation of agreements and economic integration, in order to guarantee profit margins. Strategic alliances are formed as a reaction to a possible loss of markets, marked by the speed with which trade is carried out, ending up imposing restrictions.

- Hence we note the conglomeration of economies to confront potential competitors, subsisting bordered free trade, all this supported even more with the protectionism applied in specific economic sectors, according to the interest of developed economies, as it has been the case of sensitive areas such as agriculture or labor mobility. The opening of trade is observed among the members, imposing restrictions on outsiders, so that the philosophy of "free trade" in the era of globalization, is very limited.
Historical aspects of protectionism and the free market

This explains why in the era of globalization commercial agreements appear but also the tendency of economic integration as an exclusive form of production that seeks to be solved with a "regional multilateralism" (Sandi, 2013), which in essence does not solve the economic asymmetries in integration schemes, that fails to solve the problems of income inequality within the gambling economies, as could be the case in the TPP, but also in others such as unemployment (except in specific sectors), as has already been demonstrated in NAFTA assessments (Guillen, 2014).

In addition, economic growth, particularly for the developing economies, has not been enough to extend it to the homogeneous well-being of its members, as well as the extension of capital accompanied by the deterioration of the environment that affects living conditions of human beings. Thus protectionism- nationalism, free mobility of factors and restrictions on trade prevail as in the Middle Ages. This is perhaps the biggest challenge for APEC.
The relocation of investment and the diversification of trade in APEC: Challenges for Mexico

It is precisely in the aforementioned context that protectionist stances accompanied by a great nationalism are explained. This context invites the Asia-Pacific region and in particular Mexico to explain the new trends of "free trade" versus "specific economic interests" that mark trade boundaries and a "facilitation of investments" versus their "relocation", an action field with limits and scope.

Considering the above mentioned, and for the specific case of Mexico, it should not miss the warning of more taxes to the automobile industry, which seeks to incorporate a 35% tariff on any vehicle, been from American or foreign companies sold in US (O’Farrill, 2017). In this way, Mexico is being affected by the relocation of the investments of the industry, especially the automotive industry, and by the concessions that must be made in the NAFTA´s revision. Given this scenario, Mexico is preparing a win to win process with new foreign direct investment options, according to its commercial network agreements of more than 40 economies.
The relocation of investment and the diversification of trade in APEC: Challenges for Mexico

- At the moment the warnings of a possible crude fiscal policy in US, have impacted in Mexico, relocating the capital, propitiating an alternative look. Certainly the installation of a new plant of the Ford company in San Luis Potosí reversed in early 2017, faced with the possibility of higher taxes on the import of its products, on the contrary, Japan's direct investment maintains a significant growth in a cautious and discreet way (Financiero, 2017).

- Likewise, the idea of a better relationship with South Korea has been strengthened, which has already improved with the opening of the KIA company in Monterrey and with the possibility of a Hyundai assembler company in Tamaulipas. It has been thought of expanding to Russia via Vladivostok from Sinaloa, considering the working trade routes with Japan, and in better relations with China, promoted by Veracruz and Mexico City, were thought as well, as several commercial delegations from Jalisco, Colima, Nuevo Leon and the State of Mexico, among others, have made trips to the region, as a result of that conjuncture.
The relocation of investment and the diversification of trade in APEC: Challenges for Mexico

- In addition, a number of communication channels for the training of talents have already been added, as shown by the recent visit to China by a delegation of university presidents who are members of the Association of Universities and Higher Education Institutions of Mexico (March 2017). Channels strengthened by Mexican APEC Study Centers Consortium with the membership of the University of Colima, the University of Guadalajara, the Autonomous University of Baja California Sur, the Technological Institute of Higher Studies of Monterrey-Guadalajara, the Michoacan University of San Nicolas de Hidalgo, the University of Veracruz and the National Autonomous University of Mexico.
The relocation of investment and the diversification of trade in APEC: Challenges for Mexico.

The option of strengthening alternative trade association, such as:

- The New NAFTA (labor economic factor environmental issues, and the elimination of protectionist measures);

- The Pacific Alliance (visa exemption);

- TPP-11 (without US, but considering non traditional markets as: Malaysia, Singapore, Australia and New Zealand) and,

- The Free Trade Agreement in Asia Pacific;

represent areas of opportunity for the Mexican trade diversification, but also better opportunities for APEC economies.
Conclusions

In order to explain the relocation of investment and diversification of trade in the context of APEC, particularly in the case of Mexico, we mentioned some economic history elements, to explain how much similarity exists between the emergence of international trade and current times. Somewhat to explain that the advance of capitalism is currently at a time of return to national-protectionist practices, which could represent a major challenge to APEC’s philosophy of free trade.
Against the export-import concentration to US, Mexico is looking for a national policy taking advantage of its FTA’s with more than 40 economies, as Japan, but also to strengthen their relations with others like South Korea, China, Malaysia, Australia, New Zealand and Singapore in Asia Pacific. As well as strengthening its participation in APEC, TPP-11 and the Pacific Alliance, which becomes more important in the news's NAFTA framework for the relocation of investment and trade diversification.

In this way, the importance of understanding the moment of capitalist development in which both Mexico and APEC are, as history explains us, once again is in a moment qualified with protectionist strategies. This should be seen as an area of opportunity for making economic policy decisions according to the new global trends.


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Thank you!
Cảm ơn bạn!
¡Gracias!
APEC Study Center Consortium Conference May 12-13, 2017, Hanoi

APEC beyond Economic Cooperation: Its Achievements for Three Decades

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1. Lima Leaders’ Declaration 2016

- APEC Leaders **renewed commitment to support free and open trade and investment, sustainable economic growth and shared prosperity in the Asia-Pacific region**

- Although regarded primarily as a diplomatic opportunity for regional leaders, APEC’s achievements is based on wide-ranging government–business collaboration, and even beyond economic cooperation
APEC Leaders in Lima, Nov. 2016
2. High Expectation in the first half of the 1990s

- Began in 1989 as a series of meetings among foreign and economic ministers
- United States initiated the leaders’ meeting in 1993, when leaders jointly declared that they would achieve free and open trade in Asia Pacific.
- In 1994, Indonesian President Soeharto delivered the Bogor Declaration to achieve free trade by 2010 and 2020
3. The second half of the 1990s: Expectation for APEC Decreased

- The 1995 Osaka Action Agenda set 15 areas of trade liberalization and facilitation with the IAP formula, unique modality of voluntary implementation.
- But, the 1996 Manila Action Plan resulted in only small-scale trade liberalization.
- Early Voluntary Sector Liberalization failed and Asian members were hit by the Asian financial crisis in 1997 and 1998.
- By the 2000s the WTO’s Doha Round negotiation began, while FTAs proliferated across ASEAN members.
4. Toward Modest but Steady Progress: from the 2000s

- APEC has adopted a modest strategy, centered on trade facilitation.
- Some members unsatisfied with voluntary liberalization formed the P4 group → TPP
- But legally binding trade liberalization has not succeeded either; WTO’s Doha Round deadlocked, TPP negotiation concluded but its ratification is now in question, RCEP has not proceeded as scheduled.
5. APEC’s Success in Trade Facilitation

- APEC’s pragmatic and flexible approach has succeeded in areas like customs procedures, business mobility, and standards and conformance.

- The 2001 Shanghai APEC declared to reduce trade transaction costs by 5 per cent in five years, which was achieved.

- The Busan APEC 2005 announced another 5 per cent reduction, which also succeeded.

- Also provided economic and technical cooperation over small and medium industry development, structural adjustment and food safety, etc.
6. Mid-Term Review toward 2010

- Senior officials meeting (SOM) conducted a peer review of 5 + 6 economies’ achievement of the Bogor Goals (2002-2009)
- A team was formed for each economy’s IAP. It interviewed government officials of the economy under review and drafted a peer review report.
- SOM discussed in an open forum, thus encouraging the economy under review to improve its IAP implementation closer towards achieving the Bogor Goals
- Only group achievements were published
7. The 2020 Goals and Beyond

• Toward 2020, APEC will conduct the review process of the achievement by remaining 10 members, as well as those of 11 members, and publish them as group achievements.

• **Whither shall APEC proceed after 2020?** FTAAP, a comprehensive, high quality, and legally binding FTA should be pursued, based on TPP and RCEP, while APEC serves as its incubator (*Pathway to FTAAP, 2010*)
7. Continued

• While neither TPP nor RCEP is not leading to FTAAP now, APEC has paved a road to it.

• However, APEC with voluntary liberalization modality cannot change to FTAAP automatically.

• In 2020, Leaders can set 2030 for changing APEC to FTAAP, and continue IAPs and its review process toward the new target.
8. The Period of Domestic Backlashes against Trade Liberalization and APEC: from 2016?

- The year from 2016: **uncertainties of trade liberalization in multilateral frameworks** (The Brexit and the change of U.S. government)
- **The period of domestic backlashes?**
- EU-like legal-binding: vulnerable to members’ wishes for autonomy
- Economic effectiveness of multilateral liberal trade institutions: doubted even by advanced liberal democracies
9. Reevaluation of APEC’s two political functions:
   (1) non-binding approach and (2) economic and technical cooperation for today

- **APEC as a weak multilateral institution towards trade liberalization?**
- "Political functions": the other side of APEC
- The informal nature of APEC
- **Voluntary approach**: politically useful today
- **Non-binding** (including the CUL and the IAP)
- **Economic and technical cooperation** with developing countries
10. (1) APEC’s non-binding approach and the domestic backlashes

- Political challenges against trade liberalization now: “domestic-born”

- Difficult to manage in democracies: a two-level game; democracies with populist appeals

- To what extent flexible adjustment mechanisms are given to the members may determine the strength of liberal trade institutions

- Non-binding approach: an institutional merit (the timing and the contents of implementation)

- Politically important mechanism: “coping with diversity” and “managing flexibility” (Drysdales, Elek and Soesastro: 1998)
11. (2) APEC’s economic and technical cooperation with the developing countries

- What is a realistic approach to trade liberalization with developing countries? : the importance of economic and social development
- The inclusion of economic and technical cooperation
- APEC’s institutional strength: the Osaka Action Plan, Economic and Technical Cooperation (Ecotech)
12. Pathfinder approach

• The Shanghai Declaration: group of the willing can start to pilot the implementation of the Bogor goals

• Share information, cause-effect relationships, and solutions

• agenda-setting and encourage domestic policy

• “Epistemic community”: a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area”

• APEC for the creation of new knowledge
13. Trade liberalization: as a common interest?

- Many would like to believe that trade liberalization is definitely a common interest, but how to realize it would determine whether it “actually” is.
- Common interests: the key element for the creation of the liberal order or international society (e.g. Hedley Bull)
- Common interests can bind states together rationally and socially for cooperation
- Values confrontations to be managed (Liberal trade will not be a common interest for many if it lacks this management.)
- A belief in APEC: trade liberalization is adjustable to domestic political conditions, and it is not the business only for advanced economies but for all countries with various economic stages.
14. The Requirements for trade liberalization in the period of domestic backlashes and APEC

- **Requirements for further trade liberalization**: APEC’s answer; inclusive and sustainable growth → benefits for all in each economy
- APEC’s fields of cooperation: micro, small and medium enterprises, and food security
- Ambassador Bui Thanh Son (APEC Bulletin, 27 April, 2017)
- **Increasing needs for political mechanisms for further trade liberalization**: APEC’s “political” functions for trade liberalization
15. Community for Regional Stability

- Community building and APEC
- **Communities are not necessarily combined with formal institutions**
- The pluralistic security community and its durability and the “absence of war”
- Deutsch’s three conditions: 1) **The compatibility of values** (not the same); 2) **Responsiveness**; 3) We-feeling
- **A sense of community** to resolve common problems by peaceful means
Security community: from ASEAN to APEC?

<table>
<thead>
<tr>
<th>Pillars</th>
<th>Aims</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN Political – Security Community</td>
<td>aim to ensure that countries in the region live at peace with one another and with the world in a just, democratic and harmonious environment</td>
</tr>
<tr>
<td>ASEAN Socio-Cultural Community</td>
<td>aims to contribute to realizing an ASEAN Community that is people-oriented and socially responsible with a view to achieving enduring solidarity and unity among the peoples and Member States of ASEAN</td>
</tr>
<tr>
<td>ASEAN Economic Community</td>
<td>• a single market and production base, • a highly competitive economic region, • a region of equitable economic development, • a region fully integrated into the global economy.</td>
</tr>
</tbody>
</table>
16. Beyond economic cooperation: APEC for regional stability

- **APEC has become a community**: the compatibility of different values under trade liberalization
- **The accumulation of annual meetings** in its past three decades
- **Belief** that trade liberalization is a common interest and mutual talks and research are the means to this end
- **Learning** that different positions on economic issues can be mitigated through continuing talks rather than renouncing them: **this can be extended to security and political dialogues**
- Still too naïve: economic integration leading to peace
- **But, the learning effect for continuing talks**: able to **create preconditions for regional peace**
- **Another role of APEC today**
We appreciate your audience
Building an APEC Framework for Advancing Regional Economic Integration

Chen-Sheng Ho, Ph.D.
Director
International Affairs Department
Taiwan Institute of Economic Research
Purpose of Presentation

- Analyze the main elements for advancing APEC.
- Provide suggestions for moving forward.
Four Major Elements for Advancing APEC

Element 1: APEC Goals/Bogor Goals

Background Information:

- Bogor Declaration: APEC will achieve the goal of free and open trade and investment in the Asia-Pacific region by the year 2020.

- Bogor Declaration: With different levels of economic development, the industrialized economies will do so by 2010 and developing economies will do so by 2020.

- Bogor Declaration: Leaders oppose the creation of a trading bloc that is inward-looking and that prevents the pursuit of global free trade.

Source: www.apec.org
Four Major Elements for Advancing APEC

*Element 1: APEC Goals/Bogor Goals*

**Analysis:**

- The existence of clear APEC goals (Bogor Goals) has enhanced APEC members’ cooperation with each other.
- APEC shows flexibility in recognizing the diverse levels of economic development and in creating two different deadlines.
- The challenge for APEC is that the degree of trade and investment liberalization is not specified.
- For example, free trade can denote zero tariffs for all trade.
- APEC could also state that free trade is about the advancement of freer trade.
Four Major Elements for Advancing APEC

Element 2:

*APEC Decision-Making Principles: Consensus Building, Voluntary Participation, and Non-Binding Decisions*

**Background Information:**

- APEC has developed a distinctive APEC process that has shown to be practical for APEC.

- The APEC decision-making principles guide the APEC members in the discussions during meetings and in the conduct of activities.

- Consensus Building: All APEC members must approve a decision.

- Voluntary Participation: APEC members will only need to participate in activities they are willing to do so.

- Non-Binding Decisions: APEC members will not be punished for not participating in APEC activities after agreeing to participate.
Four Major Elements for Advancing APEC

Element 2:

*APEC Decision-Making Principles: Consensus Building, Voluntary Participation, and Non-Binding Decisions*

**Analysis:**

- Since the beginning of APEC’s existence in 1989, the APEC decision-making principles have been in operation.
- There is no indication that APEC will change the principles.
- Most importantly, the principles have enabled APEC to function effectively.
Four Major Elements for Advancing APEC

**Element 3: APEC Individual and Collective Actions**

**Background Information:**


- The report has stated the economies’ progress and areas that need improvements.
- The report’s information is from the Individual Action Plans, international organizations and domestic government institutions.
- The report has related that MFN tariffs for non-agricultural and agricultural products have been lowered. However, MFN tariffs for agricultural products are still high.
- The report has stated that many economies are utilizing RTA/FTAs and unilateral measures to relax restrictions on foreign companies in some services sectors but other economies have increased those restrictions.

Source: www.apec.org
Four Major Elements for Advancing APEC

Element 3: APEC Individual and Collective Actions

Background Information:

Collective Actions: APEC Projects

- APEC projects have been an important element of the APEC process for enhancing the achievement of the Bogor Goals in a collective manner.
- Each year, APEC has given funding for around 100 projects.
- The majority of APEC projects seek to transfer knowledge and skills between members as well as to advance capacity building.

Source: www.apec.org
Table 1: Number of APEC Project Applications and Projects Funded

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Applications</th>
<th>Projects Funded</th>
<th>Funding Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>226</td>
<td>103</td>
<td>46%</td>
</tr>
<tr>
<td>2015</td>
<td>214</td>
<td>79</td>
<td>37%</td>
</tr>
<tr>
<td>2014</td>
<td>224</td>
<td>71</td>
<td>32%</td>
</tr>
<tr>
<td>2013</td>
<td>219</td>
<td>109</td>
<td>50%</td>
</tr>
<tr>
<td>2012</td>
<td>215</td>
<td>103</td>
<td>48%</td>
</tr>
<tr>
<td>2011</td>
<td>188</td>
<td>138</td>
<td>73%</td>
</tr>
</tbody>
</table>

Table 2: APEC Project Funding

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>US$14,728,000</td>
</tr>
<tr>
<td>2016</td>
<td>US$17,078,000</td>
</tr>
<tr>
<td>2015</td>
<td>US$13,013,000</td>
</tr>
<tr>
<td>2014</td>
<td>US$9,365,000</td>
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</table>

Table 3: 2017 APEC Project Funding

<table>
<thead>
<tr>
<th>Untied Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Project Account</td>
<td>US$1,950,000</td>
</tr>
<tr>
<td>Trade &amp; Investment Liberalization and Facilitation Account</td>
<td>US$1,008,000</td>
</tr>
<tr>
<td>APEC Support Fund (ASF) General Fund</td>
<td>US$2,333,000</td>
</tr>
<tr>
<td><strong>Total:</strong> US$ 5,291,000 (36%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tied Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASF - Connectivity Sub-Fund</td>
<td>US$336,000</td>
</tr>
<tr>
<td>ASF - Energy Efficiency Sub-Fund</td>
<td>US$2,881,000</td>
</tr>
<tr>
<td>ASF - FTAAP and Global Value Chain Sub-Fund</td>
<td>US$644,000</td>
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<tr>
<td>ASF - Health and Emergency Preparedness Sub-Fund</td>
<td>US$198,000</td>
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<tr>
<td>ASF - Human Security Sub-Fund</td>
<td>US$422,000</td>
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<tr>
<td>ASF - Innovative Development, Economic Reform and Growth Sub-Fund</td>
<td>US$454,000</td>
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<td>ASF - Micro, Small and Medium Enterprises Sub-Fund</td>
<td>US$164,000</td>
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<tr>
<td>ASF - Mining Sub-Fund</td>
<td>US$317,000</td>
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<tr>
<td>ASF - RAASR Sub-Fund</td>
<td>US$2,483,000</td>
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<tr>
<td>ASF - Supply Chain Connectivity Sub-Fund</td>
<td>US$1,538,000</td>
</tr>
<tr>
<td><strong>Total:</strong> US$9,437,000 (64%)</td>
<td></td>
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<tr>
<td><strong>Grand Total:</strong> US$14,728,000</td>
<td></td>
</tr>
</tbody>
</table>

Four Major Elements for Advancing APEC

Element 3: APEC Individual and Collective Actions

Analysis:

- APEC members have consistently developed project proposals and sought to apply for APEC funding.
- Thus APEC members are greatly supportive of collective actions manifested in the form of projects.
- The challenge is that funding for the projects is limited. According to Table 1, the funding rate was about 73% in 2011. The funding rate was as low as 32% in 2014. By 2016, the figure was 46%.
Four Major Elements for Advancing APEC

Element 4: APEC Fora

Background Information:

Policy Level:

- The following meetings shape the policy direction of APEC: 1) APEC Economic Leaders' Meeting; 2) APEC Ministerial Meeting; 3) Sectoral Ministerial Meetings; and 4) APEC Business Advisory Council (ABAC).

Working Level:

- The APEC Senior Officials guide the working level activities and projects.
- Four committees implement the activities and projects: 1) Committee on Trade and Investment; 2) Senior Officials' Meeting Committee on Economic and Technical Cooperation; 3) Economic Committee; and 4) Budget and Management Committee.
- Sub-Committees, Experts' Groups, Working Groups and Task Forces all support the activities and projects led by these four high level committees.

Source: www.apec.org
Table 4: APEC Institutions (2015-2016)

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>APEC Fora</td>
<td>48</td>
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<tr>
<td>APEC Fora including Sub-Fora</td>
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</tr>
<tr>
<td>APEC Websites</td>
<td>44</td>
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<tr>
<td>APEC Specialized Centers</td>
<td>23</td>
</tr>
<tr>
<td>APEC Study Centers</td>
<td>31</td>
</tr>
</tbody>
</table>

Four Major Elements for Advancing APEC

Element 4: APEC Fora

Background Information:

Governance Issue:

- During SOM1 of 2017, Australia had presented a document called “Governance Improvements for a More Effective APEC.”
- It relates that the present governance mechanisms have not provided Senior Officials with adequate visibility or oversight of the work programs of the sub-fora.
- The result is the creation of overlapping mandates and lack of accountability.
- Therefore, a few reforms need to be undertaken: 1) Monitoring and enforcing quorum across all sub-fora; 2) Adopting and enforcing a consistent approach to the operation of sunset clauses across all sub-fora; and 3) New instructions for the governance of Friends of the Chair.

Source: www.apec.org
Four Major Elements for Advancing APEC

Element 4: APEC Fora

Analysis:

- APEC has developed an efficient and effective organizational structure to advance the work of APEC. This means that the existing APEC fora are able to cover the APEC issues.
- The increase in the complexity of issues has raised the importance of cross-fora cooperation.
Suggestions for APEC

Overall Suggestion:

- It is suggested that the APEC framework for advancing REI consists of the four elements: 1) APEC Goals: Bogor Goals; 2) Decision-making principles: Consensus building, voluntary participation, and non-binding decisions; 3) APEC individual and collective actions; and 4) APEC fora.

- The existence of smooth interactions among the four elements have moved the APEC process towards greater REI.
Suggestions for APEC

Utilize Evolutionary Approach

- APEC will persist to utilize the evolutionary approach in strengthening the four elements.
- This means APEC will continue to advance APEC in a cautious and incremental manner.
Suggestions for APEC

Promote Bogor Goals: Freer Trade

- APEC can define the Bogor Goals’ meaning of free and open trade and investment to be the attainment of freer trade.
- In doing so, APEC can state in 2020 that the Bogor Goals have been achieved.
- However, freer trade means that there is room for improvement.

Promote Bogor Goals 2.0

- Therefore, another suggestion is that the post-2020 vision for APEC will be Bogor Goals 2.0 or the further advancement of freer trade.
- In addition, the existing APEC undertakings for completion after 2020 will also be included in Bogor Goals 2.0, such as the APEC Connectivity Blueprint (2015-2025), APEC Services Competitiveness Roadmap (2016-2025), and FTAAP (long-term goal).
Suggestions for APEC

Maintain Existing APEC Decision-Making Principles:

- APEC continues to utilize the present APEC decision-making principles (consensus building, voluntary participation, and non-binding decisions) that have enabled APEC members to cooperate with each other.
- The existing principles have enabled APEC members to agree on actions that are acceptable to all.
- In doing so, APEC has moved forward together, so that regional economic integration is deepened at a pace that is comfortable for all APEC members.
Suggestions for APEC

Emphasize Collective Actions:

- It is suggested that APEC provide more funding for implementing projects.
- The projects are the best manifestation of APEC collective actions.
- APEC members have shown great interests in developing projects.
- Table 1 indicates that there were 188 project applications in 2011. By 2016, the figure was 266. Moreover, the funding rate in 2011 was 73%. The rate for 2016 was 46%.
- Thus APEC members are supportive of collective actions in the form of projects. The decrease in funding rate has not dampened the enthusiasm for APEC projects.
Suggestions for APEC

Uphold Present Organizational Structure:

- It is suggested that APEC continues to maintain the present organizational structure in which changes occurred in a cautious way.
- This means that APEC fora consist of both policy level and working level.
- In addition, APEC members will continue to deliberate carefully regarding changes, such as the merging of existing fora or the creation of new fora.
Thank You
APEC’s New Role in Further Promoting Asia-Pacific Regional Economic Integration

By Liu Chenyang
APEC Study Center of Nankai University
May 2017
APEC’s Contribution to the Process of Asia-Pacific REI

- A milestone: Adopting the Bogor Goal
- Achievements in trade and investment liberalization
- Progress in trade and investment facilitation
Internal and External Driving Forces for APEC to Further Promote Asia-Pacific REI

- To push for a healthy recovery of the sluggish world economy as a more powerful engine;
- To play a more active and effective role in coordinating the development of FTAs/RTAs in the Asia-Pacific region;
- To strengthen the role as a strong supporter to WTO from the plurilateral level;
- To further promote Asia-Pacific REI to better comply with the trend of Global value chains (GVAs) cooperation.
Pathways for APEC to Further Promote Asia-Pacific REI

Promoting the establishment of FTAAP

- The establishment of the FTAAP could be set up as a mid-term goal for the “Post Bogor Goal era”, which will clarify the overall direction of APEC’s efforts in promoting Asia-Pacific REI in the next decade;

- To balance the quality of the FTAAP and different interest demands of its member economies, APEC’s role as an incubator of the FTAAP should be fully recognized and utilized.
Pathways for APEC to Further Promote Asia-Pacific REI

- **Enhancing GVCs cooperation to foster a big Asia-Pacific market**
  - APEC member economies should give full play to their comparative advantages, optimize the economic resource allocation, improve the industry layout, and make joint efforts to foster a big Asia-Pacific market where benefits are shared by all.
  - Priorities in this aspect should include but not limited to enhancing trade facilitation and supply chain management, improving logistics infrastructure network construction, and facilitating cross-border movement of nature person.
Pathways for APEC to Further Promote Asia-Pacific REI

Enhancing Connectivity and Infrastructure Development Cooperation

- In the long term, APEC should strengthen the top-level design of its overall cooperation framework and mainstream connectivity cooperation as a new pillar for its process in the post-Bogor era;
- In the short and medium term, APEC is expected to take more effective measures to realize the goal of the Connectivity Blueprint for 2025;
- Effective measures should be taken to overcome the institutional obstacle and conditional obstacle of connectivity.
Summing Up

- APEC has not only responsibility but also capacity to make more contribution to the future process of Asia-Pacific REI;

- Guided by the principles of openness, inclusiveness and win-win cooperation, APEC member economies should try to foster closer partnership and make joint efforts to meet challenges and achieve sustainable development and long-term prosperity in the Asia-Pacific region.
Thank you

Liu Chenyang
APEC Study Center of Nankai University
Boling Building 408, Nankai University, Tianjin China, apecliu@sina.com
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

By LU Jianren
Chief Research Fellow, China-ASEAN Research Institute of Guangxi University
Hanoi, May12-13,2017
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

• Since 1960s, Asia-Pacific cooperation has emerged in the realm of economics as a pioneer; and in the late 1980s, when the APEC was established, Asia-Pacific cooperation has entered the economic integration stage. At the same time, after the end of the Cold War, in the Asia-Pacific region there have been long-term peace, stability and prosperity, regional cooperation ranging from economic to political and security areas.
Having gone through a great deal of practice and exploration over half a century, today’s Asia-Pacific regional cooperation is entering a vital moment. Since APEC was founded in 1989, it has been in existence for 28 years, making a significant contribution to peace, stability, and economic development in the Asia-Pacific region.

Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

• However, the reverse trend of globalization emerging currently, multilateralism represented by WTO suffering difficulties, trade protectionism rising, the United States announcing the withdrawal of TPP, make the Asia-Pacific economic integration suffer setbacks.

• On the other hand, regional integration in East Asia is still moving forward, and ASEAN has established the “ASEAN Community” and led the RCEP (Regional Comprehensive Economic Partnership) negotiations; China raises the flags of multilateralism, not only advocating the establishment of FTAAP (Free Trade Agreement of the Asia Pacific), but also actively promoting the Belt and Road Initiative, adverting the idea of establishing the Asia-Pacific Community of Common Destiny.
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

• Under the new circumstances, where should APEC go? There is no doubt that APEC, as a multilateral organization in the Asia-Pacific region, should unswervingly continue to move towards the grand goal of economic integration in the region, becoming an important force in the development of economic globalization. But that is not enough. APEC should be entrusted a more ambitious historical mission.
At present, the era is calling for the emergence of a kind of Asia-Pacific regional cooperation mechanism, which includes three important areas: economy, politics and security. And that’s the “Asia-Pacific Community of Inclusiveness and Development”, which includes Asia-Pacific Economic Community, Asia-Pacific Community of Common Destiny, and Asia-Pacific Security Community.

The most prominent feature of the Asia-Pacific region is diversity, which is also a very important reason why the Asia-Pacific regional integration is difficult to be quickened its forward pace. The way to eliminate the barriers of diversity is to establish an inclusive regional cooperation mechanism to promote the process of regional cooperation, to meet the common development through establishing inclusive cooperation mechanisms in the economic, political and security fields, to reach win-win for Asia-Pacific members.
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

• In the long run, on the main platform of APEC, the establishment of the Asia-Pacific Community of Inclusiveness and Development can use the existing regional cooperation mechanism with greater inclusiveness, to bring political and security issues into the APEC scope in succession, transforming APEC into a regional cooperation community integrating economy, politics and security, which is called Asia-Pacific Community of Inclusiveness and Development, where its members can be on a voluntary basis to expand to all economies in the Asia-Pacific region. And in the initial stage, APEC, political and security issues-oriented Asia-Pacific Community of Common Destiny, and Inclusive Security Community can coexist. The latter two need sufficient time to build and develop, and when the conditions are ripe, those two mechanisms can combine with APEC as one mechanism.
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

Security

Politics

APEC

亚太包容发展共同体
Asia-Pacific Community of Inclusiveness and Development
Where Should APEC Go?
——To Build the Asia-Pacific Community of Inclusiveness and Development

• China and the United States are both pillar and bellwether of regional cooperation in the Asia Pacific. There would be no inclusiveness for most of the members in the Asia-Pacific region without mutual inclusiveness between China and the United States.

• At present, China and the U.S. are reshaping bilateral relations. In early April, 2017, President Xi Jinping visited the United States and had a fruitful meeting with President Trump, which enhanced mutual understanding and laid a momentous foundation for bilateral cooperation. In the long run, mutual inclusion is the foundation of the survival and development of Sino-US relations. And this inclusion includes ideology, social system, economic system, religious belief, culture, values, lifestyles and etc.
Where Should APEC Go?
—To Build the Asia-Pacific Community of Inclusiveness and Development

• Both China and the U.S. can cooperate in good faith and achieve win-win situation only with mutual respect, tolerance, and understanding. China has managed to establish the great aspiration of the human fate community, and the Asia-Pacific community of common destiny, so some essential elements such as tolerance and responsibilities should be carried on the road of development.

• Therefore, to establish the Asia-Pacific Community of Inclusiveness and Development, China and the United States must share the common responsibility. Let’s march towards the goal of Asia-Pacific Community of Inclusiveness and Development.
Thank you!
Economic Integration and Growth
-Evidences from Mekong Friendship Bridges-

Souknilanh Keola
Research Fellow
Bangkok Research Center
Institute of Developing Economies (IDE-JETRO)
Integration Happen through Border Gates or Transport Infrastructures in reality

The Lao-Thai Mekong Friendship Bridges

- **The First Bridge (B1) (1994)**
  Vientiane Capital (Lao PDR) – Nong Khai (Thailand)
  *Grant from the government of Australia to Lao PDR and Thailand*

- **The Second Bridge (B2) (2006)**
  Savannakhet (Lao PDR) – Mukdahan (Thailand)
  *Low Interest Loan from the government of Japan to Lao PDR and Thailand*

- **The Third Bridge (B3) (2011)**
  Khammouan (Lao PDR) – Nakhon Phanom (Thailand)
  *Funded by the government of Thailand*

- **The Fourth Bridge (B4) (2013)**
  Bokeo (Lao PDR) – Chiang Kong (Thailand)
  *Jointly funded by the government of Thailand and China*

Source: Adapted from Keola (2013).
Change of NTL around the First Bridge (B1)

Source: Based on DMSP-OLS(NOAA) and GAUL (FAO).
Change of NTL around the First Bridge (B2)

Source: Based on DMSP-OLS(NOAA) and GAUL (FAO).
Change of NTL around the First Bridge (B3)

1992

Laos

Thailand

The Bridge (2011)

2013

Laos

Thailand

Source: Based on DMSP-OLS(NOAA) and GAUL (FAO).
Change of NTL around the First Bridge (B4)

The Bridge (2013)

Source: Based on DMSP-OLS(NOAA) and GAUL (FAO).
Sum of NTL by Distances

Source: Based on DMSP-OLS(NOAA) and GAUL (FAO).
Border Trade between Lao PDR and Thailand

Thailand to Laos (million USD)  Laos to Thailand (million USD)

Source: Based on Thailand’s Department of Foreign Trade
Traffic Flows between Lao PDR and Thailand (both ways)

Source: Based on Thailand’s Custom Houses
Traffic Flows between Lao PDR and Thailand

Source: Based on Thailand’s Custom Houses
<table>
<thead>
<tr>
<th>log(Car/I0/Distance)</th>
<th>-10km</th>
<th>-20km</th>
<th>-30km</th>
<th>-40km</th>
<th>-50km</th>
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(df = 10; df = 10; df = 10; df = 10; df = 10; df = 10; df = 10; df = 10; df = 10; df = 10)

Note: *p < 0.1; **p < 0.05; ***p < 0.01

Source: Author calculation.
Results

Source: Author calculation.
Conclusions

• Growth has strong neighbor effects (spatial lag), and decreases by distance
• Flow of factors across border has much larger growth effects
• Grow effects differ by type of factors flowing across border

Policy implications
• Growth effect of economic integration is biased towards existing agglomeration, so policy measures are necessary if regional disparity is to be addressed
• Growth can be achieved more effectively through utilization of installed infrastructure and/or trade agreements
References


- (draft) KEOLA, Souknilanh. Measuring Impact of Regional Integration from Space: Tacking MAUP with Remote Sensing Data

Data

- DMSP-OLS (NOAA) https://ngdc.noaa.gov/eog/
Food for Sustainable Growth, Food for Zero Hunger

Prof. Dr Kan Zaw
President
Myanmar Academy of Social Sciences (MASS)
INTRODUCTION

- reducing food losses and food waste to meet the food security and limited natural resources
- economic growth and food security mutually reinforcing through the history of development
- population is growing to reduce the rates of global hunger as well as lack of nutrients have been systematically undertaken

2nd priority of SDGs: “end hunger, achieve food security and improved nutrition and promote sustainable agriculture”
Conceptual Framework

HUNGER: THREAT FOR GROWTH

- food loss and its causes
- food waste and its causes
- challenges for food security
- consumer behaviour
History of World Hunger

• Places affected by Malnutrition & Poverty
  ➢ Undeveloped countries
  ➢ Poor economic countries

• Malnutrition in the US and other developed countries

• Earliest Records of Starvation and Poverty
  ➢ The earliest record of poverty and hunger probably took place during the Roman Times and the Greek times.
HUNGER

• More than 840 million people in the world are malnourished—799 million of them are from the developing world. More than 153 million of them are under the age of 5.

• 6 million children under the age of 5 die every year as a result of hunger.

• Of the 6.2 billion people in today's world, 1.2 billion live on less than $1.5 per day.

• The proportion of people living on less than $1.5 a day has fallen from 29 percent to 23 percent in the past 10 years, although that masks significant regional differences.
  – East Asia has seen a drop from 28 percent to 14 percent.
  – South Asia has seen a drop from 44 percent to 37 percent.
  – Africa has seen a drop from 48 percent to only 47 percent.
• Virtually every country in the world has the potential of growing sufficient food on a sustainable basis.

• Worldwide, there are 2,805 calories available per person per day. Fifty-four countries fall below that requirement; they do not produce enough food to feed their populations, nor can they afford to import the necessary commodities to make up the gap.

• Most of these countries are in sub-Saharan Africa.
Food wastage is high:

The impacts of this waste is not just financial. Environmentally this leads to: Wasteful use of chemicals such as fertilizers and pesticides;

More fuel used for transportation

More rotting food, creating more methane — one of the most harmful greenhouse gases that contributes to climate change.

The direct medical cost of hunger and malnutrition is estimated at $30 billion each year.

Diversion of land use to non-productive use

Increasing emphasis on export-oriented agriculture

Inefficient agricultural practices
World Hunger Map

Proportion in total population
Percentage 1998 - 2000

- Yellow: < 5%
- Orange: 5 - 20%
- Red: 20 - 35%
- Dark red: > 35%
- White: No data available

www.feedingminds.org/img/map_world.jpg
Brazil- Zero Hunger (Fome Zero)
- Giving financial aid to the poorest families.
- Creating low-cost restaurants, educates people about healthy eating habits, and gives out vitamins to those who need it.

South Africa- New Growth Plan

China-
- One Child Policy
- Investment in Agriculture
- Increase Production of Resources
- Reduce or Removal of Tariffs
- Reform Organizations/Create New Organizations
- Re-launch of DOHA Negotiations
- Reform of Global Financial Governance/Global Governance
Number of undernourished people by region, 1990-92 to 2030

Source: FAO data and projections
Prevalence of undernourishment (%)

Source: FAOSTAT
Developing countries lose 30 to 80% of their perishable foods (fruits, vegetables, root crops) before consumption.
Food is lost or wasted throughout the supply chain, from initial agricultural production down to final household consumption. (FAO)
Causes of Food Waste

Low Income Countries

- Financial
- Managerial
- Technical limitations in harvesting techniques
- Storage and cooling facilities
- Infrastructure including transportation
- Packaging
- Marketing

Medium- and high-income countries

Consumer Behaviors

Policies and Regulations
Post Harvest Loss

• Post-harvest losses vary from 35 to 50% of the total production
• In Asia post-harvest losses are estimated at around 30% or 5 billions of USD a year
• Rodents contribute to the PHL in the rice sector of Asian countries by 6 %, an amount equivalent to the rice consumption of about 225 million people in this region
World Faces Challenges:

• Population growth
• Need for more food
• Urbanization
## Per Capita Food Consumption

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<th>Year</th>
<th>Kcal/person/day</th>
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<tr>
<td>2005-2010</td>
<td>2770</td>
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<tr>
<td>2050&gt; (Projection)</td>
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• Climate Change & Food Borne illness
• Global Issues: Food Security, malnutrition, poverty, food waste
• 1/3 of food produced for human consumption is lost or wasted globally
Myanmar Poverty Reduction Strategy

National Policy

Long Term Goal 1
To build a growing, diversified, and sustainable economy

Long Term Goal 2
To ensure that inclusive growth & development is people centered

Core Policy

Human Development and Poverty Reduction
HDI Ranking Improvement
Education Enrollment 100%
Reduction Mortality Rates
Womens Employment

Policy Actions

Delivery of Basic Services
To increase equity and reduce poverty through the provision of basic services

Access to Services
To increase equity and opportunity providing access to social services and public infrastructure

Employment Opportunity
To expand inclusive decent employment opportunities that boosts household consumption levels

Citizen Participation
Promotion of civic participation in local government and local decision making

Key Features

Key Features
Food security
Access to clean water
Sanitation
Housing

Key Features
Health coverage
Education for all
Social welfare

Key Features
Value added products
Integration of supply bases to agro-industries
Promotion of IGA

Key Features
Natural resource management, Biodiversity
Environmental conservation to support sustainable livelihoods

Source: MNPED Action Plan 2012 -2016
FOOD LOST OR WASTED BY REGION AND STAGE IN VALUE CHAIN, 2009

Percent of kcal lost and wasted

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<th>Distribution and Market</th>
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Post Harvest Losses and Management

- **Post-Harvest Management (PHM)** can be defined as methods and techniques applied to increase the life and retain produce.
- **Post-harvest grain loss** is the loss of grains (quality and/or quantity) between the moments of harvest and consumption.
- The losses by two main causes:
  a) Shelling and Drying Techniques (Moisture content)
  b) Storage and Handling
Climate change and Food safety

- Eco system changes
- Unseasonal rains
- Changes in aquatic life
- Higher Ocean temperatures-

Flooding
Pillars of Sustainable Development

• **Economic Development** – poverty eradication

• **Social Development** – active participation of women; education; good governance

• **Environmental Protection** – prevent environmental degradation and patterns of unsustainable Dev. (at the local, national, regional, and global levels)
MYANMAR AND ITS ZERO HUNGER INITIATIVES

- Evaluation of Myanmar Initiatives
- Policy Support
Activities in Myanmar

• Central and Working Committees for Food and Nutrition Security have been formed.
• National Action Plans of Food and Nutrition Security is working in progress.
• GAP and GMP has been introduced.
POTENTIALS of Myanmar Economy

Key Indicator

12.25 M hectares of rich arable land
25th largest endowment in the world

12.25 M hectares of rich arable land
25th largest endowment in the world

High levels of accessible proven natural gas reserves
46th ranked in the world with high estimates of undiscovered gas

High levels of accessible proven natural gas reserves
46th ranked in the world with high estimates of undiscovered gas

Proven and undiscovered oil reserves land and off shore

Proven and undiscovered oil reserves land and off shore

Abundance of precious stones rubies, emerald, and sapphire

Abundance of precious stones rubies, emerald, and sapphire

Produces 95% of the world's supply of jade
World's largest jade producer

Produces 95% of the world's supply of jade
World's largest jade producer

Extensive fisheries, with Myanmar owning over 3,000km of coastline and extensive land fisheries
Major exporter to Asian and European markets

Extensive fisheries, with Myanmar owning over 3,000km of coastline and extensive land fisheries
Major exporter to Asian and European markets

Teak & Hardwood Plantations covering 47% of the total land area. 25 varieties of commercial trees are available
80% of the teak reserves in Southeast Asia

Teak & Hardwood Plantations covering 47% of the total land area. 25 varieties of commercial trees are available
80% of the teak reserves in Southeast Asia

Highest level of available renewable water resources in Asia
95% of water resources available for hydro-power

Highest level of available renewable water resources in Asia
95% of water resources available for hydro-power

Myanmar is exporting gas and oil to neighboring countries and is expanding its petrochemical industries

Myanmar has enacted a new Environmental Conservation Law (2012) to protect its natural resources in alignment to international standards. The law will see a reduction of raw materials export that will be replaced with added value exports and finished products.

Source: Myanmar Comprehensive Development Plan (2011-2031), MNPED
Policy Intervention

• To support the development of agricultural public goods
• To support modern supply chain
• To develop post harvest loss reduction strategy
• To improve quality and standardization
• To collaborate and collective actions among stakeholders
• To reduce poverty
ZERO HUNGER CHALLENGE (ZHC)

- launched by UN Sec-Gen Ban Ki-moon in 2012
- ZH Vision within SDGs

Five Key Objectives:
1) 100% access to food all year round
2) Ending stunting among children under two years of age
3) Making all food systems more sustainable
4) Doubling crop productivity and income for smallholder farmers
5) Reducing food waste and post-harvest losses
How to streamline the delivery of the 5 Zero Hunger Challenge ZHC Targets

- **ZHC 1**: 100% access to adequate food all year round
- **ZHC 2**: ZERO stunted children younger than 2 years
- **ZHC 3**: ALL food systems are sustainable
- **ZHC 4**: 100% increase in smallholder productivity and income
- **ZHC 5**: ZERO loss or waste of food
Myanmar’s Initiatives for ZHC

- concrete, time-bound actions towards the alleviation of food security and malnutrition
POLICY SUPPORT

- National Comprehensive Development Plan (NCDP)
- National Plan of Action for Food and Nutrition (NPAFN)
- Newborn and Child Health Strategic Plan (NCHSP) and Reproductive Health Strategic Plan (RHSP)
- Myanmar’s National Strategy on Rural Development and Poverty Alleviation (NSPARD)
- National Action Plan for Poverty Alleviation and Rural Development through Agriculture Programme (NAPA)
- Myanmar Rice Sector Development Strategy (MRSDS)
- National Action Plan on Disaster Risk Reduction (NAPDRR)
- National Social Protection Plan (NSPP)
National Comprehensive Development Plan (NCDP 2011-2031)

- long-term government objectives aimed at promoting exclusive growth and reducing socio-economic gaps across the country. Given the importance of the sector in the productive capacity of the country, agriculture figures prominently in the NCDP vision. It sets overall strategic objectives set of growing agricultural production to fulfil national consumption needs, to increase agricultural exports, and to use agriculture as a conduit for overall rural development and poverty reduction.

• which has been endorsed by the Government as a multisectoral plan since 1994, following ICN-1 recommendations, is one of these prominent plans. The purpose of the NPAFN was to serve as a comprehensive multisectoral plan which included both nutrition specific and sensitive interventions across several Ministries to support food and nutrition in Myanmar.
**Reproductive Health Strategic Plan**

• Under the Ministry of Health, relevant plans to support nutritional outcomes include the national *Newborn and Child Health Strategic Plan* and the national *Reproductive Health Strategic Plan*. Many critical nutrition interventions and services are included in these plans by ensuring that nutrition is mainstreamed into essential maternal, new-born and child health services. Nutrition interventions are also included in National Comprehensive Development Plan - Health Sector (2010/11- 2030/31). Attention has also been focused to issues of poverty and rural development.
Myanmar’s National Strategy on Rural Development and Poverty Alleviation (NSPARD)

• aims to reduce the poverty rate by half from 32% in 2005 to 16% by 2015. Since 2014, Government of the Union of the Republic of Myanmar has implemented the *National Action Plan for Poverty Alleviation and Rural Development through Agriculture Programme (NAPA)*. NAPA is also to guide investment in the agriculture and its allied food sectors and suggest policy and institutional reforms that will contribute to poverty alleviation and rural development. Moreover, a number critical areas of investment in agriculture and rural development that have helped to guide the choice of development priorities in the relevant areas will be addressed.
Myanmar *Rice Sector Development Strategy: 2015 -2030 (MRSDS)*

• launched in May 2015. The ultimate goal of the Rice Sector Strategy is to achieve a food-secure, and for farming households in rural areas to enjoy decent standards of living with the income derived from rice and rice based farming, through rural infrastructure development and post-harvest loss processes. It will be a platform for efforts to diversify production and utilisation which is critical for food and nutrition security.
Myanmar National Action Plan on Disaster Risk Reduction (2012)

• The goal of the Plan is to “make Myanmar safer and more resilient against natural hazards, thus protecting lives, livelihood and developmental gains”. The Action Plan includes a comprehensive summary of Myanmar’s hazard risk profile as well as an overview of the measures to be taken to improve Myanmar’s ability to manage its disaster risks and public employment provisions that will enhance livelihoods in vulnerable areas. This will also support for strengthening the preparedness and resilience of communities subject to disasters.
The Government of the Union of the Republic of Myanmar launched its in December 2014, which proposes to universalize maternal child protection grants (which is meant to support the health and nutritional well-being of young children), expand maternal services and leave provisions and provide other social safety nets to protect livelihoods and prevent food insecurity. A specific contribution to Myanmar’s economic and social development that is to ensure that children achieve appropriate, physical and cognitive development levels in their first 1000 days of life that will facilitate success later in life is a remarkable outcome to be made. Since it included preparing communities better for disasters, and improving their resilience when a disaster occurs and another milestone to be made under this is Myanmar Youth Policy which is also under development.
RECOMMENDATION:

SET FOOD LOSS AND WASTE REDUCTION TARGETS

- Global
- National
- Sub-national
- Private sector
REGIONAL HUNGER REDUCTION
(2015 to 2030)

- Hunger-Free Latin America and the Caribbean Initiative
- Africa’s Renewed Partnership to end Hunger by 2025
- Zero Hunger Initiative for West Africa
- Asia –Pacific Zero Hunger Challenge
- Pilot Initiatives of Bangladesh, Lao PDR, Myanmar, Nepal and Timor-Leste
“Climate is changing. Food and agriculture must too.”
LOOKING BACK TO MDG

MOVING FORWARD TO SDG
Progress with MDG -1

- 1990/92 - one billion undernourished 23.2%
- 2010/12 - 870 million 12.5%
- 11.6% target may be reached by 2015
- Remains unacceptably high
- Rising in Africa by 2% / year since 2007
- Global food demand increasing
- Risks increasing
Lessons learned

• MDGs important catalyst

• Did not specify means or strategies for achieving goals

• Did not anticipate threats, need to address root causes, or interdependence of poverty and hunger
Pathway to ending hunger

- Sustainable agricultural growth
- Right to food and nutrition sensitive policies
- More equitable food systems
- Social protection
- National political commitment
- Public and private investment
- Transparent and inclusive governance
Pathway to ending hunger (continued)

- For domestic private sector, including farmers
  - to produce more food
  - develop markets
  - support credit institutions
  - invest in small enterprises that employ people
  - develop skills

- For global and civil society: to design and implement development activities
  - promote open, vigorous, and peaceful debate

- Transnational business and industry: to make
  - useful proprietary technologies available
  - provide innovative financial support to sustainable development practice
  - social responsibility
Sustainable and resilient food production and consumption

Good nutrition for all

Agents of transformation

Investments

Making *sure* vision is realized

Call for action
MOVING FORWARD

- World food system faces major challenges
- Pathway to ending hunger and malnutrition is known and achievable
- Common vision emerging offers unified overarching and comprehensive agenda
- Widely agreed that the SDGs should be global in nature and universal in application.
- SDGs should incorporate the Rio Principles and be integrated with the MDGs.
Food Security is an essentially contested concept
Different food production systems make different demands on the environment
Modern agriculture is heavily reliant on finite external inputs such as oil and fertiliser
Consumers play a role in structuring the food system through their food choices
The number of people experiencing hunger continues to grow, both in wealthy and poor countries.
Further RECOMMENDATIONS

✔ Free Market
✔ Increase skilled Labor
✔ Increase jobs through investment into state and private companies
✔ Increase border trade through increase in cross border infrastructure.
Thank You
Financial inclusion in APEC: Achievements, Issues, and Agenda

Presenter: Dr. CAN Van Luc

at the APEC STUDY CENTERS CONSORTIUM CONFERENCE 2017

Hanoi, May 12th, 2017
CONTENTS

I. Financial inclusion: what does it really mean?

II. Financial inclusion in APEC

III. Future agenda
I. Financial inclusion: what does it really mean?
Financial inclusion?

**Financial inclusion:**

1. **Access to a full range of financial services**
   Including credit, savings, insurance, and payments ..etc.

2. **Be provided with quality**
   Convenient, affordable, suitable, provided with dignity and client protection

3. **To everyone who can use financial services**
   With special attention to rural areas, people with disabilities, women, and other often-excluded groups.

4. **With financial capability**
   Clients are informed and able to make good money management decisions

5. **Through a diverse and competitive marketplace**
   A range of providers, robust financial infrastructure and clear regulatory framework.

*(Adopted from Accion).*
Financial inclusion?

According to the UN, Financial inclusion:

- Universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions.

- Inclusive finance strives to enhance access to financial services for both individuals and MSMEs.

- In developing countries, access to financial services is crucial to strengthen financial sectors and domestic resource mobilization and can therefore make a significant contribution to social and economic development.
Financial inclusion and inclusive growth

Figure 1. Financial inclusion and inclusive growth process

Inclusive Finance or Financial Inclusion

Employment Generation, Poverty Reduction, and Reduce income inequality

Sustained Economic Growth

Source: Adopted from Ezazul Islam, Bangladesh Bank 2016.
So, why do we need to look at financial inclusion?

Source: MasterCard Foundation (2016)
Fig.2: Products and services under Financial inclusion

Facilities Identified Under Financial Inclusion

- Savings product and accounts
- Credit facility
- Entrepreneurial credit
- Loans and insurance
- Mortgage
- Financial advice
- Payment and remittance services

Financial inclusion

Sources: Rangarajan Committee Report on Financial Inclusion, 2008, RBI; IMaCS Research
II. Financial inclusion in APEC
ACHIEVEMENTS

- Many individual APEC economies have adopted strategies on financial inclusion as an important part of their overall strategies to achieve inclusive growth.

- ADB approved 121 projects valued at US$2.59 billion (as of 2012) to support microfinance in Asia and the Pacific (ADB 2013).

- Since 2010, Asia-Pacific Forum on Financial Inclusion (ABAC together with ADB Institute and other stakeholders).

- The Financial Infrastructure Development Network (FIDN) was launched in 2015 as part of the APEC Finance Ministers’ financial development roadmap (Cebu Action Plan), specifically targeting MSMEs.
APEC has become ‘mobile first’, thus contributing to economic and social development.

Among all APEC economies, 15 of 21 APEC economies have mobile penetration rates over 100%, including 144% in Thailand, 147% in Vietnam, and 128% in Indonesia.

Innovative e-payment in developing economies

In APEC, between 2012-2013, about 66 million people were covered by micro-insurance products; whereas in 2016 this estimate has increased to about 85 million people.
ACHIEVEMENTS (3)

Fig. 3: Quite high account penetration in EA & Pacific

Account penetration
Adults with an account (%), 2014

- East Asia & Pacific: 69%
- Europe & Central Asia: 51%
- High-income OECD economies: 94%
- Latin America & Caribbean: 51%
- Middle East: 14%
- South Asia: 46%
- Sub-Saharan Africa: 34%

Source: Global Findex database.
ACHIEVEMENTS (4)

Fig 4: Fairly high female account penetration in EA & Pacific
ACHIEVEMENTS (5)

Fig 5: 90% account holders in EA & P use their accounts at least once a year

Activity and dormancy in financial institution accounts
Adults with an account by whether deposits or withdrawals made in the past year (%), 2014

- East Asia & Pacific
- Europe & Central Asia
- High-income OECD economies
- Latin America & Caribbean
- Middle East
- South Asia
- Sub-Saharan Africa

Source: Global Findex database.
ACHIEVEMENTS (6)

Fig 6: Fairly high level of Mobile/E-payment in EA & Pacific

Use of different mechanisms for making direct electronic payments
Adults using type of payment mechanism in the past year (%), 2014

East Asia & Pacific
Europe & Central Asia
High-income OECD economies
Latin America & Caribbean
Middle East
South Asia
Sub-Saharan Africa

Source: Global Findex database.
Fig 7: Quite high level of Internet access and use for payments in EA & Pacific
Fig 8: Half of account owners have used them for digital payments in EA & P

Use of accounts for digital payments
Adults with an account by its use for payments in the past year (as % of all adults), 2014

Source: Global Findex database.
Fig 9: More people use a FI to receive remittances in EA & P

How people receive domestic remittances
Adults using method to receive remittances in the past year (%), 2014

East Asia & Pacific
Europe & Central Asia
Latin America & Caribbean
Middle East
South Asia
Sub-Saharan Africa

Note: Respondents could report using more than one method.
Source: Global Findex database.
ACHIEVEMENTS (10)

Fig 10: More people use a FI to **send** remittances in EA & P

How people send domestic remittances
Adults using method to send remittances in the past year (%), 2014

- **East Asia & Pacific**
- Europe & Central Asia
- Latin America & Caribbean
- Middle East
- South Asia
- Sub-Saharan Africa

**Remittance senders**
- In cash
- Through a financial institution
- Through a mobile phone
- Through a money transfer operator

*Note: Respondents could report using more than one method.*

*Source: Global Findex database.*
ACHIEVEMENTS (11)

Fig 11: More adults saving at a FI in EA & P

Formal saving, 2011 and 2014
Adults saving at a financial institution in the past year (%)

- South Asia: 13 (2011), 13 (2014)
- Sub-Saharan Africa: 16 (2011), 16 (2014)

Source: Global Findex database.
ACHIEVEMENTS (12)

Fig 12: Like other regions, business owners in EA & P use saving for financing investments in business

How business owners finance investments in business
Business owners using financing method in the past year (%), 2014

Source: Global Findex database.
ACHIEVEMENTS (13)

Fig 13: Adults in EA & P use more loans from FIs or families/friends than from private/store lenders

Sources of new formal and informal loans
Adults borrowing from source in the past year (%), 2014

East Asia & Pacific

Europe & Central Asia

High-income OECD economies

Latin America & Caribbean

Middle East

South Asia

Sub-Saharan Africa

Financial institution
Family or friends
Private informal lender
Retail store (store credit)

Note: Respondents could report borrowing from more than one source.
Source: Global Findex database.
ISSUES (1)

Fig 14: Still quite high proportion of the unbanked in EA & P

The world’s unbanked adults by region
Adults without an account (%), 2014

- South Asia 31
- East Asia & Pacific 24
- Sub-Saharan Africa 17
- Latin America & Caribbean 10
- Europe & Central Asia 5
- Other economies 4
- Middle East 4
- High-income OECD economies 3

Note: “Other economies” include high-income non-OECD economies, Algeria, and Tunisia.
Source: Global Findex database.
**ISSUES (2)**

**Fig 15:** Rather low frequency of deposits/withdrawals by account holders

**Frequency of deposits by account holders**

Adults with a financial institution account by number of deposits in a typical month (%), 2014

**Frequency of withdrawals by account holders**

Adults with a financial institution account by number of withdrawals in a typical month (%), 2014

Note: The categories do not sum to 100 percent because of “don’t know” and “refuse” answers.

Source: Global Findex database.
ISSUES (3)

Fig 16: Credit & credit card ownership and use by account holders in EA & P at an average level
ISSUES (4)

Fig 17: Self-reported barriers to use of an account at a FI

Self-reported barriers to use of an account at a financial institution
Adults without an account reporting barrier as a reason for not having one (%), 2014

- Religious reasons
- Lack of trust
- Cannot get an account
- Lack of necessary documentation
- Financial institutions too far away
- Accounts too expensive
- Family member already has an account
- Do not need an account
- Not enough money

Note: Respondents could choose more than one reason.
Source: Global Findex database.
### ISSUES (5)

**Table 1: Gaps in the Apec E-Payment Indices**

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Source: RMIT (2016)
ISSUES (8)

Fig 18: Gaps in income explain somehow gaps in the E-Payment Indices

Relationship between APEC E-payment Index scores and Income level

Source: World Development Indicators (2014); for Chinese Taipei, Nominal GDP per capita, 2014 obtained from National Statistics, Republic of China (Chinese Taipei)
III. Future Agenda
Fig. 19: Framework for enhancing use of accounts

Source: BIS 2016.
Fig. 20: Public interventions to boost financial inclusion

Source: UNCDF 2014.
Future Agenda: Institutions

- Promoting e-payments and E-finance
- Providing supportive mechanisms for deployment of financial services in remote areas;
- Enhancing legal framework and develop appropriate management mechanism for Fintech companies;
- Developing financial inclusion database and undertake data analytics;
- APEC economies need to create a consistent and coordinated approach to financial inclusion, including harmonisation of procedures and financial inclusion policy alignment.
Future Agenda (cont’d)

- **Capacity building** for state-holders and **financial education** for consumers, households and MSMEs
- Financial institutions develop **suitable products and services** at a low cost and convenient distribution channels (ommi-channels)
- **International cooperation and connectivity** in financial inclusion
- Make full use of the 4th industrial revolution for financial inclusion and socio-economic development.
- Other??
Q & A
Thank you all!
Determinants of New Product Introduction Trials
Organizational Characteristics of Innovative Firms in Vietnam

Yasushi Ueki
Economic Research Institute for ASEAN and East Asia, Indonesia

Tomohiro Machikita
Institute of Developing Economies, Japan

APEC Study Center Consortium Conference
Hanoi, Vietnam
12-13 May 2017
Contents

• Research Interests
• Objectives
• Model
• Data
• Method
• Sufficient Conditions
• Variables
• Results
Research Interests

• Can firms achieve innovations without formal R&D organization?
  – What alternatives to R&D department do firms have?
  – What managerial practices enable firms to develop innovative capacities?
  – How firms can use internal resources (especially human resources) for embarking on innovative activities?

• Do governments have policy options to encourage firms to embark on innovative activities other than R&D promotion?
Objectives

- Identify organizational characteristics of firms trying new product introduction (NPI)
- Identify internal organizations and management practice to coordinate and effectively utilize internal resources for embarking on NPI trials.
Model

• $Y = f (X_1, X_2, X_3, X_4, X_5, X_6, X_7, \ldots)$

• Binary dependent variable (outcome)
  – Firms’ trials of new product introduction

• Binary independent variables (conditions)
  – R&D organization
  – Information access and sharing
  – Quality management
  – Top management’s involvement
  – Cross departmental coordination
Data

• ERIA Survey FY2015: Vietnam
  – Conducted in the early 2016 by IPSI-MOIT
  – Hanoi and Ho Chi Minh City areas
  – Manufacturing firms
  – 127 valid responses (Response rate = 12.7%)
Method

• A set-theoretic approach
  – Explore combinations of the variables (X1, X2, X3, X4,...) that may be sufficient conditions X for the outcome.

• Combinatory conditions (causal recipe)
  – Variables (X1, X2, X3,X4, ...)→Y
  – Regression:
    • If a specific single variable X1 changes (0→1) then how much the probability of Y change (0→1)?
    • Marginal effect of a specific single variable on the depending variable Y
  – Combinatory conditions:
    • E.g. X1=1 AND X2=1 AND X3=0 AND X4=1... →Y
    • If 3 binary variables then 8 logical combinations (=2^3)
    • Multiple combinations of conditions leading to the outcome
**Sufficient Condition (X, Y)**

- **Sufficient condition**
  - A sufficient condition (X) is the condition that always leads to the outcome (Y)
  - Whenever a sufficient condition (X) is present, the outcome (Y) is present.
  - A sufficient condition (X) is a sub-set of the outcome (Y)

### Table

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### Diagram

- (0,1) n=2
- (1,1) n=8
- (0,0) n=2

Pay attention to X=1
**Quasi-Sufficient Condition (X,Y)**

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- **Coverage** = $\frac{8}{2+8} = 0.80$
- **Consistency** = $\frac{8}{1+8} = 0.89$

![Venn Diagram](attachment:venn_diagram.png)
Why Pay Attention to Sufficient Conditions?

- Correlation coefficient is not calculable.
- Slope = 0 if perform OLS.
- Regression requires large size data with variance.
- The variable X may drop from probit estimation when variable X is perfectly consistent (i.e. when X=1 then Y=1).
- Regression focuses mainly on symmetric relationship and marginal effect of a specific single variable.
- Multicollinearity may makes interaction term insignificant (x1*x2).
Variables of the Empirical Analysis

• Binary outcome: Trial of new product introduction (NPI) in 2014-2015

• Binary conditions
  – **R&D**: R&D department
  – **DOC**: Info. sharing through documents about proposals or claims from their customers or suppliers is very important
  – **ICT**: ICTs are very important as tools for obtaining info. on new customers
  – **ISO**: Respondents has adopted ISO 9000 series.
  – **SUG**: Respondents have an employee suggestion program
  – **TOP**: Top management proposed ideas about new businesses, products, services, processes, or managerial organization.
  – **CDM**: Respondents have regular cross-departmental meetings.

• Combinatory conditions: e.g. R&D=0 AND ICT=1 AND TOP=1
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The number of observations=127, Min=0, Max=1 for all variables. *** p<0.01.
Probit Estimation (Marginal Effect)

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Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1
## Identified Conditions

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The value 0/1 for a condition means presence/absence of the condition.

Solution coverage: 0.83
Solution consistency: 0.91
Result

• Heterogeneity of firms in Vietnam.
  – The solutions identified from csQCA covers 83% of the cases with the outcome of interest.
  – However, the coverages for each combinatory condition contain low scores lower than 0.1.

• The presence of CDM is a quasi-necessary condition.

• A significant number of the firms try NPI without R&D department.
  – Combinatory sufficient conditions that contain the absence of R&D department account for a significant portion of the cases with the presence of NPI trials.

• Importance of top management’s role and leadership in firms in Vietnam.
Future Studies

• The model should be modified to include HRM- and HRD-related variables.
  • This study could not include Characteristics of Top Management, Job rotation, Training, Recruitment, etc.

• Analysis of firms “achieved” NPI is needed.
  – External resources (open innovation) may be taken into account

• Analysis of in-house product development is needed.
Thank you very much for your attention.
Thank you very much for your cooperation for ERIA’s research activities

yasushi.ueki@eria.org
Entrepreneurship in APEC and Hong Kong

Prepared for 2017 APEC ASCC Conference
Hanoi, Vietnam
May 2017

Cheung-Kwok Law, Michael KY Fung, Michael Leung, Ting-Hin Yan
APEC Study Centre--CUHK
Hong Kong, China
APEC’s Micro, Small and Medium Enterprises (MSMEs) initiatives

• Small and medium enterprises (SMEs) have long been recognised by APEC as a key contributing source of economic prosperity and employment, innovation and a growth engine within the Asian Pacific region.

• In 2016, modernizing Micro, Small and Medium Enterprises (MSMEs) was one of APEC’s main focus.
APEC’s Micro, Small and Medium Enterprises (MSMEs) initiatives

• Indeed, the 2016 SME Ministerial Statement advocates concrete actions in the following areas:
  – Increasing the innovation capacities of SMEs
  – Fostering enabling environment and policies
  – Guaranteeing access to financial means and capacity building
  – Enhancing the participation of SMEs in e-commerce
  – Reducing technological gaps facing by SMEs
  – Integrating SMEs into GVCs
  – Shifting to a more sustainable, eco-friendly and green production.
Objectives of this Pilot Study

• The objective of this pilot study is to review the performance of MSMEs in selected APEC economies and Hong Kong, in terms of 5 areas closely related to APEC MSME initiatives in the recent few years, namely:
  – New business creation
  – Technological innovation
  – Export orientation
  – Female participation
  – Entrepreneurial activity by household income
Official statistics for MSMEs are predominantly *firm-level* data, based on official definition.

So informal MSMEs (e.g. unregistered self-employment, start-ups) are excluded.

But informal enterprises are a key part of the MSMEs.

According to the World Bank, around 420-510 million MSMEs globally and around 75% of them are informal enterprises not recorded in official statistics.
Official Micro, Small and Medium Enterprises (MSMEs) Statistics

Informal, 75%

Formal Micro Enterprises, 17%

Formal SMEs, 8%

420 - 510 million MSMEs globally

Official Micro, Small and Medium Enterprises (MSMEs) Statistics

- In addition, there exists significant heterogeneity in MSMEs’ definitions across economies, for example:

<table>
<thead>
<tr>
<th>SME Definition</th>
<th>Hong Kong, China</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-manufacturing</td>
<td>Employees &lt; 50</td>
<td>Regardless of manufacturing or non-manufacturing sector:</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Employees &lt; 100</td>
<td>Annual Sales ≤ S$100 million or Employees ≤ 200</td>
</tr>
</tbody>
</table>

Source: Hong Kong Census and Statistics Department, Singapore, Ministry of Trade and Industry
Entrepreneurial Statistics from Global Economic Monitor (GEM)

• To make valid cross-country comparison, we used harmonised entrepreneurship data from the *Adult Population Survey (APS)* conducted by the GEM.

• GEM began in 1999 as a joint research project between Babson College (USA) and London Business School (UK). The aim was to consider why some countries were more entrepreneurial than others. (http://www.gemconsortium.org)
Entrepreneurial Statistics from Global Economic Monitor (GEM)

• GEM now has: 18 years of data; 200,000+ interviews annually; 100+ countries; 300+ academic and research institutions, etc.

• APS is a world-wide, standardised telephone survey where each national sample consists of a minimum of 2000 adult respondents.

• In 2016, the APS covered a total of 65 economies, of which 14 of them were APEC members.
Entrepreneurial Statistics from Global Economic Monitor (GEM)

• APS adopts a broad definition of “entrepreneurship”:
  – "Any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business".

• And as such, the APS does not exclude informal MSMEs from the outset.
Entrepreneurial Statistics from Global Economic Monitor (GEM)

APS classifies entrepreneurial activities into 2 types:

- Early Ventures (approximately micro enterprises)
- Established Businesses (approximately SMEs)
Entrepreneurial Statistics from Global Economic Monitor (GEM)

• Using data from the APS, our study covers the following five areas which are closely related to APEC’s MSME initiatives:
  – New business creation
  – Adoption of innovative technology
  – Export orientation
  – Female entrepreneurship
  – Relationship between entrepreneurship and income levels

• We study the features of the MSME sector in the APEC region, and Hong Kong in particular.
### (a) New Business Creation

<table>
<thead>
<tr>
<th>City/Region</th>
<th>% 18-64 Working Population</th>
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</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>9.4</td>
</tr>
<tr>
<td>APEC (14)</td>
<td>12.8</td>
</tr>
<tr>
<td>APEC excluding Hong Kong</td>
<td>13.1</td>
</tr>
<tr>
<td>Non-APEC</td>
<td>12.1</td>
</tr>
</tbody>
</table>

- In 2016, approximately 9.4% of the Hong Kong working population engaged in early venture activities.
- Ranking it 10th out of 14 APEC members.
- Or 39th out of all 65 economies in terms of prevalence of early venture activities.
(b) Production Technology Adopted

• In 2016, around one-third (31.6%) of early-stage entrepreneurs in Hong Kong reported the use of production technology developed within the past 5 years.

• The equivalent figure for established business is around one-tenths (9.4%).

• New technology was particularly prevalent new businesses from China and Southeast Asian economies.
Early Ventures: Production Technology Adopted

<table>
<thead>
<tr>
<th>City/Region</th>
<th>&lt;1 year</th>
<th>1 – 5 years</th>
<th>&gt; 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>7.3</td>
<td>24.3</td>
<td>68.4</td>
</tr>
<tr>
<td>APEC (14)</td>
<td>15.3</td>
<td>23.0</td>
<td>61.7</td>
</tr>
<tr>
<td>APEC excluding Hong Kong</td>
<td>15.9</td>
<td>22.9</td>
<td>61.2</td>
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<tr>
<td>Non-APEC</td>
<td>16.8</td>
<td>20.4</td>
<td>62.8</td>
</tr>
</tbody>
</table>

Legend:
- Blue: < 1 year old
- Gray: 1 – 5 years old
- Green: > 5 years old

Note: Percentage values are approximate.
Established Business: Production Technology Adopted

<table>
<thead>
<tr>
<th>City/Region</th>
<th>&lt; 1 year</th>
<th>1 – 5 years</th>
<th>&gt; 5 years</th>
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<tbody>
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<td>Hong Kong</td>
<td>1.5</td>
<td>7.9</td>
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<td>80.5</td>
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</table>
(c) Export Orientation

• In 2016, 38.3% of early ventures and 34.1% of established businesses in Hong Kong indicated that more than 25% of revenue from abroad.
• Averaging all 14 APEC members, only 12.4% of new ventures report exports more than 25%, and 9.5% for established businesses.
• This placed Hong Kong as the most outward-looking economy among the 14 APEC economies included in the 2016 GEM Study.
Early Ventures: Ratio of Export to Revenue

Hong Kong

APEC excluding Hong Kong
Established Business: Ratio of Export to Revenue

Hong Kong
- 76-100%
- 26-75%
- 1-25%

APEC excluding Hong Kong
- 76-100%
- 26-75%
- 1-25%

0%
(d) Female Participation in Entrepreneurship

• In Hong Kong, approximately 13% of male respondents aged 18-64 reported engaging in early ventures whereas that among female respondents aged 18-64 was 6.5%.

• It should be pointed out that relatively more males than females in early ventures was a phenomenon observed in all 65 economies included in the GEM study with 3 exceptions, namely Mexico and Indonesia from the APEC region, and Brazil from the non-APEC region.
## Female Participation in Entrepreneurship

<table>
<thead>
<tr>
<th>City/Region</th>
<th>% of 18-64 Male</th>
<th>% of 18-64 Female</th>
<th>Ratio of Male to Female</th>
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(e) Entrepreneurial Activity by Household Income

• In general, the high-income group has relatively more early ventures owners than the low-income group.

• In the 2016 GEM study, the ratio of the proportion of early venture owners in the high-income group to the low-income group’s was about 1.7 for the APEC region and 1.4 for the Non-APEC region.

• As for Hong Kong, the gap was around 4 times.
## Entrepreneurial Activity by Household Income

### New Business Creation by Household Income Levels (2016, %)

<table>
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<th>City/Region</th>
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<th>High</th>
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<tr>
<td>Non-APEC</td>
<td>10.2</td>
<td>12.1</td>
<td>14.7</td>
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</table>

Household income levels were grouped into *Low* (bottom 33th percentile), *Middle* (middle 33th percentile), and *High* (top 33th percentile).
(f) Entrepreneurial Ecosystem

• The APS shows us the characteristics of business owners but is less effective in describing the entrepreneurial environment (e.g. culture, social norms, infrastructure etc.) within which these business owners are operating.

• National Expert Survey (NES) is a dataset complementary to the APS which describes the entrepreneurial environment throughout the 14 APEC members included in the study.
Entrepreneurial Ecosystem

- Essentially, the NES is an in-depth interview administered to experts in the field of entrepreneurship which asks them to assess the current state of entrepreneurial ecosystem.
- Experts are required to evaluate a wide range of factors that influence entrepreneurship dynamics such as financial environment, government support and physical infrastructure.
<table>
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</tbody>
</table>
Entrepreneurial Ecosystem

• According to the 2016 NES, physical infrastructure access and entrepreneurial education at primary and secondary school level were cited as Hong Kong's greatest strength and weakness respectively.

• But the heatmap reveals that the same could easily be said for most other APEC economies.

• A key strength that really set Hong Kong apart from other APEC economies, however, was its business-friendly government policies and tax system.
Entrepreneurial Ecosystem

- Financial Environment
- Culture & Social Norms
- Physical Infrastructure Access
- Internal Mkt Dynamics
- Commercial Infrastructure
- R&D Transference
- Government Support
- Favourable Taxes & Bureaucracy
- Govt Programme
- Entrepreneurial Edu. (Below Uni)
- Entrepreneurial Edu. (Uni)

Hong Kong
APEC (14)
Entrepreneurial Ecosystem

• The above radar chart juxtaposes Hong Kong’s scores and the average scores of 14 APEC members (respective scores of each APEC member were presented in the full report).

• In general, experts’ assessment of Hong Kong was positive.

• In fact, Hong Kong achieved a higher score in 7 out of all 11 topics considered.
Conclusion

• Approximately 9.4% of the Hong Kong working population engaged in early venture activities in 2016, lagging the average rate of 14 APEC members, at 12.8%.

• Adoption of new technology was slow in Hong Kong, as evident by the fact that some 70% of early-stage ventures and 90% of establish businesses were using technology that was more than 5 years old.
Conclusion

• Hong Kong enterprises showed a strong export orientation, with 38.3% of early ventures and 34.1% of established businesses had an export-to-revenue ratio of more than 26%.

• This placed Hong Kong as the most outward looking economy among the 14 APEC members in the 2016 GEM sample.

• Not unlike most other economies in the sample, there were relatively more males than females participating in early venture activities.
Conclusion

• However, the gap between male and female participation was more notable in Hong Kong than the average differences seen in both the APEC and non-APEC regions.

• In Hong Kong, participation in early ventures was much skewed towards high-income group. Meanwhile, early venture participation was more evenly spread among different income groups in other APEC and non-APEC countries.
Future Research Direction

• This pilot study does not identify the *causes and effects* between entrepreneurial features and public policies. This should be the major objective of future research for APEC.

• A much higher proportion of start-ups in Hong Kong was export-oriented. Hong Kong’s experience should be reviewed further and lessons could be learnt by other APEC members.
Future Research Direction

• As the higher income group is having the advantage in starting their own businesses, APEC members should consider providing more resources to promote entrepreneurship effectively among the lower income groups.

• As for Hong Kong, the relatively low rate of adoption of technology and female participation in entrepreneurship should be examined in greater details and relevant policies should be formulated.
Future Research Direction

• The GEM data permit longitudinal study as well, reviewing changes in entrepreneurship overtime. However, we need to encourage all APEC members to participate in the GEM project regularly.

• It is important for APEC members to exchange views on their respective MSMEs’ policies (e.g. financing, general support, manpower training, upgrading technology, etc.) and their effectiveness in promoting entrepreneurship.
DEVELOPING THE TOURISM WORKFORCE IN APEC

BY ANDREAS CHAI, CHAR-LEE MOYLE, KATE HUTCHINGS, ANTHONY MAKin, NICOLE GAROFANO, ANTJE MARTINS, STEWART MOORE
DEVELOPING THE TOURISM WORKFORCE IN APEC

- Major APEC study sponsored by Australia and undertaken by staff at Griffith University and EarthCheck entitled “Developing the Tourism Workforce of the Future in APEC”

- Study now available from the APEC website under the Tourism Working Group

- This study drew heavily on the results of a comprehensive survey of stakeholders in the tourism industry in APEC economies
BACKGROUND

APEC Action Plan for Promoting Quality Employment, and the APEC Tourism Ministers 2014 commitment to enhance tourism co-ordination

Growing tourism in APEC contributes to:

✓ Greater regional integration;
✓ Promote the regional growth of services; and
✓ Invest in Human Capital Development

2017 also the UN’s International Year of Sustainable Tourism for Development
TOURISM: KEY FEATURES AND TRENDS

➢ The Asia-Pacific remains the fastest growing region in the world around 5.5% growth predicted for 2017-18 (IMF)

➢ The tourism industry is growing strongly within the services sector as many APEC economies mature and restructure

➢ Tourism is under 3% of GDP in APEC GDP as a whole (higher for Hong Kong SAR (8%), Mexico (7%), Singapore (5%), Thailand (7%) and Vietnam (7%) (World Travel and Tourism Council 2016)

➢ Tourism growth in APEC easily exceeds global tourism growth – around 5% growth compared to close to 3% for world as a whole
TOURISM: KEY FEATURES AND TRENDS

- Yet tourism industries in APEC economies are still mainly domestically oriented i.e., domestic spending on tourism exceeds foreign spending.

- On average, tourism industries in APEC economies remain dominated by the domestic market – on average around three quarters of total tourism spending.

- The exceptions are Hong Kong, Malaysia, New Zealand, Singapore, and Thailand where foreign spending on tourism is at least as high as domestic spending.
TOURISM: KEY FEATURES AND TRENDS

- In 2015 travel and tourism supported 48 million jobs in the APEC region or close to 3% of total employment (slightly more than the tourism GDP share)

- APEC economies where tourism contributes relatively more to GDP include Mexico (7%) Thailand (9%) and Vietnam (7%)

- Commodity exporting APEC economies eg Australia and Canada saw some shrinkage in employment in tourism due to Dutch Disease effects
TOURISM: KEY FEATURES AND TRENDS

- Estimated number of visitors to countries in the region in 2016 is 412 million.

- Tourism industry set to grow strongly coming decades with numbers of visitors predicted to reach close to 700 million by 2030.

- Demographic profiles of several economies are changing significantly with population aging that creates challenges for a sector that traditionally attracts young workers.

- Women account for an average of 60% of tourism workforce.
TOURISM: LABOUR MARKET ISSUES

➢ Tourism has created significant employment growth in most APEC members

➢ And has lead to specific skill and labour shortages in tourism

➢ Broadly speaking, these skill shortages can be classified as either “soft” (mainly customer service skills), management expertise, digital and “hard” (information and communications technology ICT)
TOURISM: LABOUR MARKET ISSUES

- Micro, Small and Medium Enterprises (MSMEs) are central to the industry where micro is 1-4 employees, small is 5-19, medium is 20-100 and large is 100+

- Around 80% of tourism workforce is in SMEs

- Around 75% of employees are in businesses with fewer than 50 people (vs the norm of around 50% in major economies)

- Wages are generally lower than the average wage in most APEC economies
TOURISM: LABOUR MARKET ISSUES

- Skilled migration a solution to meeting skilled labour shortages

- Migrants propelled by push and pull factors

- Remittances by migrants from emerging economies benefits home countries

- Remittances relatively high for China, Philippines, Mexico, Vietnam, Indonesia and Thailand

- But migration can contribute to labour shortages in home economies in certain circumstances
THE SURVEY

A total of 300+ respondents from across the APEC region, including

- Peak Bodies/Businesses
- Officials
- Employees
- Academics

Source: WTTC Survey (2015)
SURVEY DESIGN

Questions covered the following issues:

- Evolving skills challenges for the tourism workforce
- Industry perception among employees & career pathways
- Tourism Small- and Medium-Sized Enterprises (SMEs) training & recruitment strategies
- Strengthening the links between education and tourism
- Migration and skills recognition
- Issues facing women and youth
EMPLOYERS: SME’S DOMINATE

Size of business

Developing economies

Developed economies

Small / medium sized businesses  neither  Large businesses
WAGES ARE PERCEIVED TO BE RELATIVELY LOW

- Developing economies
- Developed economies

Legend:
- Low wages or inadequate pay
- Neither
- High wages or excessive pay
CHALLENGES FOR BUSINESS AND POLICYMAKERS
SME’S NEED SKILLED WORKERS

- No problem experienced
- Competition from other industries
- Competition from other tourism businesses
- Staff not motivated to work
- Lack of required skills
- Lack of formal training
- Lack of experienced applicants
- Lack of applicants
- Location
SME’s have greatest need for training.
WHERE ARE THE SKILL SHORTAGES?
DIGITAL AND SOFT SKILLS: STRONG REPORTED SHORTAGES
SHORTAGES IN SKILLED STAFF & MID LEVEL MANAGEMENT

- Skilled Operational / Technical Staff: 39%
- Front-line Managers / Supervisors: 4%
- Mid-management: 35%
- Senior Management: 0%
- Unskilled Operational Staff: 18%
- Don't Know: 4%
WHAT FORMS OF EDUCATION AND TRAINING WORK?
JOB READY: APPRENTICES VS UNIVERSITY GRADS

Yes, Job Ready
No, Lack Skills

Developed
Developing
ENGAGEMENT WITH TRAINING IS A PROBLEM

Does your business access any specific government funded education, training, scholarship or apprenticeship programs/schemes?

- Yes: 16%
- No, did not access any program/scheme: 52%
- Don't Know: 24%
- No, not aware of any program scheme: 4%
- Not Applicable: 4%
MAJOR PERCEIVED BARRIERS INCLUDE INTERNATIONAL MIGRATION ISSUES

What are the main barriers that inhibit tourism organisations from investing more in staff training and development?
THE CHALLENGES: MICRO

Growing the tourism workforce faces a number of barriers:

- Barriers to skills development and improved career pathways due to large share of SMEs
- Low staff retention due to low wages, casual and seasonal work and long working hours
- Negative perceptions of industry due to working conditions and unclear career paths
- Low level of coordination between industry and education sector
RECOMMENDED POLICIES

➢ Encourage APEC labour mobility through improved visa issuance and immigration control

➢ Migration programs should ensure migrant worker protection and cultural issues, notably language

➢ Support for SME training

➢ Improve cross-border qualifications and skill recognition
THE CHALLENGES: MACRO

- Low levels of international labour mobility / barriers to international worker flows

- Achieving greater economic integration in APEC via increased trade is a challenge

- Achieving greater in APEC via foreign investment is a bigger challenge

- But achieving greater economic integration in APEC via increased labour mobility is possibly the biggest challenge of all
Returns to Education in the Philippines

Mariel Monica Sauler
Maria Francesca Tomaliwan

Economics Department
Introduction

- The topic of private financial returns to education or simply the “effect of education on earnings” is well-established with stylized fact that goes with “earnings increase with education” (Card, 1994).
- In the past decade or so, however, there has been a renewed attention given to the study of education and labor market success. Part of renewed interest is the recent occurrence in many countries wherein rapid growth resulted in an increase in their secondary and post-secondary school enrollment rates.
In the Philippines, Luo and Terada (2009) reported that unemployment rate is considerably higher for the better-educated Filipinos (i.e. those who have received a high school certificate and university certificate, or higher) compared to those with a lower educational attainment.

While in terms of income inequality, in 2009, the average per capita income for the poorest 20 percent was PhP14,022.00 (around US$280) while for the richest 20 percent it was PhP176,863 (around US$3,537). (Albert, Dumagan, and Martinez Jr., 2015)

In light of recent government policy regarding education, with the K-12 program being implemented, questions regarding the benefits of these investments in decreasing wage differentials come to mind. So what’s the study’s aim/s?
• Much of the cornerstone on the study of the demand for education has been determined by the concept of human capital and has been pioneered by Gary Becker, Jacob Mincer and Theodore Schultz.

• Much of their concepts had led to the standard form of the Mincer earnings model (1974).
The model is an empirical approximation of the human capital theoretical framework which has a familiar functional equation of $\log w_i = \beta x_i + rS_i + \delta X_i + \gamma x_i^2 + u_i$ where

- $w_i =$ an earnings measure for an individual $i$ such as earnings per hour or week or simply, wages.
- $S_i =$ a measure of their schooling or education,
- $x_i =$ an experience measure (typically, age minus age when left education),
- $u_i =$ a disturbance term representing other unobservable factors which are not be explicitly measured, assumed independent of $X_i$ and $S_i$. 
Since then, various empirical works had used both straightforward and sophisticated regression methods to estimate coefficients.

These straightforward regressions includes “earnings” equations being estimated by using ordinary least squares (OLS) while sophisticated modelling procedures were done based on Instrumental Variables (IV).

Problem: Such estimated coefficient only captures the effect of education on earnings for someone on the mean wage or simply, the average.

In truth, the returns to education may also differ across the wage distribution. Evidence based on quantile regression (QR) methods suggests that the returns are higher for those in the top decile of the income distribution compared to those in the bottom decile (Harmon, Oosterbeek, and Walker, 2003).
Review of Literature

- In the Philippine setting, a lot of researchers had works on the topics such as:
  - Paqueo and Tan (1989): an additional year of education leads to an increase in private returns by 8.1% and that completing all years of education leads higher private higher returns.
  - Schady (2000): similar results for the male population and even mentioned that despite costs to acquiring a college education are very high, the highest returns are also experienced by those who complete a college degree.
  - Gerochi (2002): estimated both the private and social returns to education for 3 diff. years, said also there is an increase in the private returns to education upon completion of education.
  - Punongbayan (2012) explores Philippine returns to education from the perspective of quantile regression and finds that returns are higher for low-wage individuals.
Data

• The study primarily uses the October rounds of the Philippine Labor Force Survey (LFS), which is a household-level survey conducted quarterly.
  – This is the only quarterly round where the interest variable of “wages” is reported.
• We utilize the LFS data for the years 2008-2012.
• Based on the non-missing data on wages and highest educational attainment, the 5-year sample is reduced to 176,203 observations or household individual members (i.e. an average of 35,241 per year).
Methodology

The private rate of return to investment in education is estimated via the earnings function method (Psacharopoulos 1981, 1994) as most studies on returns to education are based on. We followed the familiar functional equation of \( \ln y_i = \alpha + \beta S_i + \gamma_1 X_i + \gamma_2 X_i^2 + u_i \)

One issue arises when regressing earnings on characteristics for those in employment is that we are not observing the equation for the population as a whole. Naturally, those in employment will tend to have higher wages than those not in the labor force despite attaining a certain level of education. Thus, the results will tend to be biased and, hence, the term “sample selection bias”.
Methodology

• To take into account the sample selection bias manually, we use the Heckman (1979) two-step procedure. The estimation involves two stages: in the first stage, a labor participation (selection) equation estimates the probability of having worked, and the second stage involves the estimation of the earnings or wage equation.

1) First Stage Probit Estimation

• The first stage estimation, participation equation is given as:

\[ y_i = Z_i \beta + \varepsilon_i \]

where the dependent variable \( (Y_i) \) takes a value of 1 if an individual participates in work and a value of 0 if not, \( Z \) is a set of human capital variables, demographic variables, and identifying variables represented as
Methodology

- From the estimation of the participation equation, a selection variable ($\lambda$), known as the inverse Mills ratio, is created. This estimate is then used as an additional independent variable in the wage equation in the second stage.

2) Second Stage Earnings Function: Quantile Regression

- The distributional approach was based on the use of Quantile Regression (QR) by Koenker and Bassett (1978). The QR model can be written as:

  $$ y_i = x'_i \beta_\theta + u_{\theta i} \text{ with } \text{Quant}_{\theta}(y_i|x_i) = x'_i \beta_\theta $$

- The QR model is able to provide an estimation of the effect of education on earnings at different points of the earnings distribution.
## Table 3. Heckman (Participation Equation) Marginal Effects Estimates Results

<table>
<thead>
<tr>
<th>Exclusion Variable/ Year</th>
<th>2008</th>
<th>2009</th>
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<th>2011</th>
<th>2012</th>
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Number of Observations  
202,083  
201,478  
201,695  
203,011  
206,020
Results and Discussion

• General Results for Participation Equation for 2008-2012
  - A positive relationship exists between household size and the probability of being in work.
  - A negative relationship exists between number of children below 18 years of age and the probability of being in work.
  - Females are less likely to participate than their male counterparts.
  - People residing in urban areas are more likely to participate than those residing in rural areas.
  - A single or widowed person are less likely to participate in labor force than their married counterparts as marriage increases financial responsibility particularly on male individuals as the head of the family.
## Results for Selectivity Corrected Wage Equation

Table 4. Selectivity Corrected (Heckman) Estimates of the Wage Equation using Educational Levels

<table>
<thead>
<tr>
<th>Human Capital Variable</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<td>201,478</td>
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</tr>
</tbody>
</table>

Note: *** indicates statistical significance at the 1% level.
Results and Discussion

• Selectivity Corrected Wage Estimates for 2008-2012
  - We find that there is an evidence in favor of a sample selection as the rho estimates from the years 2008-2012 are found to be not zero and significant in terms of the Wald’s test as we reject the null hypothesis that $\rho_{\varepsilon u} = 0$.
  - The rho estimate ($\rho_{\varepsilon u}$) indicates the correlation coefficient between error terms in the participation and earnings equation. If the random component of the selection process is distributed independently of the random component of the function of the earnings equation, the population covariance between the errors terms in the participation and earning equation should have been zero.
# Results and Discussion

## Results for Quantile Regression for 2008-2010

### Table 6. Estimates of Quantile Regression using Educational Levels and Experience in 2008

<table>
<thead>
<tr>
<th></th>
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<th>Q50</th>
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<td>Inverse Mills</td>
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### Table 7. Estimates of Quantile Regression using Educational Levels and Experience in 2009

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<th>Q90</th>
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<tr>
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### Table 8. Estimates of Quantile Regression using Educational Levels and Experience in 2010

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*, **, *** indicate significance levels at 10, 5 and 1% level of significance, respectively.
Results and Discussion

• Results for Quantile Regression for 2011-2012

Table 9. Estimates of Quantile Regression using Educational Levels and Experience in 2011

<table>
<thead>
<tr>
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Table 10. Estimates of Quantile Regression using Educational Levels and Experience in 2012

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<td>***</td>
<td>-.7860</td>
</tr>
</tbody>
</table>

*, **, *** indicate significance levels at 10, 5 and 1% level of significance, respectively.
Results and Discussion

Figure 1. Returns to HS and College Education from 2008-2012 across quantiles and mean
Results and Discussion

In using the QR approach using selectivity corrected estimates,

1) Rates of return to education (high school and college) across different wage quantiles (QR Estimation) and the across the mean (OLS Heckman Corrected Estimation). (See Figure 2)

2) Across different quantiles (.10, .25, .50, .75 and .90), the returns to education have the positive coefficients indicating that high school and college schooling has a positive impact on the wage distribution.

3) The effect of a high school level education on earnings is significantly smaller at lower quantiles, and is larger at higher quantiles (for example, in 2012, there is a 38.94% gap between Q=.10 and Q=.90)

4) The effect of a college level education on earning is still smaller at lower quantiles compared to higher quantiles but not a significantly large gap (for example, in 2012, there is 14.38% gap between Q=.10 and Q=.90).
Figure 2. Comparison of OLS and Quantile Regression Estimates by College Grad Level from 2008-2012

Note: In this figure, the dashed (horizontal) line and the continuous line show the OLS estimate and quantile regression estimates, respectively. The two dotted lines and the shaded region around the continuous line depict 95% confidence intervals for the two estimates.
Conclusion

• Previous studies in the Philippines have shed light on the issue of the effect of education on earnings; however, we utilized more recent data and by accounting for any selectivity bias present.

• We find that returns are education are highest when the university level is completed, echoing results of earlier studies, and emphasizing the importance of ensuring that the right incentives are in place for families to invest in completing education.

• Higher demand for labor with higher and more specialized education might also result to higher returns in university graduates.

• If we assess the returns to education across the wage distribution, even if we find that returns are higher upon completion of high school and college, the returns are higher for the higher quantiles, with the difference between the lowest and highest quantile being larger for the high school level.
Conclusion

• Our results indicate that there is an incentive for individuals to achieve high levels of education and this finding may be linked to the status of the household.

• If private returns to education increase at higher levels of education, poorer families who educate their children at the elementary level will face low returns whereas richer families who educate their children to secondary or beyond will face higher returns.

• As a result the poor families are motivated to invest less per child than the richer families and inequality might persist between education and earnings, which may increase over time both between families and within the family (Schultz, 2004).
• As a further gap might persist between earnings and education through time, education reform might play a part in lessening this gap.

• As reported by Checchi and van de Werfhorst (2014), educational reform and its impact on distribution of skills and attainment is related to the level of income/earnings inequality in a society. Consequently, educational policies can be part of an effective strategy to address income and earnings distributions.

• The next step: answering endogeneity....
Accounting for Endogeneity

• The “schooling” variable is believed to be endogenous because of the observed ability bias.
• To answer endogeneity, the authors are planning to use quantile instrumental variable regression.
• This means we are able to instrument the “schooling” variable with instrumental variables such as spouse’s education while regressing the earning function through the wage distribution.
References


Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Realizing Pillar 1 via B2B E-Commerce

Mr. Jovito Jose P. Katigbak
ASCC Conference 2017, Hanoi, Vietnam
12-13 May 2017
Outline

I. (M)SMEs and E-Commerce Trends in the Asia-Pacific Region

II. APEC-wide Initiatives on Integrating (M)SMEs into GVCs through the Digital Platform

III. Opportunities and Challenges faced by (M)SMEs

IV. Best Practice(s) in Promoting B2B E-Commerce in Asia-Pacific

V. Pathways to Operationalizing APEC MSME Marketplace
Figure 1. The Internet Value Chain

Source: AT Keamey (2010).

Trends in E-Commerce

<table>
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<tr>
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<tr>
<td>Business-to-Business: The exchange of services or products between two businesses.</td>
<td>Business-to-Consumers: Businesses selling products or services directly to consumers. This segment comprises the majority of traditional e-commerce transactions</td>
<td>Consumer-to-Business: Consumers and individuals with skills offer their services directly to companies. Consumers and individuals with skills offer their services directly to companies.</td>
<td>Online Tax, Online ID, travel documents and visas, training and education, consumer protection</td>
<td>Online Tax, certifications, registrations, Single Window.</td>
<td>Freelancer (Amazon associates, freelancer.com)</td>
<td>“Sharing Economy”, professional individuals (Uber, Airbnb, TelaDoc, updesk.com, App stores)</td>
</tr>
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<td>Professional firms, Back office (NightHawk Radiology, OrangeNow)</td>
<td>Travel, Entertainment, Software (Bookings.com, Netflix)</td>
<td>Local artisan (Etsy)</td>
<td>Bulk commodity (JUMORE)</td>
<td>Broad range of diverse players, Including agricultural goods</td>
<td>Single Window</td>
<td>e-food stamps</td>
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<td>Retail, Flea market (Amazon, Taobao, eBay, Etsy, etc.)</td>
<td>Single Window</td>
<td>e-subsidies</td>
<td>Single Window</td>
<td>Single Window</td>
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</table>

Table screen grabbed from: *Driving Economic Growth Through Cross-Border E-Commerce in APEC: Empowering MSMEs and Eliminating Barriers* by APEC Business Advisory Council and University of Southern California, November 2015, 6.
Trends in E-Commerce

• The global B2B e-commerce market is projected to reach USD6.7 trillion by 2020, twice the size of the international B2C market (currently at USD3.2 trillion) (Frost and Sullivan, 2015).

• The digital commerce platform market will expand at a Compound Annual Growth Rate (CAGR) of over 15 percent between 2015 and 2020, according to Gartner (Columbus, 2016).

• 40 percent of B2B digital commerce sites will utilize price optimization algorithms and configure, price, quote (CPQ) tools to calculate and deliver product pricing dynamically by 2018, according to Gartner (Columbus, 2016).

Trends in E-Commerce

According to the ABAC and USC Survey in 2015:

• 74 percent of businesses in the APAC region believes that cross-border e-commerce will serve as the key disruptive force on their economy until 2018

• 82 percent views cross-border e-commerce as a significant force on MSMEs until 2018; and

• 48 percent sees cross-border e-commerce as an essential component of their business strategy in the future.

Taken from: Driving Economic Growth Through Cross-Border E-Commerce in APEC: Empowering MSMEs and Eliminating Barriers by APEC Business Advisory Council and University of Southern California, November 2015, 3-5.
II. APEC-wide Initiatives on Integrating (M)SMEs into GVCs through the Digital Platform

• 2015 was a breakthrough year for APEC and (M)SMEs as two important efforts were endorsed and supported by Member Economies: 1) Iloilo Initiative: Growing Global MSMEs for Inclusive Development; and 2) Boracay Action Agenda to Globalize MSMEs

• Momentum carried on to 2016 when Peru, the APEC Host, prioritized modernizing MSMEs and furthering their integration into the GVCs. A Workshop on Enhancing MSMEs Access to the Internet Economy was also held in Vietnam.

• The SMEWG Strategic Plan (2017-2020) was also launched in 2016 which has “Entrepreneurship, innovation, and the internet and digital economy” as one of its priority areas.
II. APEC-wide Initiatives on Integrating (M)SMEs into GVCs through the Digital Platform

• Members of the SMEWG are implementing the Digital Economy Action Plan and Work Agenda (DEAP)

• Capacity-building activities organized by individual Member Economies as well as an MSME Sub-Fund can likewise be accessed by MSMEs

• APEC has partnered with the private sector to help MSMEs in tapping the global markets; SMEWG as the lead agency in promoting the development of SMEs while the ECSG is tasked to aid Economies in effectively utilizing ICTs for growth
Focus would now turn to the APEC MSME Marketplace...

Pillar 1: Facilitating Business Networking and Matching involving MSMEs

Pillar 2: Enhancing MSME Awareness and Feedback on Trade Regulations

Pillar 3: Improving Mechanism for Knowledge Sharing on Trade Facilitation, Business Support, Partnership and Capacity Building Activities for MSMEs
From April 2016, Member Economies may voluntarily submit annually information on the following:

1.1) TPO/Export Agency in Economy;
1.2) Government Online Marketplaces in economy;
1.3) Privately-run Online Marketplaces in economy;
1.4) Resources on being a Supplier to a Large Enterprise in economy; and
1.5) MSME Exporters in economy.
Q: What are the opportunities and challenges faced by (M)SMEs

- Wider cross-border networks
- Cheaper market intelligence
- Creation of novel products and services
- Promotes inclusion
- Increased efficiency
Challenges include...

- Lack of access to ICTs and ICT-related skills
- Cyber-security concerns
- Slow adoption of ICTs
- Absence of electronic platform/s
- Not conducive policy environment
- Job loss and local displacement
IV. Best Practice(s) in Promoting B2B E-Commerce in Asia-Pacific

• A globally recognized exemplar in maximizing the benefits of e-commerce is China’s private sector-driven Alibaba Group. The company’s global B2B platform currently hosts 1 million domestic suppliers and over 100 million overseas buyers (Tong, 2016).

IV. Best Practice(s) in Promoting B2B E-Commerce in Asia-Pacific

• Tan et al. (2009) writes that Alibaba sought to become China’s ‘de facto’ B2B platform by focusing on meeting the untapped, exclusive needs of SMEs. Some of the unique services provided by the company during its early years include an instant messaging mechanism to enable parties to haggle over prices (Wangwang), a third-party online payment system (Alipay), and collating, organizing and publishing relevant information about their members and products to boost search functionality.

• Services offered by Alibaba.com to domestic SMEs were initially free of charge. Chinese suppliers can likewise apply for loans for cross-border activities and are given credit ratings through the Trust Pass Membership.

IV. Best Practice(s) in Promoting B2B E-Commerce in Asia-Pacific

• Tan et al. (2009) notes that Alibaba’s development of a digital business ecosystem (DBE) has three phases:

Phase 1: Establishing Centrality and Attaining Critical Mass
- Served as Service Provider
- Implemented a Hub-and-Spoke Ecosystem
- Had Sense-and-Respond Agility

Phase 2: Nurturing Internal Networks and Fortifying Ecosystem Boundaries
- Served as Platform Provider
- Had a Networked Ecosystem
- Possessed Ecosystem Development

Phase 3: Fostering Symbiotism
- Served as Utility Computing Service Provider
- Has a Symbiotic Ecosystem
- Has Collective Agility

V. Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Pillar 1

On functionality:

• Current: APEC MSME Marketplace is in Phase 1; structured as ‘yellow-pages’ type of directory under Pillar 1

• Pathway/s: Assess the option of moving towards developing a more comprehensive electronic platform supported by a robust online ecosystem – however, discussions should be held regarding operational costs, identification of a service provider, and feedback from privately-run e-marketplaces; Review the APEC Global B2B Interoperability Project and assess the possibility of applying its general principles and model; Account for the proliferation of mobile commerce (m-commerce)
V. Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Pillar 1

On increased participation of Member Economies:
• Current: Voluntary submission of information
• Pathway/s: Promotion of APEC MSME Marketplace within their domestic sphere (e.g., publishing links of the Marketplace page in their national government portal); Ease customs and border procedures for the offline delivery of goods and services ordered online

On the role of the private sector:
• Current: Focuses more on Pillar 3 or capacity-building activities for MSMEs; Firms operate their own online marketplaces
• Pathway/s: Encourage leading companies in the ICT industry (e.g., Alibaba, e-Bay, Amazon) to play a substantial role in the development of the APEC MSME Marketplace; Organize RTDs involving the big players and include in the agenda the creation of agreed standards, qualifications, and regulations for cross-border e-commerce; ABAC is crucial in this endeavor; Craft incentives (?)
V. Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Pillar 1

On engagement of MSMEs:

• Current: Low level of participation because of lack of information, digital divide, misconceptions about e-commerce, and cyber-security concerns

• Pathway/s: Widen and initiate ‘roadshows’ and information awareness campaigns on the APEC MSME Marketplace in individual Member Economies with MSMEs as the target audience (Regional); Enhance broadband connectivity in each nation and capacitate MSMEs through CBET and other efforts (National); Emphasize the potential of B2B e-commerce to businesses; Highlight ‘winners’ and MSME innovators (Rogers’ Innovation Diffusion Theory); Utilize social media and encourage the youth (i.e., startups) to capitalize on the perks of the digital economy
V. Pathways to Operationalizing the APEC MSME Marketplace: A Focus on Pillar 1

On expanding its scope beyond APAC region:

• Current: The Marketplace covers the Asia-Pacific region

• Pathway/s: Consider establishing linkages with players and institutions already hosting (and aiming to host) electronic marketplaces (i.e., World SME Forum, European e-marketplaces, ASEAN online marketplaces, North American e-marketplaces)
Final thoughts

• The advent of the digital economy, especially the rise of e-commerce, globally results in ‘creative destruction’ and causes disruptions which revolutionize the way individuals and enterprises conduct business transactions and processes. MSMEs do not have immunity from such phenomenon hence they must undertake radical changes and adapt with the ever-changing environment.

• MSMEs should view e-commerce as the great equalizer in regard to competing with large enterprises. However, the former must continuously innovate and foster enterprise agility to effectively utilize the existing and emerging ICTs. Digital literacy is a vital skill in the 21st Century setting.

• Governments, the private sector, and regional institutions will have a critical role in the successful integration of MSMEs into the GVCs through the digital platform. The APEC MSME Marketplace is a good starting point.
Thank you!

FSI Philippines

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www.fsi.gov.ph

Foreign Service Institute
Department of Foreign Affairs

Center for International Relations and Strategic Studies
Analysis on the Ways to Move FTAAP Forward
Progress, Challenges and Future Actions

Li Wentao, PhD.
APEC Study Center of China
ASCCC 2017
12-13 May 2017  Hanoi, Vietnam
CONTENTS

- I: APEC’s Progress in Advancing FTAAP
- II: Barriers Currently Impeding the Realization of FTAAP
- IV: Policy Recommendations and Future Action Plans
I. PROGRESS IN ADVANCING FTAAP
**BACKGROUND OF FTAAP INITIATIVE**

- **Bogor Goals**
  Bogor Goals will soon expire in 2020 and APEC need a new Post-2020 Vision

- **RTAs/FTAs**
  The proliferation of RTAs/FTAs has resulted in a “spaghetti bowl” effect

- **Next Generation Issues**
  Next generation trade and investment issues become vital concerns to each economy

- **Mega-RTAs**
  Inevitable trend of division and fragmentation within Asia-Pacific region
Progress in Advancing FTAAP

- **FTAAP Initiative**
  - ABAC 2004

- **Beijing Roadmap**
  - AELM 2014

2010
- AELM
- Pathways to FTAAP

2015
- FoTC on FTAAP
- Collective Strategic Study (CSS): Division & Launching

2016
- AELM
  - Accolish and Approve the CSS Decision on the following Actions
## STRUCTURE AND DIVISION OF THE CSS REPORT

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Attachment: Review of Existing Relevant Literature on the FTAAP
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<td>• The FTAAP will be realized outside of APEC, parallel with the APEC process;</td>
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<tr>
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<td></td>
<td>• The eventual FTAAP should do more than achieve liberalization in its narrow sense; it should be high quality and comprehensive, and incorporate and address ‘next generation’ trade and investment issues;</td>
</tr>
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<td></td>
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<td>• APEC has a critical role to play in shaping and nurturing regional economic integration and encourages unilateral economic reforms and the conclusion of comprehensive and high quality RTAs/FTAs.</td>
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<tr>
<td>2</td>
<td>Completing and Enhancing the Possible Pathways</td>
<td>• FTAAP should be built upon ongoing regional undertakings, and through possible pathways including the TPP and RCEP. They should remain open, transparent and inclusive and draw on each other;</td>
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<td></td>
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<td>• Encourage the progress of the FTAAP pathways to be reported to APEC under the Information Sharing Mechanism;</td>
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<td>• APEC economies will examine, by no later than 2020, the contribution of current Pathways to the realization of the FTAAP.</td>
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<tr>
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</table>
| 3   | Continuing APEC’s Role as an Incubator and Strengthening Existing APEC Initiatives that support FTAAP Objectives | • APEC plays a key role as an incubator of issues related to the FTAAP by providing leadership, intellectual inputs and capacity building;  
• Continue to identify and address next generation trade and investment issues and advance new initiatives for achieving an eventual FTAAP;  
• Advance Structural Reform with a view toward improving the business environment;  
• Improve trade facilitation. |
| 4   | New Initiatives to Advance Regional Economic Integration                       | • Focus on bridging the gaps among APEC economies;  
• Focus work to address areas of divergence and convergence in RTA/FTA practices and to implement capacity building programs;  
• Undertake a stock take as to how next generation trade and investment issues are dealt with in existing FTAs/RTAs and to develop dedicated initiatives to close the gaps between different treatment which should be included in each APEC forum’s work plan from 2018;  
• Embark on work programs to build consensus and capacity for economies in the following areas including tariffs, NTMs, services, investment, Rules of Origin (ROO);  
• Addressing the recommendations through CTI and its sub-fora, and encourage participation of the private sector and other stakeholders including through Trade Policy Dialogues. |
| 5   | Strengthening Consultation with Stakeholders                                   | • Increase engagement with stakeholders, including ABAC and PECC |
| 6   | Reporting on Progress                                                          | • Report back to Leaders on progress in 2018 and 2020. |
II.

Barriers Currently Impeding the Realization of FTAAP
**Future Challenges and Impediments**

- Realization of FTAAP
  - Political Will among APEC Members
  - Huge Gap of Economic Development
  - Resistance from Domestic Interest Groups
  - The Lockout of TPP Negotiation
CHALLENGES: POLITICAL WILL AMONG APEC CORE MEMBERS

- Security
- Territory
- Nationality
- Religion

Political Consensus

- Standard
- Clauses
- Timetable

Economic Benefits

- Political stability
- Economic growth
- Employment
- Interest groups
**CHALLENGES: Huge Gap Of Economic Development**

**Developed Members**
- Trade in Services
- Behind the Border
- Outward Investment
- Private Enterprises

**Developing Members**
- Trade in Goods
- On the Border
- Inward Investment
- Government Agencies
CHALLENGES: RESISTANCE FROM DOMESTIC INTEREST GROUPS

Benefited Group:
- Market Share
- Increased Profit
- Competitiveness

FTAAP

Deprived Group:
- Profit Loss
- Unemployment
- Transition Cost

Benefit Compensation Mechanism
The United States will not provide the substantial support to FTAAP. Other TPP parties will consider the possibility of TPP-1, rather than FTAAP.

TPP parties will strive to squeeze the substantive contents of TPP agreement into FTAAP framework or its pathways.

The resurgence of TPP negotiation is a very real possibility. TPP parties will advance the eventual realization of an FTAAP on the basis of TPP+X model.

CHALLENGES: THE LOCKOUT OF TPP NEGOTIATION
III.

POLICY RECOMMENDATIONS AND FUTURE ACTION PLANS
FUNDAMENTAL PRINCIPLES OF FUTURE FTAAP

- Emphasizing the convergence between FTAAP and WTO multi-lateral rules;
- Including all Asia-Pacific economies, not limited to APEC members;
- Ensuring the comprehensive coverage and high-quality level of liberalization;
- Addressing the sensitive and next generation issues in the future negotiation;
- Encouraging the proper capacity building to APEC developing economies;
- Complying with the trend of Global Value Chains (GVAs) cooperation.
**Policy Recommendations and Future Actions**

- To adopt FTAAP as the vehicle to achieve the APEC’s Post 2020 Vision;
- To upgrade the FoTC into a standing institution to monitor and advance the future progress;
- To establish the Benefit-Compensation Mechanism between the domestic interest groups, such as Trade Adjustment Action (TAA);
- To facilitate the coordination among APEC core economies through “1.5 track”;
- To urge the RCEP parties to accelerate towards the completion of the negotiations by the end of 2017 as the first step of the eventual realization of FTAAP.
THANK YOU

Li Wentao, PhD.

liwentao@nankai.edu.cn
Drawing on the prospective benefits in the TPP

Alan Oxley
Centre Chair
12 May 2017
# Relative Importance of TPP

## Key Success Criteria

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## TPP – US STANDS ASIDE

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KEY TPP OFFERINGS

• More binding commitments on services than many parties had previously adopted.

• Increased access to agricultural markets of others for some parties.’

• Larger investment flows.

• Encouragement of competition.

• A foundation for the APEC aspiration of an FTA among all APEC economies

• Many economies outside the TPP expressed interest in joining.
POLICY OPTIONS FOR NON-US TPP - 1

• Implement the TPP without the US?

• Wait until conclusion of the revision of NAFTA?
Build more of the TPP content into RCEP negotiations? - Problematic

- Commitments on services in the TPP go past what key parties in RCEP have been willing to consider.

- Compliance requirements in RCEP are effectively voluntary, but binding in the TPP text

- Services and investment are not addressed in RCEP to the extent they are in the TPP
• Like the TPP, the RCEP was clearly going to serve as a foundation in the longer run for the FTAAP agreement.
OPTIONS? PARTIES UNILATERALLY ADOPT KEY TPP MEASURES

TPP parties have already factored in the policy impacts and implications for domestic policy as something they are prepared to manage.

And assessed how they will manage the impact on domestic markets which will generate domestic economic benefits for the economy at large.

There are clear gains on offer from opening services markets and encouraging foreign investment.

These can be adopted unilaterally.
Goods and Services Market Integration among Asia Pacific Countries

Seongman Moon

Chonbuk National University

May 12, 2017
Main objective

- We study how much goods and services markets are integrated among Asia Pacific countries using consumer goods price data.
Meaning of market integration

- declines in natural trade barriers: improvements in transportation
- declines in political trade barriers: various bilateral, multilateral, regional, world-wide trade agreements-Globalization
- declines in market power
- etc
Two approaches in measuring market integration

1. Collect direct evidence on the magnitude of barriers between national markets: transportation costs, tariffs, non-tariff barriers, etc.
   - Limitations: Non-tariff barriers are hard to be quantified as a cost of moving goods; the measures omit the cost of prohibitive barriers.

2. Examine equilibrium outcomes: price equalization for a good would suggest that trade barriers for that good have been eliminated. (low of one price or purchasing power parity)
   - Limitations: do not link equilibrium outcomes back to barriers.

3. We use the second approach: We use consumer price indices for APEC member countries to examine the degree of market integration.
Purchasing Power Parity (PPP)

- \( P \times S = P^* \) where \( S \) is the price of domestic currency in terms of foreign currency and \( P (P^*) \) is the price of domestic (foreign) goods in terms of domestic (foreign) currency.
- Once converted to a common currency, national price levels should be equal at the equilibrium.
- In equilibrium, nominal exchange rate is determined such that both home and foreign currencies can have the same purchasing power \((1/P^* = 1/(P \times S))\).
- This parity is a starting point to examine market integration: the effectiveness of international goods market arbitrage depends on the degree of market integration.
Two questions about Purchasing Power Parity

- It is natural that PPP does not hold continuously due to various trade barriers.
- So, researchers ask
  - 1) if PPP holds in the long-run;
  - 2) if so, how quickly a deviation from PPP damps out.
Previous studies (Frankel and Rose (1996), Rogoff (1996), Ceechetti et al. (2002), Mayoral and Gadea (2011), etc) reported the following evidence:

- Real exchange rates converge to their long-run value (based on panel unit root tests).
- But the speed of convergence is very slow: a deviation tends to damp out at a rate of 15% per year. (a half-life for a deviation is about 4 years)
- Short-run deviations (real exchange rates) are large and very volatile.

PPP puzzle: neither monetary shock nor real shock can explain both persistence and volatility of real exchange rates simultaneously.

This slow convergence has been considered as evidence for weaker national market integration.
Reasons for deviations from PPP

- International trade barriers such as tariffs and non-tariff barriers.
- Transportation costs
- Presence of non-traded goods in the aggregate price index
- Influence of flexible exchange rates
- Incomplete price level adjustment due to price stickiness
Our study

We ask

1) if PPP holds in the long-run among APEC member countries;
2) if so, how quickly a deviation from PPP damps out among APEC member countries.
Data

- Consumer price indices and exchange rates are obtained from International Financial Statistics.
- We consider the US as the base country and construct each country’s real exchange rate against the US.
- Our sample includes 17 APEC member countries’ real exchange rates against the US from 1971:Q1-2015Q3.
- Data frequency is quarterly.
Let \( q_{it} = \ln(P_t * S_t/P_{it}^*) \) be the logarithm of the real exchange rate at time \( t \) (the price of domestic good in terms of country \( i \)’s good).

Pesaran (2007)’s specification of the dynamic linear heterogenous panel data:

\[
\Delta q_{it} = \beta_i q_{it-1} + a_i + \gamma_i f_t + \epsilon_{it}
\]

where \( \beta_i \) governs the speed of convergence to the long-run value. The half-life of a shock to \( q_{it} \) is calculated as \(-\ln(2)/\ln(1 + \beta_i)\).

Null hypothesis- \( H_0 : \beta_i = 0 \), for all \( i \)

Alternative- \( H_a : \beta_i < 0 \), for at least one \( i \).

We use Pesaran (2007)’s panel unit root test for the null hypothesis.
Empirical Method

- We consider two different sample periods.
  - the entire sample period of 1971-2015.
- Why?
  - the latter sample period may reflect the influence of so-called globalization: lower tariff rates as well as lower non-tariff barriers
  - the latter sample may reflect the influence of advancement in transportation technology: lower transportation costs
  - The APEC was established in 1989.
## Main Results

<table>
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<th>Sample period</th>
<th>$CIPS$</th>
<th>$\rho_i$ mean</th>
<th>Bias corrected half-life (quarters)</th>
<th>lag</th>
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<td>1990-2015</td>
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</table>
Main Results

- Using Pesaran’s panel unit root test (CIPS), we strongly reject the unit root hypothesis that real exchange rates do not converge in the long run. (Consistent with previous studies)
- For the entire sample period, the speed of convergence is consistent with the previous studies (3-5 years)
- We also find that the speed of convergence has been faster during the last 20 years. This may suggest that goods and services markets among APEC member countries have been more integrated during the last 20 years.
We study how much goods and services markets are integrated among Asia Pacific countries using consumer goods price data. We present a piece of evidence that goods and services markets have been more integrated during the last 20 years.
Have APEC economies reached economic convergence?

ROWELL GARCIA CASACLANG
Foreign Affairs Research Specialist
Foreign Service Institute
Philippines
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### σ-convergence

#### Among APEC economies

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#### Among East Asian economies

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#### Among Asean economies

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Absolute $\beta$-convergence

Convergence of APEC economies’ per capita GDP, 1980-2014

Real average annual growth rate of per capita GDP 1980-2014

Real average per capita income 1980 (US$ 2011 PPP)
Absolute $\beta$-convergence

Relative income levels of APEC economies, 1984 and 2014

Real per capita GDP relative to the US 1984

Real per capita GDP relative to the US 2014

Relative income levels of APEC economies, 1984 and 2014
## Conditional β-convergence

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<td>-0.1257** (-1.690)</td>
<td>—</td>
<td>-0.0126** (-1.750)</td>
</tr>
<tr>
<td>CPI</td>
<td>—</td>
<td>-0.0084 (-1.550)</td>
<td>—</td>
<td>-0.0130 (-1.610)</td>
</tr>
<tr>
<td>OPEN</td>
<td>—</td>
<td>-0.0044 (-0.590)</td>
<td>—</td>
<td>-0.0044 (0.610)</td>
</tr>
<tr>
<td>R²</td>
<td>0.1416</td>
<td>0.2146</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>df</td>
<td>137</td>
<td>130</td>
<td>137</td>
<td>130</td>
</tr>
<tr>
<td>β</td>
<td>15.6399* (2.9322)</td>
<td>20.7020* (6.050)</td>
<td>15.6399* (5.430)</td>
<td>20.7020* (5.430)</td>
</tr>
</tbody>
</table>

Notes: The dependent variable is the growth rate of real per capita GDP. The variables GDP and HCl are measured in levels at the beginning of each five-year period, while the other control variables are measures as averages over the intervals, except POP and CPI which are measured as the change over the intervals. All explanatory variables are lagged one period. R² for OLS is the adjusted R². Degrees of freedom are denoted by df. Figures in parentheses are t-statistics for two-tailed tests for OLS regression and F-statistics for GLS regression.

* statistically significant at the 1% level
** statistically significant at the 10% level
Thank you.
Progress on the Development of an APEC Labour Mobility Framework
Outline

The project

Objectives

Political and economic context

Progress

Way forward
The project

Development of a framework on regional cooperation on labour mobility to advance APEC’s agenda on regional economic integration, connectivity, labour market efficiency and the integration of women in the economy.

**Mission** - to ensure that the region’s economies are well prepared to adjust to evolving labour market needs for the mutual benefit of workers, business and APEC societies.
Meaning: This framework covers all international mobile workers who have or are in the process of legally relocating to another economy for employment purposes irrespective of their level of skills.
Objectives

1. Guide policy approaches to cross-border movement of workers in line with domestic labour market needs and projections.

2. Enhance the contribution of labour mobility to economic growth through effective matching processes and recognition of qualifications and skills.
Objectives

3. Support efforts to create legal, safe and coordinated flow of workers across the region and improve their protection and integration in regional labour markets.

4. Improve the efficiency and adaptability of our labour markets to global structural changes through the development of flexible and proactive labour mobility policies.
Objectives

5. Strengthen APEC’s competitiveness in attracting global talent.

6. Improve employment opportunities for the region’s workforce and contribute to sustainable development.
Political context

**APEC vision** - bringing the region and its peoples together has been at the core of APEC’s work since its formation over 25 years ago.

**Seattle 1993** – APEC Leaders “envision[ed] a community of Asia Pacific economies in which our people share the benefits of economic growth through higher incomes, high skilled and high paying jobs and **increased mobility**.”
Political context

Connectivity Blueprint 2015 – 2025 - advancing regional integration through the movement of people, goods and services

APEC Ministers Responsible for Trade, 2015 – “We underline the importance of efficient and effective labour mobility that reduces unemployment and increases productivity”
Economic context

The double jeopardy - demographic and technological changes

Demographic changes

Workforce contraction is expected to increase rapidly in the next 10 to 20 years in aged and ageing economies.

Projected labour surpluses in some developing economies.
Economic context

*Rapid changes in technology*

Growth in new occupations and rising demand for new skills

*Scenario*

labour market imbalances (shortages and surpluses) and the implications for global growth

Intensify global competition for talent
Economic context

The Boston Consulting Group, 2014 – the potential cost of these imbalances, particular shortfalls, to global GDP could be as high as $USD 10 trillion.

ManpowerGroup Global Talent Survey 2016 - Over 40% of employers globally reported difficult in filling vacancies.
Why a labour mobility framework?

Labour mobility offers opportunities for labour market adaptability to structural changes

It boosts economic growth

It creates employment opportunities and capacities for economies to address labour shortages
Large remittance flows to developing economies have an important role in reducing poverty.

In 2015, global remittance flows exceeded US $580 billion, with an estimated US $430 billion flowing to developing economies.
Labour mobility has a triple win effect, **but only if it is well managed.**

Some of the world’s largest labour sending and receiving economies are in APEC. Yet, as a region we have made marginal progress on developing a regional strategy on labour mobility.
Progress

2015 Boracay – Workshop

2015/16 – APEC Study Centre (Australia RMIT University) baseline research

SOM 2, 2016 – proposal to develop the APEC LMF was endorsed by HRDWG

SOM3, 2016 - APEC Senior Officials noted the proposal and agreed to Australia coordinating a cross-fora project
Draft APEC Labour Mobility Framework

- Research
- Mobility data
- Labour market info
- Governance
- Social protection
- Qualification recognition
- Incentives
- Remittances
- Virtual mobility
- Support services

APEC Connectivity Blueprint
Regional Economic Integration

Actions

Labour Mobility Framework
SOM 1, 2017 - Cross-fora workshop on the development of the APEC LMF

Cross-fora Advisory Team – seven participating economies

Draft ALMF annex to Leaders’ Declaration for consideration by Senior Officials in SOM3
APEC Labour Mobility Framework

1. Evidence-based management of labour mobility
   - Regional database
   - Research
   - Regional labour market information system
   - Capacity building in data collection & analysis

2. Enabling environment
   - Qualification & skills recognition
   - Social protection
   - Integration & reintegration

3. Financial incentives
   - Low remittance transfer cost
   - Social security benefits
   - Relocation costs

4. Integration of mobility into growth and development strategies
   - Matching mobility flows to growth targets
   - Development approach to remittance flows
   - Indicators for measuring the contribution of mobility to growth and development

5. Regional cooperation and cross-fora collaboration
   - Strategy for regional cooperation on labour mobility
   - Cross-fora actions
   - Regional forum

Do global workers count?

APEC Connectivity Blueprint

Regional economic integration
A Decomposition Analysis of Wage Inequality in the Philippines

Neriza Casas-Chow
Maria Fe Carmen Dabbay
Mariel Monica Sauler

School of Economics
De La Salle University
Philippines: Points to Consider

- Overall, 90-50 wage gap is increasing over the years.
- This trend is also notable for the 90-50 wage gaps by gender, education and region.
Introduction

Stylized Facts

Philippines: Points to Consider

Looking at the percentiles in the upper half of the distribution, we observe that:

- 90-50 wage gaps among non-National Capital Region (non-NCR) workers and among college graduates increased
- Females earn higher than males on a daily basis, with increasing gap among females.
Philippines: Points to Consider

- No. of females enrolling and graduating in tertiary education is increasing and more than the no. of males

- Based on the Global Gender Gap Reports by the World Economic Forum, the Philippines ranks number 1 in terms of Educational Attainment, and is consistently in the top 10 for the Gender Gap index

- The Philippine government continuously promotes wage and education equality through international agreements and local legislations
Objectives of the Study

- To assess wage inequality in the Philippines using the October rounds of the Labor Force Survey from 2007 to 2014
- To determine the role of education, gender, and regional factors in the changes in wage inequality
Related Literature and Previous Studies

◆ Wage inequality

- one of the most tackled issues in labor economics; it has gained more attention in recent years (Dacuycuy, 2006; Sakellariou, 2012)

- In the last two decades, studies on developing countries have also emerged, including ASEAN countries, China, and India (Fofack and Zeufack, 1999; Roslan, 2001; Le and Booth, 2010; Wah, 2012; Ghosh and Lee, 2014; Chi, et al., 2007)

- important role in increasing productivity for growth (Chaudhuri and Ravallion, 2006; Berg and Ostry, 2011)

- can lead to large social costs and may significantly demoralize individuals’ educational and professional decisions (Stiglitz, 2012)
In the Philippines

- Dacuycuy (2006) focuses on education and experience as the main factors for changes in wage inequality; finding that increases in wage inequality are due mostly to returns to education and experience.

- Sauler and Tomaliwan (2015) also find that returns to education are higher for the upper income quantiles.

- Chua, et al. (2015) argue that the wage gap in the Philippines is affected by urban jobs requiring skilled labor, by the cost of living in urban areas being higher, and by particular failures in the labor market.

- There exists rural-urban income gaps and regional inequality and policies may have favored Luzon more; and in particular Metro Manila, located in the National Capital Region (NCR) (Balisacan and Fuwa, 2004; Chua, et al, 2015)
Methods Used

- Wage Gap Analysis
- Variance Decomposition
- Oaxaca-Blinder Decomposition Method
Descriptive Statistics

◆ We use October-rounds of the Labor Force Survey from 2007 to 2014

◆ With a sample size:

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage (PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>32,275</td>
</tr>
<tr>
<td>2008</td>
<td>32,380</td>
</tr>
<tr>
<td>2009</td>
<td>33,160</td>
</tr>
<tr>
<td>2010</td>
<td>34,125</td>
</tr>
<tr>
<td>2011</td>
<td>36,302</td>
</tr>
<tr>
<td>2012</td>
<td>37,040</td>
</tr>
<tr>
<td>2013</td>
<td>37,529</td>
</tr>
<tr>
<td>2014</td>
<td>37,160</td>
</tr>
</tbody>
</table>

◆ Focus on wage earners belonging in the labor force

◆ Real wage is computed by using the Regional 2005 Consumer Price Index (CPI)
## Frequency

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2011</th>
<th>2014</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>32,275</td>
<td>36,302</td>
<td>37,160</td>
<td>279,971</td>
</tr>
<tr>
<td><strong>REGION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCR</td>
<td>5,637</td>
<td>5,976</td>
<td>6,218</td>
<td>46,669</td>
</tr>
<tr>
<td>NonNCR</td>
<td>26,638</td>
<td>30,326</td>
<td>30,942</td>
<td>233,302</td>
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<tr>
<td><strong>GENDER</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>19,364</td>
<td>22,005</td>
<td>22,679</td>
<td>169,536</td>
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<td>14,297</td>
<td>14,481</td>
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<tr>
<td>No Grade Completed</td>
<td>198</td>
<td>273</td>
<td>233</td>
<td>1,848</td>
</tr>
<tr>
<td>Elementary Undergraduate</td>
<td>3,332</td>
<td>3,909</td>
<td>3,655</td>
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<td>4,230</td>
<td>4,171</td>
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<td>4,624</td>
<td>4,238</td>
<td>33,335</td>
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<tr>
<td>Highschool Graduate</td>
<td>8,605</td>
<td>9,910</td>
<td>12,573</td>
<td>82,001</td>
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<tr>
<td>College Undergraduate</td>
<td>4,673</td>
<td>5,268</td>
<td>3,530</td>
<td>35,089</td>
</tr>
<tr>
<td>College Graduate/Post</td>
<td>7,520</td>
<td>8,088</td>
<td>8,760</td>
<td>65,061</td>
</tr>
</tbody>
</table>
### Average Daily Real Wage

<table>
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<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>247.64</td>
<td>237.20</td>
<td>241.03</td>
<td>241.28</td>
<td>235.13</td>
<td>244.45</td>
<td>247.07</td>
<td>247.32</td>
<td>242.71</td>
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<tr>
<td><strong>GENDER</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>245.81</td>
<td>235.31</td>
<td>237.68</td>
<td>236.25</td>
<td>228.39</td>
<td>238.25</td>
<td>239.86</td>
<td>239.49</td>
<td>237.57</td>
</tr>
<tr>
<td>Female</td>
<td>250.40</td>
<td>240.07</td>
<td>246.12</td>
<td>248.92</td>
<td>245.49</td>
<td>254.09</td>
<td>258.29</td>
<td>259.58</td>
<td>250.61</td>
</tr>
<tr>
<td><strong>REGION</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCR</td>
<td>348.25</td>
<td>357.09</td>
<td>348.66</td>
<td>358.23</td>
<td>343.45</td>
<td>344.18</td>
<td>361.42</td>
<td>363.85</td>
<td>353.21</td>
</tr>
<tr>
<td>Non-NCR</td>
<td>226.35</td>
<td>213.98</td>
<td>218.94</td>
<td>217.37</td>
<td>213.78</td>
<td>225.24</td>
<td>224.60</td>
<td>223.90</td>
<td>220.61</td>
</tr>
<tr>
<td><strong>EDUCATION</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Grade Completed</td>
<td>108.27</td>
<td>106.76</td>
<td>103.93</td>
<td>99.85</td>
<td>108.70</td>
<td>103.62</td>
<td>102.01</td>
<td>110.20</td>
<td>105.44</td>
</tr>
<tr>
<td>Elementary Undergraduate</td>
<td>137.26</td>
<td>127.72</td>
<td>126.13</td>
<td>123.00</td>
<td>124.93</td>
<td>132.72</td>
<td>130.24</td>
<td>133.48</td>
<td>129.43</td>
</tr>
<tr>
<td>Elementary Graduate</td>
<td>153.92</td>
<td>145.90</td>
<td>141.03</td>
<td>141.44</td>
<td>141.80</td>
<td>144.18</td>
<td>145.88</td>
<td>150.79</td>
<td>145.64</td>
</tr>
<tr>
<td>Highschool Undergraduate</td>
<td>158.93</td>
<td>151.68</td>
<td>149.63</td>
<td>148.50</td>
<td>145.99</td>
<td>147.83</td>
<td>151.54</td>
<td>155.20</td>
<td>151.01</td>
</tr>
<tr>
<td>Highschool Graduate</td>
<td>198.44</td>
<td>185.89</td>
<td>190.36</td>
<td>184.60</td>
<td>180.78</td>
<td>199.73</td>
<td>196.06</td>
<td>198.30</td>
<td>192.40</td>
</tr>
<tr>
<td>College Undergraduate</td>
<td>256.59</td>
<td>245.56</td>
<td>248.58</td>
<td>246.92</td>
<td>238.22</td>
<td>242.59</td>
<td>246.93</td>
<td>242.15</td>
<td>246.05</td>
</tr>
<tr>
<td>College Graduate/Post</td>
<td>447.46</td>
<td>435.64</td>
<td>446.75</td>
<td>454.78</td>
<td>456.99</td>
<td>469.83</td>
<td>470.67</td>
<td>461.41</td>
<td>455.99</td>
</tr>
</tbody>
</table>
Results

Wage Gap Analysis

◆ 90-50 wage gap has increased according to gender, region and education

◆ wage gap among females > among males from 2011 to 2014

◆ wage gap among Non-NCR workers > among NCR workers
## Variance Decomposition (2007 and 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>OVERALL</th>
<th>UPPER HALF</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Between</td>
<td>Within</td>
<td>Between</td>
<td>Within</td>
</tr>
<tr>
<td>Pooled</td>
<td>48 to 47%</td>
<td>52 to 53%</td>
<td>35 to 41%</td>
<td>65 to 59%</td>
</tr>
<tr>
<td>Male</td>
<td>41 to 42%</td>
<td>59 to 58%</td>
<td>34 to 40%</td>
<td>66 to 60%</td>
</tr>
<tr>
<td>Female</td>
<td>53 to 51%</td>
<td>47 to 49%</td>
<td>33 to 38%</td>
<td>67 to 62%</td>
</tr>
<tr>
<td>College Graduate</td>
<td>15 to 14%</td>
<td>85 to 86%</td>
<td>8 to 10%</td>
<td>92 to 90%</td>
</tr>
<tr>
<td>HS Graduate</td>
<td>23 to 22%</td>
<td>77 to 78%</td>
<td>12 to 17%</td>
<td>88 to 83%</td>
</tr>
<tr>
<td>NCR</td>
<td>39 to 42%</td>
<td>61 to 58%</td>
<td>26 to 27%</td>
<td>74 to 73%</td>
</tr>
<tr>
<td>Non-NCR</td>
<td>44 to 42%</td>
<td>56 to 58%</td>
<td>38 to 40%</td>
<td>62 to 60%</td>
</tr>
</tbody>
</table>

- Overall, the variability of log wages among females is 51 to 53% explained by between variables: age, education and region.

- For the remaining categories (overall and upper half), the variability of log wages is largely explained by within variables or other factors.

- In all the upper half categories, the variation in log wages explained by between variables has increased.
Oaxaca-Blinder Decomposition

- For Case 1: between income groups, the “explained” factor of the difference in log wages is mostly influenced by education.

- For Cases 2 and 3, the following are the notable results:

<table>
<thead>
<tr>
<th></th>
<th>Case 2: By Gender</th>
<th>Case 3: By Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upper 25</td>
<td>MidUp25</td>
</tr>
<tr>
<td></td>
<td>F &gt; M</td>
<td>F &gt; M</td>
</tr>
<tr>
<td>Difference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>-0.0505*</td>
<td>-0.0103*</td>
</tr>
<tr>
<td></td>
<td>-0.1039*</td>
<td>-0.0102*</td>
</tr>
<tr>
<td>Unexplained</td>
<td>-0.1950*</td>
<td>-0.0161*</td>
</tr>
<tr>
<td></td>
<td>0.0534*</td>
<td>-0.0002</td>
</tr>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

For Case 1: between income groups, the “explained” factor of the difference in log wages is mostly influenced by education.
Summary of Findings

- The 90-50 wage gap has increased over the years according to gender, region and education.

- Females earn higher than males in the upper half of the distribution.

- The variability in female wages is 51 to 53% explained by age, education and region.

- Between two income groups, the “explained” factor of the difference in log wages is mostly influenced by education.
Summary of Findings

- For the Upper 25 and MiddleUpper 25 (50-75), females earn higher than males. The difference in log wages between them is attributed to education, in particular, a college or post-graduate degree.

- Also for the Upper 25, Non-NCR workers earn higher than NCR workers. The difference in log wages between them is due to education.

- Skills and experience may play a significant role in movements in wage inequality.
Future Research

◆ Account for work experience

◆ Use Machado-Mata Decomposition Method

◆ Returns to Education employing Unconditional Quantile Regression
LABOUR MOBILITY IN VIETNAM

Prepared by:

Dr. Le Kim Dung, General Director, International cooperation, Ministry of Labour, Invalids and Vietnam (MILISA)

Assoc. Prof. Dr. Nguyen Thi Lan Huong

Institute of Labour Science and Social Affairs, Ministry of Labour Invalids and Social Affairs (MOLiSA)
I. INTRODUCTION

- The purpose and scope of the report

The purpose

• update the trend and volume of Labour international migration
• analyzing the factors and the impact on country and individuals and their challenges to make recommendation to better management and protection the migration flows

The scope

• The paper includes only two types of migration: labour migration to and from Vietnam
Migration trend and characteristics

Impact of migration on economics, population, labour and health

Migration cooperation

Legal framework

Source: Vietnam Migration Profile, 2015
<table>
<thead>
<tr>
<th>Year</th>
<th>Total (Person)</th>
<th>Number of destination countries/territories</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>80,320</td>
<td>33</td>
</tr>
<tr>
<td>2013</td>
<td>88,155</td>
<td>38</td>
</tr>
<tr>
<td>2014</td>
<td>106,840</td>
<td>29</td>
</tr>
<tr>
<td>2015</td>
<td>119,530</td>
<td>22</td>
</tr>
</tbody>
</table>

Top 15 countries/territories receiving the most Vietnamese workers in the 2012-2015 period

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chinese Taipei</td>
<td>30,533</td>
<td>46,368</td>
<td>62,124</td>
<td>67,621</td>
<td>206,646</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>8,775</td>
<td>9,686</td>
<td>19,766</td>
<td>29,810</td>
<td>68,037</td>
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<tr>
<td>3</td>
<td>Malaysia</td>
<td>9,298</td>
<td>7,564</td>
<td>5,139</td>
<td>7,454</td>
<td>29,455</td>
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<tr>
<td>4</td>
<td>Korea Republic</td>
<td>9,228</td>
<td>5,446</td>
<td>7,242</td>
<td>6,019</td>
<td>27,935</td>
</tr>
<tr>
<td>5</td>
<td>Saudi Arabia</td>
<td>2,360</td>
<td>1,703</td>
<td>4,191</td>
<td>4,125</td>
<td>12,379</td>
</tr>
<tr>
<td>6</td>
<td>Laos</td>
<td>6,195</td>
<td>4,860</td>
<td>200</td>
<td>0</td>
<td>11,255</td>
</tr>
<tr>
<td>7</td>
<td>Cambodia</td>
<td>5,215</td>
<td>4,250</td>
<td>50</td>
<td>0</td>
<td>9,515</td>
</tr>
<tr>
<td>8</td>
<td>Macao</td>
<td>2,304</td>
<td>2,294</td>
<td>2,516</td>
<td>493</td>
<td>7,607</td>
</tr>
<tr>
<td>9</td>
<td>UAE</td>
<td>1,731</td>
<td>2,075</td>
<td>831</td>
<td>286</td>
<td>4,923</td>
</tr>
<tr>
<td>10</td>
<td>Libya</td>
<td>645</td>
<td>1,201</td>
<td>1,005</td>
<td>0</td>
<td>2,851</td>
</tr>
<tr>
<td>11</td>
<td>Algeria</td>
<td>38</td>
<td>158</td>
<td>547</td>
<td>1,963</td>
<td>2,706</td>
</tr>
<tr>
<td>12</td>
<td>Cyprus Republic</td>
<td>1,699</td>
<td>143</td>
<td>56</td>
<td>43</td>
<td>1,941</td>
</tr>
<tr>
<td>13</td>
<td>Qatar</td>
<td>105</td>
<td>206</td>
<td>850</td>
<td>455</td>
<td>1,616</td>
</tr>
<tr>
<td>14</td>
<td>Belorussia</td>
<td>0</td>
<td>403</td>
<td>774</td>
<td>91</td>
<td>1,268</td>
</tr>
<tr>
<td>15</td>
<td>Russia</td>
<td>439</td>
<td>476</td>
<td>253</td>
<td>81</td>
<td>1,249</td>
</tr>
<tr>
<td></td>
<td>Total of 15 countries/territories</td>
<td>78,565</td>
<td>86,833</td>
<td>105,544</td>
<td>118,441</td>
<td>389,383</td>
</tr>
<tr>
<td></td>
<td>Rate to 15 countries/territories, %</td>
<td>97.8</td>
<td>98.5</td>
<td>98.8</td>
<td>99.1</td>
<td>98.6</td>
</tr>
</tbody>
</table>
Figure 7: Percentage of female workers in 15 countries/regions that receive a lot of Vietnamese labour in the 2012-2015 period
<table>
<thead>
<tr>
<th>No</th>
<th>Countries/territories have Vietnamese workers</th>
<th>Number of Vietnamese workers</th>
<th>Average salary (USD per month)</th>
<th>Other average income (USD per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chinese Taipei (China)</td>
<td>138,926</td>
<td>650</td>
<td>200</td>
</tr>
<tr>
<td>2</td>
<td>Korea Republic</td>
<td>54,392</td>
<td>1,000</td>
<td>250</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>26,164</td>
<td>1,400</td>
<td>200</td>
</tr>
<tr>
<td>4</td>
<td>Malaysia</td>
<td>20,108</td>
<td>300</td>
<td>111</td>
</tr>
<tr>
<td>5</td>
<td>Saudi Arabia</td>
<td>16,251</td>
<td>320</td>
<td>100</td>
</tr>
<tr>
<td>6</td>
<td>Laos</td>
<td>15,532</td>
<td>300</td>
<td>113</td>
</tr>
<tr>
<td>7</td>
<td>Macao</td>
<td>13,205</td>
<td>550</td>
<td>160</td>
</tr>
<tr>
<td>8</td>
<td>Cambodia</td>
<td>12,335</td>
<td>250</td>
<td>94</td>
</tr>
<tr>
<td>9</td>
<td>UAE</td>
<td>9,137</td>
<td>320</td>
<td>100</td>
</tr>
<tr>
<td>10</td>
<td>Cyprus Republic</td>
<td>2,809</td>
<td>491</td>
<td>200</td>
</tr>
<tr>
<td>11</td>
<td>Russia</td>
<td>1,452</td>
<td>800</td>
<td>200</td>
</tr>
<tr>
<td>12</td>
<td>Qatar</td>
<td>1,153</td>
<td>320</td>
<td>100</td>
</tr>
<tr>
<td>13</td>
<td>Lybia</td>
<td>883</td>
<td>350</td>
<td>130</td>
</tr>
<tr>
<td>14</td>
<td>Belarusia</td>
<td>680</td>
<td>491</td>
<td>200</td>
</tr>
<tr>
<td>15</td>
<td>Singapore</td>
<td>399</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Italia</td>
<td>355</td>
<td>875</td>
<td>200</td>
</tr>
<tr>
<td>17</td>
<td>Portugal</td>
<td>145</td>
<td>620</td>
<td>100</td>
</tr>
<tr>
<td>18</td>
<td>USA (boat members)</td>
<td>129</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>19</td>
<td>Denmark</td>
<td>129</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Germany</td>
<td>102</td>
<td>1,137</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Australia</td>
<td>101</td>
<td>4,000</td>
<td>800</td>
</tr>
<tr>
<td>22</td>
<td>Slovakia</td>
<td>26</td>
<td>450</td>
<td>100</td>
</tr>
<tr>
<td>23</td>
<td>Malta</td>
<td>10</td>
<td>650</td>
<td>100</td>
</tr>
<tr>
<td>24</td>
<td>Poland</td>
<td>7</td>
<td>446</td>
<td>100</td>
</tr>
</tbody>
</table>
2. FOREIGN LABOUR TRENDS IN VIETNAM IN THE 2001-2015 PERIOD (1)

Figure 8: The size of foreign workers in Vietnam

<table>
<thead>
<tr>
<th>Year</th>
<th>Size (1000 persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>12.60</td>
</tr>
<tr>
<td>2006</td>
<td>21.22</td>
</tr>
<tr>
<td>2007</td>
<td>34.12</td>
</tr>
<tr>
<td>2008</td>
<td>43.00</td>
</tr>
<tr>
<td>2009</td>
<td>52.63</td>
</tr>
<tr>
<td>2010</td>
<td>55.43</td>
</tr>
<tr>
<td>2011</td>
<td>56.93</td>
</tr>
<tr>
<td>2012</td>
<td>74.00</td>
</tr>
<tr>
<td>2013</td>
<td>78.44</td>
</tr>
<tr>
<td>2014</td>
<td>76.31</td>
</tr>
<tr>
<td>2015</td>
<td>83.59</td>
</tr>
</tbody>
</table>

Unit: 1000 persons

Source: Department of Employment (MOLISA), 2011
### Table 11: Structure of foreign labor force in Vietnam

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of foreign workers in Vietnam</strong></td>
<td>74 000</td>
<td>78 440</td>
<td>76 309</td>
<td>83 588</td>
</tr>
<tr>
<td><strong>1. Qualification (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor's and higher degree</td>
<td>48.3</td>
<td>48.3</td>
<td>49.3</td>
<td>53.9</td>
</tr>
<tr>
<td>Technical diploma/certificate</td>
<td>34.6</td>
<td>34.6</td>
<td>35.3</td>
<td>38.6</td>
</tr>
<tr>
<td>Other</td>
<td>17.1</td>
<td>17.1</td>
<td>15.3</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>2. Work positions (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>31.8</td>
<td>31.8</td>
<td>32.5</td>
<td>35.5</td>
</tr>
<tr>
<td>Technical experts</td>
<td>41.2</td>
<td>41.2</td>
<td>42.1</td>
<td>46.0</td>
</tr>
<tr>
<td>Others (primary skilled, unskilled workers,...)</td>
<td>27.0</td>
<td>27.0</td>
<td>27.6</td>
<td>30.1</td>
</tr>
</tbody>
</table>
FOREIGN LABOUR TRENDS IN VIETNAM IN THE 2001-2015 PERIOD (3)

Figure 9: Foreign workers by source country, 2015

- China: 25,797 workers (31%)
- Korea: 15,334 workers (18%)
- Chinese Taipei: 10,778 workers (13%)
- Japan: 7,927 workers (10%)
- Others: 23,749 workers (28%)
Figure 10: Foreign workers by work permit status, 2015

- Work permit granted: 77,909 (93%)
- Without work permit: 5,676 (7%)
Push factors for labour migration

- Economic factors:
  low income, poverty, lack of employment and livelihood options are regarded as main motive powers of migration decision

- Working purpose

- FDI and integration
4. IMPACT OF MIGRATION(1)

Impact on migrants

- Migrants desire to find better jobs, better incomes as compared to those in hometown. These migration workers have earned much higher level of income as compared to the average wage in their country.

- Along with the employment opportunities and high level of income, the international migration workers have also learned many other things in the host country, such as foreign language, professional skills, skills of living and working in the highly industrialized societies as well as the culture of host countries.

Impact on family

- Figure 12: Proportion of household’s living standards before and after migration.
Impact on family

Remittances from international migrants are used in many different purposes, but its impact is often referred to as the advancing capabilities of families in the children education, reducing schooling children dropout rates, improving capacity on accessing to health services, health care for family members and improve the living standards of the family in general.

Figure 13: Percentage of households receiving remittances from international migrants
The 12 countries with the largest number of immigrants and also remittances (over 100 million US dollars), including the US, Australia, Canada, Germany, France, Korea, the Czech Republic, Japan, China, Britain, Cambodia, and Malaysia.
Figure 15: The stream of remittances to Vietnam of Vietnamese

Comparison of remittances situation to ODA and FDI has indicated 7 good financial impacts for the country:

1. is a stable source of foreign currency, not refundable, and create capital source for economic development
2. not necessary to invest or no significant investment
3. avoid many negative impacts often accompanies FDI (environmental pollution, not to create competitive products with domestic products ...), or ODA (no debt, payment of interest)
4. contribute to poverty reduction, improve livelihoods, enhance production capacity and competitiveness of Vietnam
5. support the national balance of payments
6. contributed to the increase of national savings
7. contribute to the financial markets positively
4. CHALLENGES OF LABOUR MIGRATION OUT

- Costs for departure: Preparation
- Social protection before, during and after migration
- Working conditions
- Returning – overstays
- Illegal migration to Thailand, Singapore …
- Work and domestic abuse
CHALLENGES FOR FOREIGN WORKERS TO VIETNAM

- Unskilled workers are permitted
- Labour mobility within the country
- Monitoring and skill replacement
- Social Protection participation: Health and social insurance
- Other issues
- Non visa workers
5. Recommendations

- Improve legal framework on international migration
- Develop Law on international migration taking into account the International conventions on the rights of migrants and their family members (1990)
- Enhancing coordination between Ministries
6. Conclusion

- In the coming years, the trend continues to increase the number of labour migrants by contract with a term abroad when Vietnam integrates more deeply with the world is difficult to reverse.

- Many workers from the provinces of Vietnam emigrated to neighboring countries such as China, Laos, Cambodia to earn their livings is also very exciting.

- The unofficial migrants have to face to threats/risk of potential, unsafe, lack legal protection, vulnerable to exploitation, abuse, more likely to become victims of human trafficking.
THANK YOU FOR YOUR ATTENTION
Enhancing Competitiveness of SMEs in APEC: New Directions for Technological Cooperation

13 May, 2017

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Contents

I. Introduction

II. SME and Technologies

III. Case Studies of SMEs in Vietnam, Malaysia, Indonesia and the Philippines

IV. New Directions for SME Technological Cooperation

V. Conclusion
I. Introduction

(1) Changing Business Environment

- New international economic order: G2, G7, G20, BRICKS, PINEs, MINT, Newly industrializing countries, diversification
- Uncertainties in economic, social, and political aspects:
  - Internal and external economic environment in DCs and LDCs
  - Protectionism, migration problems
  - Economic aspects: market system, entrepreneurship, fair trading
  - Limited technology capacity, infrastructure, human capital, low level of governance, heavily depended upon foreign support
  - Social Conflicts: income gap, unemployment, aging society,
- Technology gaps between DCs and LDCs have been widened
- Require technological progress: technology transfer, adaptability, appropriate technology
I. Introduction

(2) SMEs are bases of any economy

- Potential for economic and social development
  - Education sector development: pre-school, primary, secondary, tertiary, TVET
- Matched with the new concept of industrial promotion: the 4th Industrialization with minimum level of job creation, changes in occupation
- Suits with the Sustainable Development Goals till 2030 in LDCs
- Development of SMEs brings growth:
  - Employment, easy to start and to make decision
- This presentation brings suggestions how SMEs could build up capacity through technological cooperation
- It focuses on 4 APEC Countries; Viet Nam, Malaysia, Indonesia and the Philippines – have potential for development and could be leading economies in the region
## II. SMEs and Technologies

### (1) SME Development Strategies

- Align with national development plan
  - Taking into account of factor endowment of the country
- Development HRD for SMEs
  - Entrepreneurship and managerial skills as well as technological knowledge and technical skills
- Increase R&D, and improve SME technologies
  - Specific methodologies and tools for promoting the adoption of latest technologies
  - Prioritize initiatives for developing SMEs
- SMEs access to foreign markets
  - Provide basic managerial support with better access credit
  - Reduce risk and lower barriers to SME financing
## II. SMEs and Technologies

### (2) Barriers of Technological Development for SMEs

<table>
<thead>
<tr>
<th>Issues</th>
<th>Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Development</td>
<td>- Managerial capacity and entrepreneurship</td>
</tr>
<tr>
<td></td>
<td>- TVET, applied vocational training</td>
</tr>
<tr>
<td></td>
<td>- Training guidance for women entrepreneurs</td>
</tr>
<tr>
<td>R&amp;D and Investment</td>
<td>- Financial resources, venture capital, private equity</td>
</tr>
<tr>
<td></td>
<td>- Lack of collateral and guarantee mechanism</td>
</tr>
<tr>
<td></td>
<td>- Clusters and technology centers</td>
</tr>
<tr>
<td></td>
<td>- Tripartite partnership among University-Research-Industry</td>
</tr>
<tr>
<td></td>
<td>- Attract quality manpower</td>
</tr>
<tr>
<td>Policy advocacy and conducive</td>
<td>- Investment promotion and financial policies</td>
</tr>
<tr>
<td>business Environment</td>
<td>- Taxation issues</td>
</tr>
<tr>
<td></td>
<td>- Trade, market, regulations, competition policies</td>
</tr>
<tr>
<td></td>
<td>- Favorable policies on large industries neglecting SMEs</td>
</tr>
</tbody>
</table>
## II. SMEs and Technologies

### (3) SWOT Analysis of SMEs in LDCs

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Large market size</td>
<td>-Limited technology capacity and transfer</td>
</tr>
<tr>
<td>-Cheap labour cost</td>
<td>-Low quality of products and productivity</td>
</tr>
<tr>
<td>-Easy to start with low level of technology-Large proportion of labour</td>
<td>-Less skilled workers and managers</td>
</tr>
<tr>
<td></td>
<td>-Limited finance and technology</td>
</tr>
<tr>
<td></td>
<td>-Lack of network with academia, research and industry</td>
</tr>
<tr>
<td></td>
<td>-Lack of forward and backward linkages</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Globalization and expansion of markets</td>
<td>-Large industries may take over or copy</td>
</tr>
<tr>
<td>-Easy access to technology from abroad</td>
<td>-Easy to import low price products</td>
</tr>
<tr>
<td>-Inflow of FDI companies and MNCs</td>
<td>-Difficult to maintain technology leadership</td>
</tr>
<tr>
<td>-Diversified potential markets</td>
<td>-Competition from other countries</td>
</tr>
<tr>
<td>-Large industries require more SMEs</td>
<td></td>
</tr>
<tr>
<td>-Government policies on SME promotion</td>
<td></td>
</tr>
</tbody>
</table>
II. SMEs and Technologies

(4) APEC Efforts for SME Technologies

- 1998: APEC SME Ministers-Integrated Plan of Action for SME Development
- 2005: APEC SME Innovation Center, Daegu Initiative
- 2011: APEC Breen Innovation Conference-APEC SME Technology Conference and Fairs(SMETC)
- 2016: APEC Business Ethic for SMEs Forum in Lima-Encourage SMEs to evolve into self-sustaining enterprises
- 2017: MSMEs in Enhancing Capacities in Exporting Services -‘APEC Public-Private Dialogue’; open dialogue, capacities of export and technical assistance, networking among MSME stakeholders
- APEC has been working on SME promotion during the last 20 years: requires for new directions
III. Case Studies

(1) Comparison of 4 Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of SMEs(2011)</th>
<th>% of labour</th>
<th>% of Export</th>
<th>ISO 9000</th>
<th>% R&amp;D/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viet Nam</td>
<td>57,700</td>
<td>77</td>
<td>17</td>
<td>2,036</td>
<td>0.15</td>
</tr>
<tr>
<td>Malaysia</td>
<td>148,678</td>
<td>53</td>
<td>28</td>
<td>8,614</td>
<td>0.63</td>
</tr>
<tr>
<td>Indonesia</td>
<td>646,475</td>
<td>97</td>
<td>9</td>
<td>6,524</td>
<td>0.08</td>
</tr>
<tr>
<td>Philippines</td>
<td>73,509</td>
<td>61</td>
<td>33</td>
<td>944</td>
<td>0.11</td>
</tr>
</tbody>
</table>

- Among the above 4 countries: Indonesia has the highest proportion of labour force in SMEs, while the lowest for export mainly targeting domestic market.
- ISO 9000 certifications show the standard of production process and the quality of manufacturing process: Malaysia is the highest among the above 4 countries.
- Philippines has high proportion of export earnings mainly agricultural processed products.
III. Case Studies

(2) SMEs in Vietnam

- One of the fastest growing countries: benchmarked by many African countries
- Rich in natural resources, agriculture and fisheries
  - Young population structure: the international division of labour
  - Growing industrialization with inflow of FDI
  - Agriculture development: agro industries and high yield crops
  - Rapid development of the secondary and the service sectors
- SMEs share 95% of enterprises, 31% of GDP, 77% of labour, 17% of export
- Weak linkage between import-substitute and export-oriented
- External networks between SMEs and MNCs is not yet strong
- Weak in commercialization, academia-research-industry collaboration
- Weak R&D infrastructure by the government
III. Case Studies

(3) SMEs in Malaysia

- Started industrialization 4 decades ago, reached ‘Middle-income trap’; inability to produce differentiated products for global value chains
  - Relatively stable politics with the open market system
  - Abundant natural resources with some degree of industrialization
- Share 90% of enterprises, 57.5% of employment, 33.1% of GDP, 19% export
- Government efforts for SMEs: Small and Medium Industries Development Cooperation (SMIDEC), and also SME Bank, SME Credit Bureau, Agro-Bank, Venture Capital
- Technology awareness within political, social and economic spaces
- Expanding R&D infrastructure that are derived from the application of S&T, but limited activities for commercialization
III. Case Studies

(4) SMEs in Indonesia

- Large size of population and domestic market
  - Abundant natural resources but slow in industrialization
  - Large number of SMEs and big domestic market
  - Focusing on the secondary and the service sectors for promotion
- Share 99.9% of enterprises, 97.2% of workers, 22% of GDP, 34% women owned
- Problems: Lack of capital, low productivity and technology, lack of information and markets, low quality of institution and organization, lack of business network
- Technology promotion has been slow with limited capacity for the adaptation of SME technologies
- Building and expanding institutions that support technological progress
III. Case Studies

(5) SMEs in the Philippines

- Large young population, and 10% of the total population are guest workers abroad and contribute hard currency earnings
- Less active in foreign direct investment: social and political problems
- Agriculture development: agro industries
- SMEs share 99.6% of business enterprises, 70% of workers
- Migrant of the quality labour for higher income abroad
- Government Efforts: Micro, Small & Medium Enterprises Development Council (MSMEDC); Inclusive finance, service integration, e-commerce, global value chain
- Industry cluster: increase productivity, access technology and innovation, increase market access, but slow in progress
- SME Academy: increase competitiveness, increase employment and GDP
IV. New Directions for Tech. Cooperation

(1) Rationale of Technologies in APEC

- SME technology is a critical factor for Sustainable Development
  - Need to provide a strong technological knowledge from the school education
- Strengthening the integration of SME Technologies from DCs
  - Some exchange programs among APEC countries
- Improve APEC leadership to promote technologies among DCs
  - Capacity building of education and research institutions
- Stop and reverse brain drain technology
  - Policies to hold scientists and engineers within member state
- Technology to modernize the community
  - Implication of technology to adopt into practices
- Nurture innovation culture to drive industrial promotion and products by SMEs
IV. New Directions for Tech. Cooperation

(2) Determinants of Technology in LDCs

- Technology infrastructure:
  - R&D institutions, collaborative research activities among academia-research-industry
- Technology Transfer:
  - Innovate and absorptive capacity for new technology, information
- Pace of Technological Change:
  - Upgrade technologies in view of rapidly changing technologies
- Technology Acquisition:
  - Capital and relatively high transaction cost, incentive, direction and capacity to upgrade technology, technological information
- Quality of Manpower:
  - Quality labour and train them, managerial skills and technical dimension
IV. New Directions for Tech. Cooperation

(3) Technological Cooperation Flows

- Main Objective: Empowering SMEs through capacity building
- APEC collaboration: Business, Technology and Human Resource Development:
- Technologies should focus on traditional manufacturing industries
- DCs and LDCs: partnership among them and share technologies
- Academia-research in DCs and LDCs: should work for industries
  - Basic technologies by academia
  - Applied technologies by industrial innovation activities
  - GRI(s)(Government research institutions) could be helpful too
- Cooperation Processes: Begin with feasibility study, pilot implementation, HRD, production development and implementation
IV. New Directions for Tech. Cooperation

(4) Technological Cooperation Flows

Cooperation Process:

Feasibility Study → Pilot Implementation → Human Resource Development → Product Development & Success Story → Implementation & Sustainability

Source: Lee JS (2015)

Empowering SMEs

- Improve technological capacity
- Enhance SMEs Competitiveness
- Sustainable Development
- Jobs and growth engine

DCs - SMEs in LDCs
- Government

APEC International Organizations

Partnership

Capacity Building & Sustainable development

Human Resources

Technology

Business

SMEs

Academia

Research

SMEs

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IV. New Directions for Tech. Cooperation

(5) Technological Cooperation Structure

- APEC SMEWG: Pivotal role in SME technological cooperation
  - As a multinational institution, pursue benefits to all the members
- SMEs in DCs and LDCs: Technology transfer partnerships
  - Appropriate technologies to each country
- Academia and Research Institutions: Diffusion and partnership
  - Link with industries in DCs and LDCs
- LDCs: Government provides conducive business environment
  - Provide special policies to foster cooperation
- Academia-research-industry collaboration; training and education
- DCs: Share technology and dissemination of technological knowledge
IV. New Directions for Tech. Cooperation

(6) Cooperation Structure

Source: Lee JS(2015)
V. Conclusion

- SME technological cooperation is closely related to SDGs
- SMEs could improve competitiveness through education, R&D activities in LDCs
- For more practical knowledge on SME technologies, focus on policy making for the long-term promotion of sophisticated technological knowledge
- APEC SMEWG could bring a pivotal role on technological cooperation
- Tripartite partnership among academia-research-industry in DCs and LDCs
- Pursue win-win strategies for technological cooperation: need to be more country specific
- APEC SME Technology Forum: can be launched as a starting point to harness partnership among members
Q & A

Thank you!
SMEs in Regional Integration – Lessons from ASEAN?

APEC STUDY CENTERS CONSORTIUM CONFERENCE 2017
Enhancing capacity and competitiveness of MSMEs
May 12-13, 2016
Hanoi, Viet Nam

Sothea Oum, Asia Growth Research Centre, Singapore
University of Adelaide,
Sequence of questions …

o Whither ASEAN Economic Integration?

o What are the roles played by SMEs in ASEAN Economic Integration?

o Can SMEs play these roles?

o Are ASEAN-level initiatives supportive in the right way?
3.3 Intra- and Extra-ASEAN Trade in Goods

In percent share

2007
- Intra-ASEAN: 25.0%
- Extra-ASEAN: 75.0%

2014
- Intra-ASEAN: 24.1%
- Extra-ASEAN: 75.9%

2015
- Intra-ASEAN: 23.9%
- Extra-ASEAN: 76.1%

Source: ASEAN Secretariat.
ASEAN Member States Exports of Goods by Destination, 2015

In percent share

- Viet Nam: 11.1% (Extra-ASEAN) 32% (Intra-ASEAN)
- Thailand: 28.9% (Extra-ASEAN) 21% (Intra-ASEAN)
- Singapore: 32.3% (Extra-ASEAN) 21% (Intra-ASEAN)
- Philippines: 14.6% (Extra-ASEAN) 12% (Intra-ASEAN)
- Myanmar: 37.5% (Extra-ASEAN) 21% (Intra-ASEAN)
- Malaysia: 28.1% (Extra-ASEAN) 12% (Intra-ASEAN)
- Lao PDR: 71.2% (Extra-ASEAN) 12% (Intra-ASEAN)
- Indonesia: 22.3% (Extra-ASEAN) 12% (Intra-ASEAN)
- Cambodia: 9.3% (Extra-ASEAN) 12% (Intra-ASEAN)
- Brunei Darussalam: 19.5% (Extra-ASEAN) 12% (Intra-ASEAN)
- ASEAN: 25.8% (Extra-ASEAN) 12% (Intra-ASEAN)

Source: ASEAN Secretariat.
6.3 Net inflows of FDI, Extra and Intra-ASEAN

Note: For 2012-2013, Lao PDR’s data on ‘by source country’ are not yet available; intra-extra-ASEAN breakdowns for 2012-2013 were estimated by the ASEAN Secretariat.

Source: ASEAN Secretariat.
ASEAN Economic Integration and SMEs

- Are SMEs important in ASEAN countries?
- What are the roles played by SMEs in ASEAN economic integration?
- Policies on SMEs:
  - National level
  - ASEAN level
SMEs in ASEAN Countries

- ASEAN - no single definition of SMEs
  - Different definitions across ASEAN countries

- SMEs play important role in ASEAN countries:
  - SMEs share of total establishments: 97% - 99%
  - SME’s share of GDP: 23% - 58%
  - SME’s share of employment: 52% - 97%
SME Policies

- Country-level policies
  - Summarized by ASEAN SME Policy Index
- ASEAN-level policies:
  - AEC Blueprints
  - Strategic Action Plans
Common Themes in SME Policies

- How to promote SME development?
- What factors are holding back SMEs?
  - Human resource – entrepreneurship, management skills
  - Marketing networks, trading hubs, e-commerce
  - Financing - access
  - Technology – access, transfer, upgrading
  - Policy environment - regulations
ASEAN SME Policy Index, 2014
ASEAN SME Policy Index 2014
ASEAN Plans for SME Development

- SME Working Group, estd. 1995
- ASEAN SME plans:
  - ASEAN Policy Blueprint for SME Development 2004-2014 (APBSD)
  - ASEAN Strategic Action Plan for SME Development 2016-2025 (SAPSD 2025)
- Some continuity but emphasis has changed over time:
  - Capacity building → Exporting, Technology
  - New institutions: SME Financial Facility, Regional SME Development Fund, SME Service Center
“ASEAN will also provide a new emphasis on the development and promotion of micro, small and medium enterprises (MSMEs) in its economic integration efforts.”

Under D.4 Narrowing Development Gap:

- “vi. Emphasise on the development of MSMEs of ASEAN Member States”;
- “vii. Identify development donors to provide technical and financial assistance for the MSMEs to focus on potential sectors, which allow them to effectively participate in regional and global value chain activities.”
ASEAN Strategic Action Plan for SME Development

Vision:
Globally Competitive and Innovative MSMEs

Mission Statement:
By 2025, ASEAN shall create globally competitive, Resilient and innovative MSMEs Seamlessly integrated to ASEAN community and Inclusive development in the region
# ASEAN Strategic Action Plan for SME Development

<table>
<thead>
<tr>
<th>Establishing of AEC</th>
<th>First 5 years (2016-2020)</th>
<th>Post Integration Period</th>
<th>Latter 5 years (2021-2025)</th>
<th>Global Expansion Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seamlessly Integrate to the AEC and Regional Value Chain</td>
<td></td>
<td>Globally Competitive, Innovative Inclusive and Resilient</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Industry Cluster</td>
<td>✓ Innovation</td>
<td>✓ Entrepreneurship</td>
<td>✓ Export</td>
</tr>
<tr>
<td></td>
<td>✓ Global Supply Chain</td>
<td>✓ Productivity</td>
<td></td>
<td>✓ Enhancement of Employment</td>
</tr>
<tr>
<td></td>
<td>✓ Productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Enhancement of Employment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**STRATEGIC GOALS**

A) Promote Productivity, Technology and Innovation
   - A-1) Productivity will be enhanced
   - A-2) Industry clusters will be enhanced
   - A-3) Innovation will be promoted as a key competitive advantage

B) Increase Access to Finance
   - B-1) Institutional framework for access to finance will be developed and enhanced
   - B-2) Financial inclusion and literacy will be promoted, and the ability of MSMEs to engage in the financial system will be enhanced

C) Enhance Market Access and Internationalization
   - C-1) Support schemes for market access and integration into the Global Supply Chain will be further developed
   - C-2) Export capacity will be promoted

D) Enhance Policy and Regulatory Environment
   - D-1) Inter and intra-governmental cooperation in terms of policy and regulation will be enhanced
   - D-2) MSMEs’ interests will be promoted and involvement in the decision-making processes will be enhanced
   - D-3) Obtaining of permits and business registration will be streamlined

E) Promote Entrepreneurship & Human Capital Development
   - E-1) Entrepreneurial education and learning programmes will be instituted
   - E-2) Human capital development for MSMEs will be enhanced especially for women and youth

**COUNTRY CHAMPIONS**

- Thailand and Vietnam
- Malaysia and Lao PDR
- Singapore and Thailand
- Cambodia and Indonesia
- Brunei, Philippines and Myanmar
Framing the Role of Manufacturing SMEs in ASEAN Economic Integration

- Awareness:
  - AEC
  - AEC Blueprint / Strategic Action Plan

- Globalisation:
  - Trade (Import, Export)

- Impact of AEC:
  - Export Sales

- Policy & determinants
ERIA-ISEAS Survey on SMEs

- Two-year project by ERIA-ISEAS on “SME Participation in ASEAN and East Asian Regional Economic Integration”
- Selected ASEAN countries: Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Thailand and Vietnam
- Surveys were implemented in 2015
- Survey covered 200-300 firms in each country drawn from 2-3 + manufacturing industries
- Selection of industries vary across countries – depending on importance of sector for SMEs and exporting
### Sample Size and Distribution

<table>
<thead>
<tr>
<th>Country</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>60</td>
<td>36</td>
<td>27</td>
<td>78</td>
<td>201</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1</td>
<td>102</td>
<td>60</td>
<td>37</td>
<td>200</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0</td>
<td>79</td>
<td>114</td>
<td>33</td>
<td>226</td>
</tr>
<tr>
<td>Myanmar</td>
<td>17</td>
<td>37</td>
<td>54</td>
<td>90</td>
<td>198</td>
</tr>
<tr>
<td>Philippines</td>
<td>13</td>
<td>33</td>
<td>86</td>
<td>73</td>
<td>205</td>
</tr>
<tr>
<td>Thailand</td>
<td>0</td>
<td>86</td>
<td>128</td>
<td>87</td>
<td>301</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0</td>
<td>99</td>
<td>99</td>
<td>10</td>
<td>208</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>91</strong></td>
<td><strong>472</strong></td>
<td><strong>568</strong></td>
<td><strong>408</strong></td>
<td><strong>1,539</strong></td>
</tr>
</tbody>
</table>
Firm Size Distribution

- **Micro**: workers ≤ 10
- **Small**: 10 < workers < 50
- **Medium**: 50 ≤ workers < 250
- **Large**: workers ≥ 250

Countries: Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Vietnam
Awareness of ASEAN Economic Community

The bar chart illustrates the percentage awareness of the ASEAN Economic Community among different countries and business sizes. The countries included are Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Vietnam, and the average across all countries.

- **Cambodia**: Small 70%, Medium 80%, Large 80%
- **Indonesia**: Small 70%, Medium 80%, Large 80%
- **Malaysia**: Small 10%, Medium 20%, Large 30%
- **Myanmar**: Small 20%, Medium 30%, Large 40%
- **Philippines**: Small 50%, Medium 60%, Large 60%
- **Thailand**: Small 50%, Medium 60%, Large 60%
- **Vietnam**: Small 50%, Medium 60%, Large 60%
- **Average**: Small 50%, Medium 60%, Large 60%
Awareness and Trade with ASEAN

- Are firms that trade with firms from other ASEAN countries aware of the AEC?
- Correlation: 0.18

<table>
<thead>
<tr>
<th>Awareness of AEC?</th>
<th>Trade with ASEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
SMEs and Intra-ASEAN Trade: Size Matters ...?

- Small: 15.3% Yes, 84.7% No
- Medium: 40.5% Yes, 59.5% No
- Large: 41.7% Yes, 58.3% No
SME and ASEAN Trade

- A more granular look at differences between S,M,L firms:
  - Sector across countries
  - Across sectors within a country
- Two sectors:
  - Food products (domestic, export)
  - Wearing apparel (domestic, export)
- Export and domestic orientations of sectors
Food Products: % Firms with ASEAN Trade

- Indonesia
- Thailand
- Vietnam
- Myanmar

- Small
- Medium
- Large
Wearing Apparel: % Firms with ASEAN Trade
Vietnam: % Firms with ASEAN Trade

<table>
<thead>
<tr>
<th>Category</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile</td>
<td>20.0%</td>
<td>10.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Food Products</td>
<td>0.0%</td>
<td>30.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Wood Products</td>
<td>10.0%</td>
<td>15.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Perceptions on Impact of AEC

- Recent doubts about benefits of economic integration
- For firms that are aware of the AEC – what are their perceptions on the impact of the AEC
- Will AEC affect export sales?
  - Good deal of optimism but variations remain
  - Greater uncertainty and less optimism amongst SMEs
- What are the drivers?
  - Tariffs?
Q: How will the AEC affect export sales?

Cambodia
Indonesia
Myanmar
Philippines
Thailand
Vietnam
Total

Increase | No Change | Decrease | Do not know | No opinion
SME Policies & Export Orientation

- A great deal of emphasis on export orientation of SMEs
- Which policy variables are important?
- Are there country and industry specific characteristics?
- Determinants of exporting
  - Foreign participation key esp SMEs
  - Product innovation less important for SMEs
  - SMEs (website) differ from large firms (procurement) in use of internet
  - Govt support crucial (finance, networks)
- Policy variables may vary across sectors:
  - Product innovation for wearing apparel but not food products
  - E-mail for food products
  - Govt support for networks in rubber and plastics
Conclusions

- SME Policy at the ASEAN level is at a relatively nascent stage
- Despite AEC – convergence, single market - national-level SME policies are likely to be more important
- Internationalization of SMEs has become an increasingly important goal
- Beyond internationalization – how are SMEs linked to inclusiveness (employment, wages – distribution)
- To what extent can sectoral and country specifics be accommodated within SME policy in ASEAN?
- Even regulatory burdens are sector-specific, even geographic
- Further research hampered by data availability and quality (access, variables, and informal businesses)
Thank you very much for your attention
THE ACADEMIC SECTOR: ROLE IN STRENGTHENING THE COMPETITIVENESS OF MSMES
ESTEBAN ZOTTELE  MARIO ALBERTO SANTIAGO  ANÍBAL ZOTTELE
CENTRO DE ESTUDIOS CHINA-VERACRUZ
CECHIVER-UV

Vietnam, May 2017
The MSMEs in the APEC Agenda (1)

- Since the creation of APEC, the member economies’ interest in the international trade of Micro, Small and Medium Enterprises, has been growing year by year. Especially since 1993, MSMEs began to take a greater role in APEC agenda. Later in Vancouver 1998 were created the conditions for a special attention to the MSMEs by the government APEC members.
- In Los Cabos (2002) the instruments for developing MSMEs, were consolidated.
- During the last years APEC has been strengthening the MSMEs by different actions.
The MSMEs in the APEC Agenda (2)

• Actually MSMEs are considered an essential factor to reach benefits of trading for all society actors.

• If MSMEs are strong and active participant in international trading, that involves:
  
  • Better income distribution, employment generation and profits participation for more entrepreneurs.

  • They contribute to the regional balances, since MSMEs are the business base for the most distant and vulnerable regions.
Current situation

The social actors involved in the processes of production and export of goods are the subjects of change.

The participation of MSMEs in international trading is still weak.

Knowledge, financing and technological resources are strong constraints.

MSMEs in international markets
In 2010, the export of Mexico was US $298 billion, nine billion dollars, equivalent to 4.5%, belonged to medium-sized, micro and small enterprises. (El Informante, mx, 2016)

In Mexico MSMES employ 78.7% of the total workers
MSMEs represent 52 % of Mexican GDP

MSMES, as job generators and as integrators of value chains, can improve the structure and mechanisms of imports, contributing to these decisions to improve efficiency and especially to achieve regional impacts, that also impact on the quality of life and the better regional distribution of the population.
It is a great opportunity for Mexican MSMEs to participate in the Chinese market and to carry out productive and commercial joint investors. Therefore, it is really important to move forward to the diversifying process of the supply of products from China.

For Chinese MSMEs, will be an advantage to be associated with Mexican counterparts, at least for two reasons, first one to achieve the development of their commercial systems in Mexico (exports and imports) and second one to access to that kind of markets without agreements.
In recent years, both Mexico and China have privileged APEC as a trade forum for the development of common policies. MSMEs represent 60% of the world GDP, representing a great presence in the global economy. So APEC has emphasized the importance of the promotion of MSMEs as essential actors to generalize the benefits of trade, especially since they are the most appropriate tool for employment generation, better income distribution, and as a tool to correct regional and international imbalances.
Academic institutions have much to contribute to change the lack of the MSMEs participation on international trading.  
- They must make an effort to close geographic and cultural distances, to share different social experiences and support MSMEs efficiently working.
• With the support of Veracruz University and the China-Veracruz Studies Center (APEC Study Center), some Mexican MSMEs have had the first contacts with their counterparts in China and have been participated in diplomas, courses and business rounds in various sector as: food, beverages, tobacco, coffee, construction, among others.
• Since 2009, the China-Veracruz Studies Center (APEC Study Center) project has been supported by Chinese universities.
• Emphasizing the export of Mexican products to the Chinese market.
• It seeks to establish strategic alliances for the purpose of commercialization and joint investment between Mexican and Chinese companies.
• About 60 companies, students, academics and professionals of the University have been participated in 9 editions.
Conclusions (1)

• Universities need to play a more active role for supporting MSMEs.

• The experience still has many limits, as they are not generalized and has to be improved.

• The experience must be expanded to all APEC member economies.
Conclusions (2)

• Academic institutions can coordinate this kind of events and develop capacity building for these meetings.

• To use involve private sector for the participation of companies in courses APEC Study Center are offering.

• The financial resources available in the system, for strengthening this strategic sector.
• In 2017 The China-Veracruz Studies Center (APEC Study Center), jointly with Renmin University researchers will publish a book focused in MSMEs internationalization.
THANKS - GRACIAS
THE ROLE OF A GLOBAL BUSINESS ALUMNI NETWORK IN ENHANCING THE GLOBAL COMPETITIVENESS OF SMES

Dr Lorna Wright
Executive Director, Centre for Global Enterprise
EDC Professor International Business
Schulich School of Business, York University
Toronto, Ontario
49 million MSMEs in APEC region
98% of all enterprises
30% of the employment (60% of private sector jobs)
30% of direct exports
10% of FDI by value and 50% by cases
Priority Areas for SMEWG

- Entrepreneurship, innovation and the internet and digital economy
- Financing for business expansion and capability development
- Inclusive business ecosystem that supports SME growth
- Market access for SMEs.
SME Challenges in Asia

- Lack of resources (finance, technology, skilled labor, market access, and market information)
- Lack of economies of scale and scope
- Higher transaction costs relative to large enterprises
- Lack of networks that can contribute to a lack of information, know-how, and experience of domestic and international markets
SME Challenges in Asia

- Increased market competition and concentration from large multinational enterprises caused by globalization and economic integration
- Inability to compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization)
- Subject to “churning” and instability
- Lack of entrepreneurial zeal, capacity, and know-how
Major SME Challenges in Canada

- Lack of incentives to pursue growth and international expansion
- Shortage of management skills required to achieve high growth
- Under-investment in technology to enhance productivity and growth
- Lack of investment in R&D to drive innovation
- Insufficient access to capital to finance growth (including investments in technology, R&D, and management capacity)
SME Challenges Internationally

- Firms involved in international trade grow faster and are more profitable
- 74% Canadian SMEs not considering expansion outside North America (Aimia 2016)
- Why aren’t more involved?
  - Lack of knowledge
  - Lack of expertise
  - Lack of connections
  - Lack of funding
- Global Business Alumni Network (GBAN) can help with the underlying causes of the fear factor
SME Challenges Internationally

Knowledge Barriers
- Don’t know when or where to start
- Don’t have the right local insights or partners
- Don’t know how to navigate regulatory and tariff barriers
- Don’t know how to navigate language and cultural differences
- Don’t have sufficient tax expertise
- Don’t know how to find qualified employees abroad
- Don’t know where to find information on international opportunities
- Don’t know how to source customers overseas
- Don’t know where to find partners or distributors
Personal Connections Matter

- Business networks (61% services; 63% goods)
  - Government agencies
  - Associates/Peers
  - Private consulting firms

- Personal networks (30% services; 44% goods)
  - Friends
  - Family members
  - Connections from college/university/high school (24% services & goods)

Source: Aimia (2016). “100 Canadian Global Champions”
Frustration with number of SMEs with international potential who weren’t considering it

Awareness that agencies tasked with helping SMEs go global had limited resources

Knowledge that these agencies were working in silos and that collaboration would be helpful

Realization that business schools have alumni with expertise that wasn’t being tapped into
Idea for GBAN

- Rose from Centre for Global Enterprise, Schulich School of Business
  - Set up to help Canadian SMEs succeed across borders
  - Act as a concierge for SMEs, guiding them through the system
  - Putting “oil in the machine”, helping collaboration between agencies
- www.schulich.yorku.ca/cge
Global Business Alumni Network

- **Benefits for SMEs**
  - Leverage personal connections
  - Deepen companies’ confidence in their capacity to go global and the perceived benefits
  - Access to on-the-ground knowledge and personnel
  - Peer-to-peer guidance

- **Benefits for alumni**
  - Build their networks
  - Tap their passion for an aspect of business or entrepreneurial activity that may lie outside their current job
  - Support their school
GBAN Pilot Project

- **Alumni**
  - Schulich School of Business 27,000 alumni around the world
  - Subset 800 IMBA alumni
  - 60 have agreed to participate

- **SMEs**
  - Client companies of organizations such as
    - Ontario Chamber of Commerce
    - StartUp Toronto
    - Canada-China Innovation Network
    - Vaughan International Commercialization Centre
GBAN Pilot Project

Next steps

- Operating protocols for alumni coaches & client SMEs
- Selective recruitment to fill gaps in skills inventory
- Introduce a web-based platform
- Recruit to expand network of “sourcing” organizations
- Expand database of coaches to include additional Schulich cohorts
- Formalize operating processes and protocols
GBAN – Future

- Link to other business school alumni networks in Canada
- Link to other business school alumni networks in APEC region
- Become truly global

We are just at pilot testing stage and welcome your input
Thank you
Factors Affecting the Business Success of Small and Medium Food Enterprises in the Philippines

Elaine Q. Borazon, PhD
Department of Hotel, Restaurant, and Institutions Management
University of the Philippines-Diliman
APEC Study Center-Philippines
Outline

1. Introduction
2. Review of Literature
   2.1. Resource-based Theory
   2.2. Institutional Theory
3. Methodology
   3.1. Sampling and Data Collection
   3.2. Research Instrument
   3.3. Data Analysis
Outline

4. Results
5. Discussion
6. Conclusion, Limitations, and Directions for Future Research
1. Introduction

- Factors contributing to business success of small and medium enterprises (SMEs) in the Philippines
- Resource-based theory and institutional theory
- Multi-faceted perspective of business success (Baum, Locke, & Smith, 2001; Chrisman, Bauerschmidt, & Hofer, 1998; Lumpkin & Dess, 1996)
- Identification of specific factors affecting business success would aid strategy managers and policymakers craft strategies and policies
1. Introduction

**Small enterprises** = total asset value of PhP 3 – 15M

= 10-99 employees

**Medium enterprises** = total asset value of PhP 15 -100M

= 100 to 199 employees

1. Introduction

- MSMEs = 99.57% of all registered business (NSO, 2011)
  - = 25% → total exports revenue (DTI, 2011)
  - = 61.02% → total jobs generated

- Small enterprises = 8.5% (NSO, 2011)
  - = 25.88% → total jobs generated
    (NSO, 2011)

- Medium enterprises = 0.40% (NSO, 2011)
  - = 7.12% → total jobs generated
    (NSO, 2011)
1. Introduction

Philippine food manufacturing MSMEs

- 41.31% of the total manufacturing MSMEs
- 6.62% → food manufacturing SMEs

Total workforce in food manufacturing industry = 303,322; 30% from food manufacturing SMEs

Small and medium accommodation and food service sector: 11%; contributes 51.64 percent workforce

(Source: NSO, 2011)
1. Introduction

Importance of SMEs

1. Support competitive and flexible markets through ease of entry and exit (TID, 2009)

2. Contribute to poverty alleviation (TID, 2009)
   - Indonesia’s SMEs - employ 90% of workforce (Tambunan, 2008)
   - Vietnam’s SMEs - employ 97% of workforce (Tran, Le, & Nguyen, 2008).
   - Australia’s SMEs - employ >50% of workforce (Husband & Mandal, 1999)

3. Have high share in supply of raw materials to large food processing manufacturers and fast food chains (JICA, et al., 2004)
1. Introduction

Constraints of small businesses

1. Lack of ability to continuously supply large quantities (JICA, et al., 2004)
2. Lack of product quality (Singh and Garg, 2008)
3. Availability of inputs (Aldaba, 2008)
4. Lack of access to information, markets, finance, institutional support, and technology (Mead & Liedholm, 1998; Swierczek & Ha, 2003; Aldaba, 2008)

Despite all these limitations, some SMEs are still successful in the business arena. Their success will depend on the strategic choices of the business owners and are affected by the interplay of economic, socio-cultural, technological, and political factors (Blackman, 2003).
1. Introduction

1.1 Research Question

What factors influence the success of food manufacturing SMEs in the Philippines?
2. Review of Literature and Hypotheses Development

- **Resources and Capabilities**
  - Human Capital
  - Entrepreneur’s Level of Education
  - Entrepreneur’s Previous Work Experience
  - Entrepreneur’s Age
  - Marketing Capability
  - Network Capability

- **Business Environment**
  - Environmental Dynamism

- **Firm Characteristics**
  - Firm Age
  - Firm Size

**Figure 1. Conceptual framework**
2.1 Resource-based theory

- organizations → endowment of resources (Rangone, 1999)
- Business success and differences in performance ← resources and capabilities having unique characteristics to the firm (Galbreath, 2005; Wernerfelt, 1984)

**Firm resources**

- (Amit and Schoemaker, 1993)
  “stocks of available factors that are owned or controlled by the firm”
- (Barney, 1991)
  ‘assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. that allow the firm to develop strategies benefiting its efficiency and effectiveness’
2.1 Resource-based theory

Capabilities

- refer to abilities of the firm to utilize resources through a set of coordinated activities to achieve a desired objective (Amit and Shoemaker, 1993; Helfat and Peteraf, 2003; Day, 1994)

Capabilities-based advantages = durable resources because of their scarcity, immobility, and inimitability (Reed and De Fillippi, 1990)

- Empirical studies: Wie and Wang, 2011; Capron and Hulland, 1999; and Moorman and Rust (1999)
2.1 Resource-based theory

Environment

- Physical and social factors which must be considered when making decisions (Duncan, 1972)
- **Dimensions**: munificence, dynamism, and complexity (Baum, et al., 2001)
- Resources of the firm can become valuable if the firm is able to neutralize threats or exploit opportunities (Barney, 1991; Sirmon et al., 2007).
2.1 Resource-based theory

Environment: Dynamism

- unpredictable changes and factors which increase uncertainty for organizations (Dess and Beard, 1984)
- Market demand changes, industry structure, and environmental shocks (Dess and Beard, 1984; Sirmon et al., 2007)
- Uncertainty → information deficit w/c affects how firms create value out of their resources (Sirmon et al. 2007), →decision-making difficulty and severe incorrect strategic decisions (Rosenbusch et al., 2007).
2.2. Institutional Theory

- Firms will behave in ways that will not make them distinct from their environment due to isomorphic* pressures (DiMaggio and Powell, 1983).
- Organizations will adopt strategies which are legitimated externally to prevent their behavior from being questioned (Meyer & Rowan, 1977).
- Firms imitate more successful/more legitimate/most profitable firms (Haveman, 1993; DiMaggio and Powell, 1983; Burns & Wholey, 1993).
- Providers of resources would usually support legitimate firms (Stinchcombe, 1965; Zimmerman, and Zeitz, 2002).
- Thus, legitimacy* stimulates success and survival of organizations (Meyer and Rowan, 1977).

*isomorphism = process of interaction that forces one thing to resemble another or other things that face the same conditions (DiMaggio and Powell, 1983)

† Legitimacy - judgment of acceptance or desirability (DiMaggio and Powell, 1983)
3. Methodology

3.1 Sampling and Data Collection

- Convenience sampling: food manufacturers; food service outlets
- Respondents: directors, managers, or owners of food manufacturing /food service SMEs
- National Capital Region (Manila, Quezon City, Caloocan, Pasay, Pasig, Makati, Mandaluyong, Marikina, Valenzuela, Muntinlupa, Paranaque, Las Pinas, Malabon, Navotas, Taguig, San Juan), MIMAROPA (Palawan), Bicol (Sorsogon City, Naga City), Central Luzon (Pampanga, Nueva Ecija, Bulacan), Ilocos region, CALABARZON (Cavite, Laguna, Rizal, Batangas), and SOCCSKSARGEN (Cotabato City, General Santos, Sultan Kudarat), and Davao region
- Email, in-person interviews, self-administered survey
- Sample size: 233
3. Methodology

3.2 Research Instrument

Questionnaire

Part I: Demographics

Part II: Dependent variables - Measures of business success (Perceptual, net income growth, payback period)

Part IV and V: Independent variables (marketing capability, network capability, environmental dynamism, firm age, firm size)
3. Methodology

3.2 Research Instrument

**Dependent variable**

- Subjective measure of business success: satisfaction or dissatisfaction on net income growth of the business, on time needed to reach break-even point (payback period), and on firm’s profitability relative to their competitors

- Objective measures: percent growth in net income and payback period
3. Methodology

3.3 Data Analysis

- Harman’s single-factor (one-factor) test: common method bias
- Structural Equation Modeling (SEM)
  - the study involves multiple constructs represented by several measured variables;
  - SEM can represent latent variables in the dependence relationships;
  - the reliability and validity of indicator variables associated with the latent variables can be assessed; and
  - SEM has the advantage of correcting for measurement error in the latent constructs (Hair et al., 2010)
- SPSS and AMOS version 20
3. Methodology

3.3 Data Analysis

- Convergent validity: factor loadings, critical ratios
- Construct reliability or internal consistency
- Discriminant validity
- Model fit: Root Mean Square Error of Approximation (RMSEA), Normed Chi-square (CMIN/df), and Comparative Fit Index (CFI)
# 4. Results

## 4.1 Data Description

Table 2. Demographic characteristics of the respondents (n= 233)

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<thead>
<tr>
<th>Characteristics</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
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<td>82 yrs old</td>
<td>45</td>
<td>13</td>
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<tr>
<td>Number of years of previous work experience</td>
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<td>45 yrs</td>
<td>12</td>
<td>10</td>
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<tr>
<td>Firm Age</td>
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<td>45 yrs</td>
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<td>10</td>
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<td>Number of employees</td>
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<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
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<tr>
<td>Food Service</td>
<td>64</td>
<td>27</td>
</tr>
</tbody>
</table>
4. Results

4.1 Data Description

Distribution of Respondents by Location (n=233)

- NCR: 34%
- CALABARZON: 24%
- Bicol: 18%
- SOCCSKSARGEN: 12%
- Ilocos: 9%
- Davao: 0%
- Central Luzon: 3%

Distribution of Respondents by Area of Work Experience (n=233)

- General Management: 23%
- Marketing: 26%
- Accounting: 13%
- Production: 20%
- HR Mgt: 6%
- Research and Development: 3%
- Engineering: 3%

Distribution of Respondents by Business Registration Status (n=233)

- Sole Proprietorship: 67%
- Corporation: 15%
- Partnership: 7%
- Cooperative/Association: 11%

Figure 2. Demographic characteristics of respondents
4. Results

**Figure 2. Structural regression model 1 (Y=perceived business success)**
4. Results

4.3 Theory Testing

Figure 3. Structural regression model 2 (Y=Net income growth)

* significant t p<0.05
4. Results

4.3 Theory Testing

Figure 4. Structural regression model 3 (Y=Payback period)
5. Discussion

5.5 Implications

Managerial implications

- Strategy managers should continually develop the resource bases and capabilities of their firm and conform to the rules and expectations of other stakeholders, the general public, and the government.

- Managers can focus on developing marketing strategy development processes and execution and ‘marketing mix’ processes (Morgan et al., 2009)

- Network capabilities can be enhanced by focusing on the firm’s relational skills, coordination activities, partner knowledge, and internal communication.
5. Discussion

5.5 Implications

Managerial implications

- Managers should strive for legitimacy by acquiring accreditations such as GMP (Good Manufacturing Practices), ISO (International Organization for Standardization), HACCP (Hazard Analysis and Critical Control Point), and GAP (Good Agricultural Practices) from the government and other regulatory bodies.
5. Discussion

5.5 Implications

Policy implications

- SME development can be done by enhancing the firm’s network and marketing capabilities through international trade exhibitions, trade missions, and assistance to exports (ERIA, 2014).

- Government institutions should have good governance and simplified legal and regulatory frameworks to increase regulatory compliance among small and medium enterprises.

- Government can provide technical assistance to young or newly-established small and medium enterprises (e.g. acquiring accreditations such as in the area of GMP, HACCP, ISO, and other environmental certifications).
6. Conclusion, Limitations, and Directions for Future Research

- The study was designed to determine the factors affecting the business success of small and medium food enterprises in the Philippines on the basis of resource-based theory and institutional theory.

- Empirical findings suggest that in general, the firm’s marketing and network capability, firm age, and firm size positively affect business success of small and medium food enterprises.

- Findings show the complementarities of resource-based theory and institutional theory in predicting business success of small and medium food enterprises in the Philippines and that their business success has to be viewed from a multi-faceted perspective.

- Provide a guide for strategy managers on which key variables to prioritize to enhance business success and for policymakers on which specific areas to improve when crafting support interventions to enhance the development of SMEs.
Other sources of human capital such as the firm’s employees and other members of the top management should be taken into consideration.

There may be other more factors that may lead to business success of small and medium food enterprises but were not considered in this research. Variables such as personality traits, motives of the entrepreneurs, competencies, and competitive strategies (Baum et al., 2001) can also be included.

Conclusion from the study is industry- and size-specific. Testing the theoretical model with other industries and firm size is recommended.

Results of the study should be accepted with caution due to small sample size.

Research is needed to focus on SMEs in other industry and regions of the country.

Cross-cultural research can also be done to develop a generalizable model for factors affecting the business success of small and medium enterprises.
Acknowledgement

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