



**Asia-Pacific  
Economic Cooperation**

**Advancing** Free Trade  
for Asia-Pacific **Prosperity**

# **Overview of the SME Sector in the APEC Region: Key Issues on Market Access and Internationalization**

**APEC Policy Support Unit**

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## **EXECUTIVE SUMMARY**

This report has been prepared as an update to a previous study conducted by the APEC Policy Support Unit (PSU) in 2010 and presents an overview of the SME sector in each of the APEC economies. Although the definition of an SME varies between members, the number of employees is a basic criterion for classifying businesses as SMEs in nearly all APEC economies. Other criteria used across the region include the amount of sales or revenue and/or the amount of assets or capital, with around half of the APEC members also using which sector or industry the business operates as a classification standard. In addition, 15 APEC members have size standards to classify micro, small, and/or medium-sized enterprises. Most APEC economies have a legislatively mandated or officially decreed definition of SMEs, while some have a working definition that may be adjusted accordingly by the various agencies implementing SME policies.

A key finding of the study is that there are nearly 150 million businesses considered to be SMEs across the APEC region, accounting for around two-thirds of employment. In most APEC economies, over 98% of enterprises are considered to be SMEs, with more than half having shares over 99%. The wholesale and retail trade sector, followed by service sector industries, comprise the highest share of total SMEs in most APEC economies. SMEs account for over 60% of total employment in the majority of APEC economies, with several having shares over 80%. Employment by SMEs tends to grow at an annual rate of around 1.0% to 2.5% among the APEC economies. Although growth in employment by large enterprises typically outpaces that of SMEs, SMEs contributed over 60% to net employment growth in half of the APEC economies over the past 5-10 years with several economies having shares above 90%. In addition, SMEs typically contribute between 40% to 60% of GDP or value added in most APEC economies.

A lack of comprehensive and uniform data on exports by firm size in many economies presents a major challenge for conducting analysis on SME exports across the APEC region. The study finds that SMEs as a share of total goods exporters varies widely across the APEC members, but generally accounts for over 70% of total exporters in those economies for which there are data. Similarly, the contribution of SMEs to total goods export value also varies quite substantially across the economies, with several having shares below 15%, while others have shares above 25%. Data from the World Bank Enterprise Surveys for selected APEC members reveal that in many of those economies covered by the survey there are more than three times the number of manufacturing firms engaged in exporting than there are exporting services firms.

In nearly all of the APEC economies for which there are data on goods exports, annual growth in the number of large exporters outpaced that of SME exporters over the past 5-10 years. However, SME exporters accounted for a substantial share of net growth in the total number of goods exporters, with nearly all of the APEC members for which there are data having shares above 70%. In terms of export value, most APEC members experienced annual growth rates of over 4%, although growth in the value of goods exports from large enterprises outpaced that of SMEs in more than half of the APEC economies.

SMEs often face a number of barriers – both internal and external – in order to participate in international trade. Although large enterprises also encounter many of the same external

barriers, the World Trade Organization has found that the ability of SMEs to export is more adversely impacted by trade costs (both fixed and variable) than that of large firms. E-commerce and participating in regional and global value chains can allow SMEs to overcome some of the major obstacles to trade, thereby offering channels through which SMEs can more easily internationalize. However, many of the same barriers to trade still remain as challenges in order for SMEs to enter into GVCs, while ICT-enabled trade can present its own unique obstacles for SMEs.

The specific barriers that SMEs face in participating in a greater level of international trade can vary by sector and by an SME's level of experience with respect to internationalization activities. Thus, the heterogeneity that exists within the SME sector presents a major obstacle for policy formulation and underscores the importance of designing targeted initiatives to achieve policy goals. The report highlights a number of programs that are in place across the APEC region to help SMEs become more internationalized, ranging from providing financial assistance to export-ready SMEs to initiatives that support further integration of SMEs into global value chains.

Based on the findings of this study, the PSU proposes the following recommendations:

- collect comprehensive data by firm size, especially for exports;
- continue to improve the overall business environment and reduce barriers to trade;
- implement targeted policies to improve the internationalization of SMEs; and
- share best practices, build capacity, and aim to harmonize SME data within APEC.

## 1. INTRODUCTION

Small and medium sized enterprises (SMEs) are considered to be a crucial component of a robust economy and are often an indicator of overall economic health.<sup>1</sup> Since most new businesses start out small – including those that grow to become large enterprises – SMEs can be an important source of innovation, competitiveness, and job creation in an economy. Research has found that entrepreneurship in the form of innovative, high-growth startups has a positive impact on economic growth and employment.<sup>2</sup> Underscoring the importance of SMEs, the APEC Ministers Responsible for Trade in 2015 endorsed the Boracay Action Agenda to Globalize MSMEs, agreeing to a number of specific actions under the priority areas of trade facilitation, trade finance, e-commerce, and institutional support in order to address barriers to internationalization.

In 2010, the APEC Policy Support Unit (PSU) conducted a study on SME Market Access and Internationalization for the APEC Small and Medium Enterprises Working Group (SMEWG) in support of the Strategic Plan for 2009-2012 that had been endorsed in 2008.<sup>3</sup> The study assessed the Key Performance Indicator (KPI) of growth in SME exports that was agreed to by the SMEWG in 2009 and attempted to establish baseline figures for future evaluation. Despite encountering limitations as to the availability of SME data, the report presented an overview of the SME landscape across the APEC region and discussed some of the channels through which SMEs can engage in internationalization activities as well as the barriers they face.

This report is an update to the previous 2010 PSU study. It aims to support the Boracay Action Agenda to Globalize MSMEs and the SMEWG Strategic Plan for 2017-2020 that was endorsed in 2016. One of the priority areas under the Strategic Plan is market access for SMEs. The objectives under this priority area are to (1) promote integration of SMEs into global value chains; (2) strengthen SMEs' export capabilities and capacity for internationalization; and (3) enhance collaboration between SMEs, micro and large enterprises for the purpose of market access.

The report examines the profile of SMEs in terms of their definition, number, and distribution as well as their contribution to employment and GDP in each of the APEC economies. It places emphasis on whether there have been any noticeable shifts over the past decade and whether there are any trends evident across the APEC region. It also presents an overview of SME exports across the region and discusses some of the barriers that SMEs face in exporting and engaging in other forms of internationalization. It concludes with a brief discussion of the various policies that aim to improve the internationalization of SMEs as well as some of the current initiatives in place among the APEC members.

In order to fully examine the profile of SMEs across the region since the time of the last report in 2010, it was important to gather historical data on SMEs. Given that there are no international sources for standardized SMEs data, the PSU designed and implemented a survey among the

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<sup>1</sup> Some APEC members refer to this sector as micro, small, and medium enterprises (MSMEs). In this report, we use the term SMEs to refer to both the SMEs and the MSMEs sectors in the APEC economies.

<sup>2</sup> For example, Haltiwanger et al. (2017) found that high-growth young firms contribute disproportionately to job creation, output, and productivity growth in the United States. For instance, startups account for about 10% of firms and more than 20% of gross job creation by firms in a typical year.

<sup>3</sup> APEC Policy Support Unit (2010).

SMEWG members in order to conduct the study (Annex 1). The survey sought to solicit data and information across the following three major topics:

- how SMEs are defined;
- data on SMEs (number of enterprises, number of employees, contribution to GDP, number of exporting enterprises, value of exports); and
- key issues and policies regarding the internationalization of SMEs.

Unfortunately, responses to the survey were minimal.<sup>4</sup> The PSU were instead able to collect data for most of the relevant indicators listed above using publicly available data from official domestic sources (such as statistical agencies) for many of the APEC members. However, due to the unavailability of time series data on SMEs in many APEC economies, the reference period has been shortened for many economies. For most economies, we have historical SMEs data for at least a five-year to 10-year period, but there are a few exceptions where the historical reference period is shorter than five years for some economies and for some indicators. Nevertheless, we refer to the historical analysis that is presented as the “5 to 10-year reference period” throughout the report.

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<sup>4</sup> The PSU received responses to the survey from the following six APEC members: Australia; Canada; Chile; Hong Kong, China; Singapore; and Thailand.

## 2. OVERVIEW OF THE SME SECTOR ACROSS THE APEC REGION

SMEs can be defined according to several different criteria, which can include the number of employees, the amount of sales or revenue, and/or the amount of assets or capital that a business has. The classification standards for each criterion can also differ according to which sector or industry the business operates. Economies may therefore use a combination of criteria, and a variety of standards for meeting those criteria, in order to determine whether a particular enterprise is classified as an SME. Different agencies within an economy may also find it useful to define SMEs differently in order to implement various initiatives geared towards SMEs. The definition of an SME can therefore vary even within an economy. Given that the definition of an SME reflects underlying characteristics of an economy, it is not surprising that SME definitions vary quite substantially across the APEC region.

In nearly all APEC economies, the number of employees is a basic criterion for determining whether a business is to be classified as an SME (Table 1 and Appendix 1). Many APEC members also use criteria on the amount of sales or revenue and/or the amount of assets or capital in order to define SMEs. Around half of the APEC members have classification standards that factor in which sector or industry the business operates. In some APEC economies, enterprises must meet all of the criteria in order to be classified as an SME, whereas in other APEC economies, enterprises must meet only one or two of the criteria. Some APEC members, such as Mexico and Papua New Guinea, use a formula or scoring matrix based on specific criteria standards in order to classify SMEs.

**Table 1. Summary of Classification Criteria for SMEs**

Economy	Number of Employees	Sales / Revenue	Assets / Capital	Sector / Industry	Effective date of most recent official definition
Australia <sup>1</sup>	☐	☐			---
Brunei Darussalam	☐				---
Canada <sup>2</sup>	☐				---
Chile	☐	☐			2010
China <sup>3,4</sup>	☐	☐	☐	☐	2017
Hong Kong, China	☐			☐	---
Indonesia <sup>4,5</sup>		☐	☐		2008
Japan <sup>4</sup>	☐		☐	☐	1999
Korea		☐	☐	☐	2015
Malaysia <sup>4</sup>	☐	☐		☐	2014
Mexico <sup>6</sup>	☐	☐		☐	2009
New Zealand	☐				---
Papua New Guinea <sup>7</sup>	☐	☐	☐	☐	2016
Peru		☐			2013
The Philippines <sup>8</sup>			☐		2008
Russia	☐	☐			2015
Singapore <sup>4</sup>	☐	☐			2011
Chinese Taipei <sup>3,4</sup>	☐	☐	☐	☐	2009
Thailand	☐		☐	☐	2002
United States <sup>3</sup>	☐	☐		☐	2017
Viet Nam <sup>4</sup>	☐	☐	☐		2018

Note: Not all APEC members have a specific law or decree that defines SMEs. Instead some members have a working definition that may be adjusted accordingly by the various agencies implementing SME policies.

<sup>1</sup> Although the Australian Bureau of Statistics (ABS) classifies an SME based on number of employees only, policy makers often use the SME definition of the Australian Taxation Office (ATO), which is based on annual revenue turnover. To calculate exports data, ABS also uses the value of sales and the value of exports as criteria, in addition to the number of employees, to define an SME.

<sup>2</sup> Statistics Canada sometimes uses revenue as an additional criterion, while Industry Canada defines SMEs based on the number of employees and economic sector.

<sup>3</sup> In the following economies, the applicable criteria in order to be classified as an SME depends on which industry the business operates: China; Chinese Taipei; and the United States.

<sup>4</sup> In the following economies, enterprises must meet either of the criteria in order to be classified as an SME: China (number of employees or amount of operating revenue; amount of operating revenue or amount of total assets); Indonesia (amount of sales or amount of assets); Japan (number of employees or amount of capital); Malaysia (number of employees or amount of sales turnover); Singapore (number of employees or amount of revenue); Chinese Taipei (number of employees or amount of sales; number of employees or amount of capital); and Viet Nam (number of employees and either amount of revenue or amount of capital).

<sup>5</sup> The definition of an SME under Indonesian law, which is based on limits of either sales or assets, differs from the generally accepted working definition of an SME in Indonesia, which is based on number of employees. The current legal definition is in the process of being amended to include employment as a criterion.

<sup>6</sup> In Mexico, a formula that takes into account both the number of employees and the amount of annual sales is used to determine the size of an enterprise.

<sup>7</sup> Papua New Guinea uses a scoring matrix to determine the size classification of an enterprise based on allowable ranges of the number of employees, amount of sales, and amount of assets within each size category.

<sup>8</sup> The definition of an SME under Philippine law, which is based exclusively on limits of assets, differs from the generally accepted working definition of SMEs in the Philippines, which is based on number of employees.

Source: See Appendices 1 and 2.

Most APEC economies have a definition of SMEs that has been legislatively mandated or officially decreed. Over the past 10 years, Chile and Papua New Guinea have introduced legislation that formally defines SMEs in their economies. In addition, given that the classification of SMEs is based on underlying economic characteristics, it is normal for the definition to change over time in an economy.<sup>5</sup> Indonesia and Thailand are both currently in the process of revising the definition of SMEs in their economy, while the United States reviews its classification standards every five years. However, not all APEC members have a specific law that defines SMEs. Instead some members have a generally accepted definition, such as Hong Kong, China, or a working definition that may be adjusted accordingly by the various agencies implementing SME policies, such as Australia and Canada.

## A. PROFILE OF SMES

In most APEC economies, over 98% of enterprises are considered to be SMEs, with more than half of the APEC members having shares over 99% (Table 2). These shares have remained fairly constant over the past decade for all APEC members. Based on how each member defines an SME and using the latest data available in each economy, there are nearly 150 million businesses across the APEC region that are considered to be SMEs, representing approximately 99.8% of all enterprises in the region. It is important to note that what is considered to be an SME in one economy may not be considered to be an SME in another economy given that APEC members define SMEs differently.

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<sup>5</sup> Although the legal or established definition in an economy is typically used to determine whether an enterprise qualifies as an SME in order to access initiatives, data on SMEs are often collected based on the number of employees only. This makes it possible to conduct historical data analysis even when the official definition has been revised. However, there are instances when the definition of SMEs undergoes a significant revision or when there are changes in the data collection methodology. Such breaks in the historical data series have been mitigated as much as possible in this report.

In addition, the actual number of SMEs in an economy is calculated based not only on different SME classification standards, but also on different data collection methodologies. For instance, the data for Australia include sole proprietorships and non-employed enterprises as SMEs, while the data for Canada do not. Similarly, Indonesia includes the informal sector in its data collection, while other economies with large informal sectors, such as Peru and the Philippines, do not include this sector. Thus, when examining the numbers that are presented in this report, it is important not to make comparisons between economies. It is more appropriate to examine changes over time within each economy and then analyse whether there are any trends being exhibited across the APEC region.

**Table 2. Number of SMEs**

Economy	Number of SMEs	Share of Total Enterprises (%)	Year	Number of SMEs	Share of Total Enterprises (%)	Year
Australia	2,309,436	99.8	2017-18	2,044,316	99.7	2008-09
Brunei Darussalam	5,876	97.2	2017	5,427	97.5	2010
Canada <sup>1</sup>	1,280,764	99.8	2018	1,119,778	99.8	2011
Chile	944,905	98.6	2017	764,270	98.7	2009
China <sup>2</sup>	21,921,056	99.6	2017	N/A		
Hong Kong, China	338,113	98.3	2018	281,808	98.2	2009
Indonesia	64,194,056	99.99	2018	52,764,750	99.99	2010
Japan	3,578,176	99.7	2016	4,201,264	99.7	2009
Korea	3,732,997	99.9	2017	3,066,484	99.9	2009
Malaysia <sup>1</sup>	907,065	98.5	2015	645,136	97.3	2010
Mexico	4,169,677	99.7	2018	4,048,543	99.7	2015
New Zealand	518,856	97.0	2018	468,282	97.2	2009
Papua New Guinea <sup>3</sup>	49,500	13.0	2016	N/A		
Peru	1,899,584	99.5	2017	1,126,757	99.5	2009
The Philippines <sup>1</sup>	920,677	99.6	2017	774,664	99.6	2010
Russia	4,531,300	N/A	2014	3,583,800	N/A	2010
Singapore	262,600	99.5	2018	242,900	99.5	2014
Chinese Taipei	1,466,209	97.6	2018	1,232,025	97.9	2009
Thailand	3,077,822	99.8	2018	2,896,106	99.8	2009
United States	30,748,033	99.9	2016	27,445,625	99.9	2009
Viet Nam	507,860	98.1	2017	333,835	97.7	2012

Note:

<sup>1</sup> Data shown for Canada; Malaysia; and the Philippines are the number of establishments rather than enterprises.

<sup>2</sup> Data shown for China are the number of legal entities and is based on the generally accepted estimate that 99.6% of enterprises in China are SMEs.

<sup>3</sup> Data shown for Papua New Guinea are based on enterprises in the formal sector only. The informal sector is estimated to account for around 85% of the total economy.

Source: See Appendix 2.

The number of SMEs tends to grow at a rate of around 1.0% to 2.5% per year in most APEC economies (Table 3). Over the most recent 5 to 10-year period (the reference period depends on the availability of data for each economy), several APEC economies experienced strong growth in the number of SMEs, including Malaysia; Peru; Russia; and Viet Nam. However, in Japan there was a decrease in the number of both SMEs and large enterprises, reflecting the overall decline in the number of total enterprises due to ongoing demographic changes.<sup>6</sup> In around half of the APEC economies, growth in the number of large enterprises outpaced growth in the number of SMEs over the reference period.

<sup>6</sup> Japan Ministry of Economy, Trade and Industry (2018) found that between 2009-2014 there was a large decrease in the number of enterprises with five or fewer employees that had been established in 1984 or earlier.

Nevertheless, the contribution of SMEs to net growth in the number of enterprises is substantial. For instance, despite experiencing rather significant declines in the number of large enterprises, Australia and Malaysia still had net growth in the total number of enterprises due to growth in the number of SMEs. In fact, SMEs contributed over 98% of net growth in the number of enterprises for most APEC economies over the reference period, with most of those economies having shares over 99%. This is consistent with the finding above that SMEs comprise most of the enterprises in the APEC economies and that this share has remained fairly stable over the past decade. It also helps to illustrate the importance of SMEs as a source of job creation and economic growth within an economy.

**Table 3. Growth in Number of Enterprises (%)**

Economy	SMEs	Large Enterprises	SME Share of Net Growth in Enterprises	Period
Australia	1.4	-5.4	100.0	2008-09 - 2017-18
Brunei Darussalam	1.1	3.0	93.3	2010 - 2017
Canada	1.9	2.6	99.7	2011 - 2018
Chile	2.7	3.6	98.2	2009 - 2017
China	115.0	19.0	99.9	2013 - 2018
Hong Kong, China	2.0	1.7	98.6	2009 - 2018
Indonesia	2.5	2.2	99.99	2010 - 2018
Japan <sup>1</sup>	-2.3	-0.9	0.0	2009 - 2016
Korea	2.5	5.5	99.8	2009 - 2017
Malaysia	7.1	-5.3	100.0	2010 - 2015
Mexico	1.0	1.2	99.7	2015 - 2018
New Zealand	1.1	2.1	94.8	2009 - 2018
Peru	6.7	6.7	99.5	2009 - 2017
The Philippines	2.5	4.2	99.3	2010 - 2017
Russia	6.0	N/A	N/A	2010 - 2014
Singapore	2.0	0.0	99.5	2014 - 2018
Chinese Taipei	2.0	3.4	96.2	2009 - 2018
Thailand	0.7	3.7	99.0	2009 - 2018
United States	1.6	1.7	99.9	2009 - 2016
Viet Nam	8.8	5.3	98.7	2012 - 2017

Note: Compound annual growth rate (CAGR) is used to show the growth rate over the reference period. Net growth in enterprises is the difference in total number of enterprises over the period shown.

<sup>1</sup> The total number of enterprises in Japan declined over the reference period; SMEs accounted for 99.9% of the decline.

Source: See Appendix 2.

Another way to look at the prevalence of SMEs in an economy is to examine SME density, or intensity, which is the number of SMEs per 1,000 people. SME density is often an indicator as to the overall business environment in an economy, reflecting the ease at which new businesses can enter the market. However, given the previous discussion on SME data collection methodologies and the limits of cross-economy comparisons, a single point in time may not necessarily show the complete picture concerning the number of SMEs in an economy. It is therefore more useful to examine the change in SME density within an economy over time.

Over the most recent 5 to 10-year reference period, SME density in around half of the APEC economies remained roughly the same, while it increased by more than 5 points in the other half of APEC economies (Table 4). In particular, Indonesia; Korea; and Peru experienced increases of greater than 10 points over their reference period.

**Table 4. SME Density (per 1,000 people)**

Economy	SME Density	Year	SME Density	Year
Australia	92.4	2017-18	94.2	2008-09
Brunei Darussalam	13.8	2017	14.0	2010
Canada	34.6	2018	32.6	2011
Chile	51.2	2017	45.3	2009
China	15.8	2017	N/A	
Hong Kong, China	45.4	2018	40.4	2009
Indonesia	239.8	2018	218.2	2010
Japan	28.2	2016	32.8	2009
Korea	72.5	2017	62.2	2009
Malaysia	30.0	2015	22.9	2010
Mexico	33.0	2018	33.2	2015
New Zealand	106.2	2018	108.8	2009
Papua New Guinea	6.0	2016	N/A	
Peru	60.4	2017	39.1	2009
The Philippines	8.8	2017	8.2	2010
Russia	31.5	2014	25.1	2010
Singapore	46.6	2018	44.4	2014
Chinese Taipei	62.2	2018	53.3	2009
Thailand	44.3	2018	43.3	2009
United States	95.2	2016	89.5	2009
Viet Nam	5.4	2017	3.7	2012

Note: SME density, or SME intensity, is measured as the number of SMEs per 1,000 people in an economy.

Source: For SME data, see Appendix 2. Population data are from the World Bank, World Development Indicators online database and Chinese Taipei's Ministry of the Interior.

Economies often find it useful to disaggregate SMEs by size in order to better target specific initiatives to enterprises of a certain size. Fifteen APEC members currently have size standards to classify micro, small, and/or medium-sized enterprises.<sup>7</sup> Among these APEC economies, micro-sized enterprises tend to make up the highest share of total SMEs, followed by small-sized enterprises, with medium-sized enterprises often comprising a very low share of total SMEs (Table 5). In those economies that collect data separately on sole proprietorships and non-employing enterprises, these enterprises comprise the majority of SMEs.<sup>8</sup> Individual

<sup>7</sup> Viet Nam revised their definition of SMEs in 2018, removing the micro, small, and medium size standards. However, the latest data available (2017) references the previous definition of SMEs, which included disaggregated size standards. (See Appendix 1 for more detail.)

<sup>8</sup> This group of enterprises is referred to as sole proprietorships, individual entrepreneurs, and non-employing enterprises among the APEC economies. These terms are therefore used interchangeably throughout this report. Some economies do not consider these types of enterprises as SMEs, while others include them in the data as micro-sized or small-sized enterprises.

entrepreneurs make up over 50% of all SMEs in Japan and Russia, while non-employing enterprises comprise 80% of total SMEs in the United States.

**Table 5. Distribution of SMEs by Size (%)**

Economy	Sole Proprietorships & Non-employing	Micro	Small	Medium	Year
Australia	62.2	27.2	8.5	2.2	2017-18
Brunei Darussalam	---	41.6	42.4	16.1	2017
Canada	---	---	98.2	1.8	2018
Chile	---	76.5	20.6	2.9	2017
China	---	85.3	13.2	1.3	2018
Indonesia	---	98.7	1.2	0.1	2018
Japan <sup>1</sup>	55.3	33.2		11.5	2016
Korea	---	---	85.4	14.6	2017
Malaysia	---	76.5	21.3	2.3	2015
Mexico	---	97.3	2.7		2018
New Zealand	72.6	---	27.4	---	2018
Peru	---	96.7	3.2	0.1	2017
The Philippines	---	90.0	9.6	0.4	2017
Russia	53.3	41.2	5.2	0.3	2014
Thailand	75.0	---	24.4	0.6	2017
United States	80.7	---	19.3		2016
Viet Nam	---	75.9	22.5	1.7	2017

Note:

<sup>1</sup> Of the sole proprietorships in Japan that are SMEs, 94.1% are classified as small-sized and 5.9% are classified as medium-sized.

Source: See Appendix 2.

Given that most enterprises in an economy are classified as SMEs, it is not surprising that most industries are also dominated by SMEs. Therefore, examining the share of total SMEs found in each industry gives a clearer picture as to the distribution of SMEs across economic sectors. The wholesale and retail trade sector comprises the highest share of total SMEs in most APEC economies, typically followed by high shares of SMEs in service industries (Table 6). In contrast, industry sectors with natural or regulatory barriers to entry that typically require large initial capital investments – such as mining and quarrying, oil and gas extraction, and the provision of utilities – have the lowest share of total SMEs in nearly all APEC economies.

Despite the difficulty in making comparisons between the APEC members given differences in industrial classification systems as well as limited data availability across all economic sectors, we note some interesting findings. For instance, the construction industry comprises between 10% to 13% of total SMEs in several diverse APEC economies, including Canada; Japan; New Zealand; Papua New Guinea; Russia; United States; and Viet Nam. In contrast, the agriculture, forestry and fishing sector, comprising one of the highest shares of total SMEs in New Zealand at 12.4%, comprises just 0.04% of total SMEs in Korea and 0.8% in both Chinese Taipei and the United States.

For those economies in which there are historical data on the share of total SMEs across industries, the distribution of SMEs across economic sectors remained fairly constant over the reference period – including in Chile; Japan; Malaysia; New Zealand; and the United States. In fact, large shifts only become evident over much longer periods as economies move from manufacturing to services. However, changes within an economic sector can sometimes be seen over a shorter period of time. For example, within the service sector in Hong Kong, China,

the share of total SMEs in the commerce (import/export trade and wholesale) and retail industries fell from 54.1% in 2009 to 45.6% in 2018, while the share of total SMEs in other service industries rose from 41.2% to 51.4% over that period.

**Table 6. Distribution of SMEs by Industry**

Economy	Highest Share of Total SMEs		Lowest Share of Total SMEs		Year
	Industry	Share (%)	Industry	Share (%)	
Australia <sup>1</sup>	Construction Professional, scientific and technical services Accommodation and food services	12.7 11.4 10.7	Electricity, gas, water and waste services Mining Information media and telecommunications	0.46 0.52 0.93	2017-18
Canada	Construction Professional, scientific and technical services Retail trade	11.5 11.5 11.3	Utilities Mining, quarrying, and oil and gas extraction Educational services	0.1 0.7 1.1	2018
Chile	Commerce Real estate, business and rental activities Transportation, storage and communications	34.7 12.7 9.7	Electricity, gas and water supply Mining and quarrying Fishing	0.31 0.38 0.40	2017
Hong Kong, China	Import/export trade and wholesale Professional and business services Retail	32.4 14.6 13.2	Mining and quarrying; electricity and gas supply, and waste management; construction Transportation, storage, postal and courier services Manufacturing	0.4 2.5 2.6	2018
Indonesia <sup>2</sup>	Manufacture of food products Manufacture of wood and of wood and cork products Manufacture of wearing apparel	42.7 18.9 11.1	Manufacture of coke and refined petroleum products Manufacture of electrical equipment Manufacture of computer, electronic and optical products	0.0 0.006 0.008	2015
Japan	Retail trade Accommodations, eating and drinking services Construction	17.4 14.2 12.0	Electricity, gas, heat supply and water Mining and quarrying of stone and gravel Finance and insurance	0.03 0.04 0.8	2016
Korea	Wholesale and retail Accommodation and restaurants Manufacturing	27.9 19.7 11.3	Electricity, gas, steam and water Agriculture, forestry and fishery Mining	0.02 0.04 0.06	2015
Malaysia	Services Manufacturing Construction	89.2 5.3 4.3	Mining & Quarrying Agriculture	0.1 1.1	2015
Mexico	Commerce	51.4	Manufacturing Services	12.5 36.1	2018

Economy	Highest Share of Total SMEs		Lowest Share of Total SMEs		Year
	Industry	Share (%)	Industry	Share (%)	
New Zealand	Rental, hiring and real estate services Agriculture, forestry and fishing Construction	22.0 12.4 11.7	Mining Electricity, gas, water and waste services Information media and telecommunications	0.1 0.2 1.1	2018
Papua New Guinea	Retail/Wholesale Trade Transport Building and Construction	35.0 15.0 12.5	Hospitality Business Services (e.g. security) Manufacturing	7.5 10.0 10.0	2016
Peru	Wholesale and retail trade; repair Other community, social and personal service activities Real estate, renting and business activities	46.2 12.0 11.0	Electricity, gas and water supply Fishing Financial intermediation	0.07 0.15 0.18	2017
The Philippines	Wholesale and retail trade; repair Accommodation and food service activities Manufacturing	46.5 13.3 12.7	Mining and quarrying Electricity, gas, steam, and air conditioning supply Water supply; sewerage, waste management and remediation activities	0.10 0.11 0.14	2015
Russia	Trade and repair Real estate and services	38.7 20.3	Manufacturing Construction	9.6 11.9	2014
Chinese Taipei	Wholesale and retail trade Accommodation and food service activities Manufacturing	47.3 11.2 9.8	Mining and quarrying Human health and social work activities Electricity and gas supply	0.073 0.074 0.090	2018
Thailand	Trade Services	41.6 39.6	Agri-business Manufacturing	1.5 17.3	2017
United States	Other Services (e.g., repair and maintenance; personal care services) Professional, Scientific, and Technical Services Construction	14.2 13.8 10.3	Utilities Mining, Quarrying, and Oil and Gas Extraction Agriculture, Forestry, Fishing and Hunting	0.1 0.3 0.8	2016
Viet Nam	Wholesale and retail trade; repair Manufacturing Construction	39.7 14.5 13.1	Electricity, gas, steam and air conditioning supply Water supply, sewerage, waste management and remediation activities Human health and social work activities	0.27 0.33 0.33	2017

Note: Industry classification systems can differ between economies, thereby somewhat limiting cross-economy comparisons. For some economies, the available data do not cover all industry sectors. In some economies, industries such as “Extraterritorial organizations”, “Management of companies and enterprises”, and “Public administration and safety” had the lowest shares of total SMEs. However, these industries have not been shown for the purpose of this analysis.

<sup>1</sup> Data shown for Australia are the shares of total employment by SMEs rather than the shares of total SMEs.

<sup>2</sup> Data shown for Indonesia cover micro and small-sized establishments in the manufacturing sector only.

Source: See Appendix 2.

## B. CONTRIBUTION OF SMES

The share of total employment by SMEs varies quite substantially across the APEC region, ranging from 25.2% in Russia to 97.0% in Indonesia (Table 7). Employment by SMEs comprises over 60% of total employment in the majority of APEC economies, with several APEC members having shares over 80%. Based on how each member defines an SME and using the latest data available in each economy, there are over 950 million people employed by SMEs across the APEC region, accounting for nearly two-thirds of total employment in the region. The share of total employment by SMEs has remained fairly constant over the past 5 to 10-year reference period across the APEC members. Only in Malaysia and Thailand did the share of total employment by SMEs change substantially over the reference period, increasing by 13.3 and 7.3 percentage points, respectively.

**Table 7. Employment by SMEs**

Economy	Number of Employees	Share of Total Employment (%)	Year	Number of Employees	Share of Total Employment (%)	Year
Australia	7,634,000	68.3	2017-18	6,889,000	70.2	2008-09
Brunei Darussalam	66,123	57.3	2017	59,179	59.4	2010
Canada <sup>1</sup>	13,666,900	86.5	2018	13,290,300	87.5	2015
Chile	3,970,273	47.3	2017	3,294,399	49.7	2009
China <sup>2</sup>	621,120,000	80.0	2017	N/A		
Hong Kong, China	1,314,031	45.6	2018	1,202,777	48.0	2009
Indonesia	116,978,631	97.0	2018	96,193,623	97.3	2010
Japan	32,201,032	68.8	2016	33,144,529	69.0	2009
Korea	15,527,605	89.8	2017	11,751,022	87.7	2009
Malaysia	N/A	66.0	2017	3,669,259	52.7	2010
Mexico	12,729,320	63.8	2017	11,508,100	62.6	2014
New Zealand	645,300	28.8	2018	591,200	30.5	2009
Papua New Guinea <sup>3</sup>	291,346	12.3	2016	N/A		
Peru	9,840,871	89.4	2017	9,525,345	88.5	2013
The Philippines	4,922,251	62.8	2017	3,532,935	62.3	2010
Russia	18,021,000	25.2	2014	17,602,800	25.2	2010
Singapore	2,500,000	71.4	2018	2,400,000	70.6	2014
Chinese Taipei	8,965,000	78.4	2018	8,066,000	78.5	2009
Thailand	13,950,241	85.5	2018	9,701,354	78.2	2009
United States	59,915,217	47.3	2016	56,281,503	49.2	2009
Viet Nam	6,263,989	44.5	2017	5,129,980	46.8	2012

Note:

<sup>1</sup> Data shown for Canada are the number of employed by businesses with between 1-500 employees. (Canada typically defines an SME as having between 1-499 employees.)

<sup>2</sup> Data shown for China are based on the generally accepted estimate that employment by SMEs accounts for over 80% of total employment in China.

<sup>3</sup> Data shown for Papua New Guinea are based on enterprises in the formal sector only. The informal sector is estimated to account for around 85% of the total economy.

Source: See Appendix 2. Total employment data for Papua New Guinea are from International Labour Organization, ILOSTAT online database.

Employment by SMEs tends to grow at a rate of around 1.0% to 2.5% per year in over half of the APEC economies for which there are data (Table 8). Over the most recent 5 to 10-year period (the reference period depends on the availability of data for each economy), several APEC economies experienced strong growth in employment by SMEs, including the Philippines; Thailand; and Viet Nam. However, in the majority of APEC economies for which there are data, growth in employment by large enterprises outpaced that of SMEs over the

reference period, growing at an annual rate greater than 2.0% in over half of the APEC economies. Only in a few APEC economies, including Korea and Mexico, did growth in employment by SMEs outpace that of large enterprises.

In general, SMEs' share of net employment growth was quite substantial over the reference period, contributing over 60% in half of the APEC economies for which there are data, with several economies having shares above 90%. In some economies – such as Peru and Thailand, which experienced a decrease in the number of people employed by large enterprises – employment by SMEs accounted for the entire increase in total employment over the reference period. As the International Labour Organization reports, empirical studies do indeed confirm that SMEs are an engine of job creation and employment growth.<sup>9</sup>

**Table 8. Growth in Number of Employees (%)**

Economy	SMEs	Large Enterprises	SME Share of Net Growth in Employment	Period
Australia	1.1	2.2	54.5	2008-09 - 2017-18
Brunei Darussalam	1.6	2.8	44.2	2010 - 2017
Canada	0.9	3.9	61.7	2015 - 2018
Chile	2.4	3.6	38.0	2009 - 2017
Hong Kong, China	1.0	2.1	29.7	2009 - 2018
Indonesia	2.5	3.8	95.7	2010 - 2018
Japan <sup>1</sup>	-0.4	-0.3	0.0	2009 - 2016
Korea	3.5	0.9	96.9	2009 - 2017
Mexico	3.4	1.6	78.0	2014 - 2017
New Zealand	1.0	1.9	17.8	2009 - 2018
Peru	0.8	-1.5	100.0	2013 - 2017
The Philippines	4.9	4.5	64.2	2010 - 2017
Russia	0.6	0.6	26.1	2010 - 2014
Singapore	1.0	0.0	100.0	2014 - 2018
Chinese Taipei	1.2	2.4	76.7	2009 - 2018
Thailand	4.1	-1.4	100.0	2009 - 2018
United States	0.9	2.0	29.7	2009 - 2016
Viet Nam	4.1	6.0	36.5	2012 - 2017

Note: Compound annual growth rate (CAGR) is used to show the growth rate over the reference period. Net growth in employment is the difference in total employment over the period shown. (For some economies, the reference period used to illustrate growth in the number of employees is not the same as the one used to show growth in the number of enterprises.)

<sup>1</sup> Total employment in Japan declined over the reference period; SMEs accounted for 75.9% of the decline.

Source: See Appendix 2.

In addition to being a key source of employment across the APEC region, SMEs also make a significant contribution to overall economic activity. SMEs typically contribute between 40% to 60% of GDP or value added in those economies in which such data by firm size are available (Table 9). In those economies in which sales or revenue is used as a measure, SMEs typically contribute around 30% of total sales revenue among these APEC members, with the

<sup>9</sup> International Labour Organization (2015).

contribution from SMEs ranging from 13.8% in Chile to 45.1% in Viet Nam. The share of SMEs' contribution to economic activity has remained fairly constant over the reference period, with only Brunei Darussalam; Hong Kong, China; Malaysia; and Thailand experiencing a change of over 4.5 percentage points.

**Table 9. Economic Contribution by SMEs**

Economy	Measure	Value	SME Share of Total (%)	Year	Value	SME Share of Total (%)	Year
Australia	Value added	AUD 674.9 billion	55.8	2017-18	AUD 479.8 billion	57.5	2008-09
Brunei Darussalam	Revenue	BND 8.2 billion	35.4	2017	BND 7.9 billion	26.8	2010
Canada <sup>1</sup>	Sales	CDA 1.1 billion	35.0	2017	N/A		
Chile <sup>2</sup>	Sales	UF 3.1 billion	13.8	2017	UF 2.3 billion	15.8	2009
China <sup>3</sup>	GDP	RMB 49.6 trillion	60.0	2017	N/A		
Hong Kong, China	Value added	HKD 685.6 billion	37.0	2017	HKD 481.7 billion	43.2	2009
Indonesia	GDP	INR 8,573.9 trillion	61.1	2018	INR 2,969.3 trillion	56.2	2010
Japan	Value added	JPY 135.1 trillion	52.9	2015	JPY 113.2 trillion	54.5	2011
Korea <sup>4</sup>	Value added	KRW 255.1 trillion	50.8	2016	KRW 223.6 trillion	46.9	2013
Malaysia <sup>5</sup>	GDP	MYR 435.1 billion	37.1	2017	N/A		2010
New Zealand	GDP	NZD 64.9 billion	27.9	2014	N/A		
Papua New Guinea <sup>6</sup>	GDP	PGK 3.3 billion	17.3	2016	N/A		
Peru	Value added	N/A	30.7	2016	N/A		
Russia	Revenue	RUB 41.9 trillion	N/A	2014	RUB 31.0 trillion	N/A	2010
Singapore	Value added	SGD 212.0 billion	47.4	2018	SGD 180.0 billion	50.1	2014
Chinese Taipei	Sales	TWD 12.6 trillion	29.6	2018	TWD 9.2 trillion	30.7	2009
Thailand	GDP	THB 6.6 trillion	42.4	2017	THB 3.4 trillion	37.8	2009
United States <sup>7</sup>	GDP	USD 5.9 trillion	43.5	2014	USD 5.0 trillion	44.7	2009
Viet Nam	Net turnover	VND 8,055.9 trillion	45.1	2016	VND 4,610.6 trillion	44.3	2011

Note:

<sup>1</sup> Data shown for Canada cover only those businesses with between 20-249 employees and revenues of at least CAD 250,000. (Canada typically defines an SME as having between 1-499 employees.) The data cover only 14 industry sectors of the economy.

<sup>2</sup> Unidad de Fomento (UF) is an inflation-indexed unit of account used in Chile, with the value adjusted daily to remain close to parity with the Chilean peso.

<sup>3</sup> Data shown for China are based on the generally accepted estimate that SMEs contribute over 60% of GDP in China.

<sup>4</sup> Data shown for Korea cover enterprises in the manufacturing sector only.

<sup>5</sup> Data shown for Malaysia are based on GDP at constant 2010 prices.

<sup>6</sup> Data shown for Papua New Guinea are based on enterprises in the formal sector only. The informal sector is estimated to account for around 85% of the total economy.

<sup>7</sup> Data shown for the United States cover only private non-farm entities.

Source: See Appendix 2.

### 3. MARKET ACCESS AND INTERNATIONALIZATION OF SMES

Internationalization activities can be classified into six categories, namely 1) direct exporting; 2) direct importing; 3) investment abroad; 4) being subcontractors to foreign enterprises; 5) having foreign subcontractors; and 6) cooperation with foreign enterprises under joint ventures, non-equity alliances, licensing, and franchising. For the purpose of this study, we have focused only on direct exporting since it is one of the most common forms of internationalization of SMEs. There are several methods through which an SME can increase its level of internationalization through exports, including by starting to export directly, increasing the number of export destinations, and increasing exports as a share of its total sales through accessing new foreign buyers.<sup>10</sup>

There are a number of economic benefits when SMEs engage in exporting.<sup>11</sup> Studies have found that exporting SMEs grow significantly faster than those that do not export, although the link between exports and the employment and output growth of an enterprise varies substantially across sectors. Empirical evidence suggests that the positive impact tends to be greater in fast-growing sectors, export-oriented sectors belonging to regional value chains, and manufacturing and business services sectors. It is more difficult to determine the causality of exports on the productivity and innovation of an SME since firms that are more productive and innovative also tend to be more likely to export. However, some research indicates that SMEs in developing economies are able to increase their productivity and innovation activity as a result of exporting.

This section will present an overview of SME exports across the APEC region – in terms of both the number of SME goods exporters and the value of goods exports from SMEs. It will also examine some of the barriers that SMEs face in increasing exports and engaging in other forms of internationalization. Finally, it will discuss policies that aim to raise the level of engagement of SMEs in cross-border activities, particularly through increasing exports, as well as some of the current initiatives in place among the APEC members to improve the internationalization of SMEs.

#### A. OVERVIEW OF EXPORTING SMES ACROSS THE APEC REGION

At the 28<sup>th</sup> SMEWG Meeting in Chinese Taipei in June 2009, the APEC members agreed to a number of best practices key performance indicators (KPIs), on a voluntary basis, in order to monitor the progress being made under the SMEWG Strategic Plan 2009-2012. In the priority area of market access and internationalization, the SMEWG selected growth in SME exports as the medium-term or outcome KPI. The metrics that were to be used to evaluate progress in this area were (1) increase in the number/share of SME exporters and (2) increase in the value/share of SME exports.

The 2010 report prepared by the APEC PSU assessed this KPI for its suitability to measure outcomes and attempted to establish baseline figures to allow for future evaluation. Unfortunately, there was a lack of data available on SME exports for most of the APEC

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<sup>10</sup> For instance, the United States International Trade Administration (2017) found that while 59% of SMEs were exporting only to a single market, 74% of large firms were exporting to multiple economies in 2015.

<sup>11</sup> See World Trade Organization (2016) for an in-depth review.

economies, making it difficult to examine the region as a whole. The report also emphasized the limitation of using metrics that are a share of total in order to measure growth in SME exports since these are also a function of the performance of large enterprises. Finally, the report discussed how other forms of internationalization, such as indirect exporting through subcontracting arrangements, are usually not captured since official statistical data covers direct exports only. Therefore, although the focus of the report is on direct exports, this is only one channel through which SMEs can engage in a greater level of internationalization activities.

A lack of comprehensive data on exports by firm size continues to present a problem for many APEC economies. For most of the indicators presented in this section, data are available for less than half of the APEC members, making it difficult to discern trends across the region. In addition, varying definitions of SMEs as well as different data collection methodologies and coverage across the APEC economies further limits the ability to conduct analysis across the region. Nevertheless, this section presents an overview of SME exports among those APEC economies that have available data in order to develop a more current profile of SME exporters across the region and to assess whether there have been any major shifts over the past decade.

Although SMEs comprise over 98% of all enterprises in most APEC economies, SMEs as a share of total goods exporters is often much lower, ranging from 55.3% in Chile to 97.5% in the United States (Table 10). SMEs as a share of total exporters has remained steady over the 5 to 10-year reference period, with only Thailand exhibiting a large increase, rising from 59.6% in 2010 to 71.0% in 2018. In terms of the share of total SMEs that are engaged in goods exporting, it is very low across the APEC region, with typically less than 2% of all SMEs are engaged in goods exporting. However, as we have shown earlier, a high share of total SMEs are found in the service sector in most APEC economies. Unfortunately, the data available for most economies often cover only goods exports. This underscores the importance of collecting comprehensive data on exports from both goods-producing and services-producing enterprises in order to fully assess the level of internationalization. (See Box 1 for an analysis of SME services exports in Chile.)

**Table 10. Number of SME Goods Exporters**

Economy	Number of SME Exporters	Share of Total Exporters (%)	Share of Total SMEs (%)	Year	Number of SME Exporters	Share of Total Exporters (%)	Share of Total SMEs (%)	Year
Australia <sup>1</sup>	46,252	87.2	2.0	2017-18	38,687	89.8	1.9	2007-08
Canada	33,970	96.6	2.7	2018	33,201	96.8	3.0	2011
Chile	4,516	55.3	0.5	2017	4,354	57.9	0.6	2009
Mexico <sup>2</sup>	4,069	83.1	3.6	2017	4,133	80.4	4.3	2014
New Zealand <sup>3</sup>	7,212	67.9	1.4	2018	4,116	65.2	0.9	2009
Peru	4,895	70.5	0.3	2017	5,845	75.2	0.4	2013
Thailand <sup>4</sup>	26,984	71.0	0.9	2018	22,110	59.6	0.8	2010
United States <sup>5</sup>	282,855	97.5	0.9	2017	270,053	97.6	1.0	2009

Note:

<sup>1</sup> In Australia, a revised methodology was used to calculate SME exports data in 2013-14. Data for years prior to this revision are therefore not strictly comparable to data after the revision.

<sup>2</sup> Data shown for Mexico cover small and medium-sized enterprises only. Data are the number of suppliers to exporting companies, so some enterprises that are exporting indirectly may be included. SME exporters in 2017 are shown as a share of small and medium-sized enterprises in 2018; SME exporters in 2014 are shown as a share of small and medium-sized enterprises in 2015.

<sup>3</sup> Data shown for New Zealand are from the Business Operations Survey dataset, which covers businesses with six or more employees and more than NZD 30,000 in annual turnover.

<sup>4</sup> Data shown for Thailand include both goods and services exporters.

<sup>5</sup> For the United States, SME exporters in 2017 are shown as a share of total SMEs in 2016.

Source: See Appendix 2.

Around half of the APEC members collect data on the value of goods exports by firm size. Examining this indicator, we find that SMEs' share of the total value of goods exports varies quite substantially, ranging from just over 2% in Chile to nearly 40% in Canada (Table 11). Although this share has fluctuated somewhat over the 5 to 10-year reference period (usually within a range of three percentage points), there have been no large changes among the APEC economies for which there are data. As discussed above, this indicator is also a function of the performance of large enterprises and as such may not measure the true extent of internationalization of SMEs. A more useful indicator is the share of total SME sales that are exported directly since this can more precisely reveal whether SMEs are indeed exporting more. However, such data are often very difficult for statistical agencies to collect and are therefore not widely available.

**Table 11. SME Goods Export Value**

Economy	Value of SME Exports	Share of Total Export Value (%)	Year	Value of SME Exports	Share of Total Export Value (%)	Year
Australia <sup>1</sup>	AUD 13.5 billion	4.3	2017-18	AUD 12.6 billion	6.9	2007-08
Canada	CDA 199.6 billion	39.3	2018	CDA 147.6 billion	38.8	2011
Chile	USD 1.4 billion	2.2	2017	USD 1.2 billion	2.4	2009
Indonesia <sup>2</sup>	INR 293.8 trillion	14.4	2018	INR 162.3 trillion	17.0	2010
Korea	USD 206.2 billion	34.1	2018	USD 134.1 billion	36.9	2009
Malaysia	MYR 167.4 billion	17.3	2017	N/A	16.9	2011
Mexico <sup>3</sup>	MXN 192.0 billion	12.5	2017	MXN 165.5 billion	13.8	2014
Peru	USD 2.3 billion	5.6	2017	USD 1.8 billion	4.8	2013
Chinese Taipei <sup>4</sup>	TWD 1.5 trillion	13.7	2018	TWD 1.3 trillion	16.9	2009
Thailand <sup>4</sup>	THB 2.3 trillion	28.7	2018	THB 1.7 trillion	27.3	2010
United States	USD 459.7 billion	33.4	2017	USD 308.9 billion	32.9	2009

Note:

<sup>1</sup> In Australia, a revised methodology was used to calculate SME exports data in 2013-14. Data for years prior to this revision are therefore not strictly comparable to data after the revision.

<sup>2</sup> Data shown for Indonesia exclude oil and gas exports.

<sup>3</sup> Data shown for Mexico cover small and medium-sized enterprises only.

<sup>4</sup> Data shown for Chinese Taipei and Thailand include both goods and services exports.

Source: See Appendix 2.

In nearly all of the APEC economies for which there are goods exports data by firm size, annual growth in the number of large exporters outpaced that of SME exporters over the reference period (Table 12). The exceptions were in New Zealand and in Thailand. In fact, SME exporters in Thailand were responsible for the entire net growth in the number of goods exporters since the number of large exporters fell over the reference period. Even though the number of SME exporters tended to grow more slowly per year than that of large exporters, SME exporters accounted for a substantial share of the net growth in the total number of goods exporters, with nearly all of the APEC members for which there are data having shares above 70%.

Growth in the value of goods exports from SMEs was quite strong over the 5 to 10-year reference period, with most APEC members for which there are data experiencing annual growth rates of over 4%. However, growth in the value of goods exports from large enterprises outpaced that of SMEs in more than half of the APEC economies. The share of net growth in goods export value attributed to SMEs varied quite substantially across the APEC members over the reference period, ranging from just 0.7% in Australia to 41.0% in Canada. In general, SMEs contributed a larger share of net growth in the value of goods exports in those economies

in which annual growth in the value of goods exports from SMEs outpaced that of large enterprises over the reference period.

**Table 12. Growth in Number of Goods Exporters and in Goods Export Value (%)**

Economy	Number of Exporters			Export Value			Period
	SMEs	Large Enterprises	SME Share of Net Growth in Exporters (%)	SMEs	Large Enterprises	SME Share of Net Growth in Export Value (%)	
Australia <sup>1</sup>	1.8	4.4	76.3	0.7	6.0	0.7	2007-08 - 2017-18
Canada	0.3	1.2	88.6	4.4	4.1	41.0	2011 - 2018
Chile	0.5	1.8	24.9	2.3	3.5	1.5	2009 - 2017
Indonesia <sup>2</sup>	N/A			7.7	10.4	12.1	2010 - 2018
Korea	N/A			4.9	6.4	29.9	2009 - 2018
Mexico <sup>3</sup>	-0.5	-6.4	0.0	5.1	9.4	7.7	2014 - 2017
New Zealand <sup>4</sup>	6.4	5.0	71.8	N/A			2009 - 2018
Peru <sup>5</sup>	-4.3	1.4	0.0	6.3	1.6	17.3	2013 - 2017
Chinese Taipei <sup>6</sup>	N/A			1.1	3.9	4.8	2009 - 2018
Thailand <sup>6</sup>	2.5	-3.8	100.0	4.2	3.3	33.2	2010 - 2018
United States	0.6	1.3	94.8	5.1	4.8	34.5	2009-2017

Note: Compound annual growth rate (CAGR) is used to show the growth rate over the reference period. Net growth in exporters is the difference in total number of exporters over the period shown. Net growth in export value is the difference in total export value over the period shown.

<sup>1</sup> In Australia, a revised methodology was used to calculate SME exports data in 2013-14. Data for years prior to this revision are therefore not strictly comparable to data after the revision.

<sup>2</sup> Data shown for Indonesia exclude oil and gas exports.

<sup>3</sup> Data shown for Mexico cover small and medium-sized enterprises only. Data are the number of suppliers to exporting companies, so some enterprises that are exporting indirectly may be included. Total number of exporters in Mexico declined over the reference period; SMEs accounted for 26.1% of the decline.

<sup>4</sup> Data shown for New Zealand are from the Business Operations Survey dataset, which covers businesses with six or more employees and more than NZD 30,000 in annual turnover.

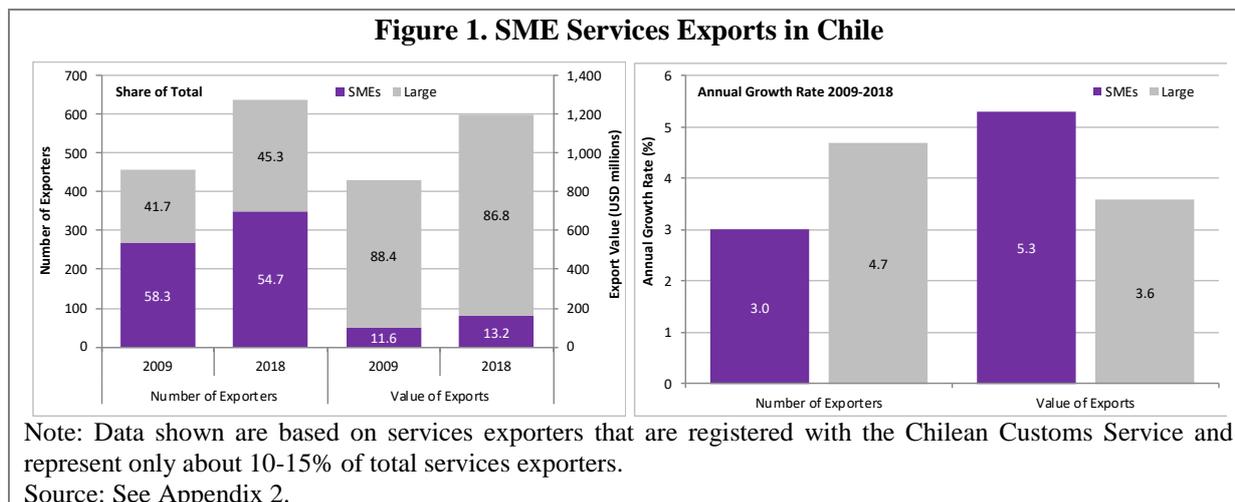
<sup>5</sup> Total number of exporters in Peru declined over the reference period; SMEs accounted for 100% of the decline.

<sup>6</sup> Data shown for Chinese Taipei and Thailand include both goods and services exports.

Source: See Appendix 2.

### Box 1. SME Services Exports in Chile

Chile is one of the few APEC members that collect services exports data by firm size. Although the available data do not cover the entire service sector, it can still provide a useful indicator as to the trends in SME services exports over time. In 2018, 54.7% of services exporters were SMEs, a slight decrease from a share of 58.3% in 2009 (Figure 1). Over this period, SME services exporters grew at an annual rate of 3.0% compared with a rate of 4.7% for large services exporters, with SMEs accounting for 45.6% of the net growth in the number of services exporters. In terms of export value, SMEs contributed 13.2% of the total value of services exports in 2018, an increase from 11.6% in 2009. Between 2009-2018, growth in the value of services exports from SMEs outpaced that of large enterprises, growing at an annual rate of 5.3% compared with 3.6% from large enterprises, with SME services exports accounting for 17.2% of the net growth in the value of services exports over that period.

**Figure 1. SME Services Exports in Chile**

Given the limited availability of uniform data on SME exports across the APEC region, the World Bank Enterprise Surveys offer a useful alternative for analysis. The surveys are periodically conducted to formal (registered) businesses in 142 economies and cover 12 major topics, including trade. Although the definition of small and medium-sized enterprises constructed by the World Bank for the purpose of the enterprise surveys may not be the same as the actual definition used in the economies, the data provide a standardized size classification through which SME exports can be analysed.

The World Bank Enterprise Surveys provide data for 11 APEC members on several trade-related indicators, including (1) the share of firms exporting directly and (2) the share of total sales exported directly. Based on those economies which have a reference year of 2015 or later, the share of small and medium-sized firms exporting directly – and in which direct exports constitute at least 10% of total annual sales – ranges from 5.6% in Thailand to 23.5% in Malaysia (Table 13). Only in Papua New Guinea is the share of SMEs exporting directly higher than that of large enterprises. In terms of the share of total sales exported directly by firms, this ranges from an average of 2.8% for SMEs in Thailand to 9.8% for SMEs in Malaysia. Once again, apart from in Papua New Guinea, large enterprises are exporting a higher share of their total sales than are small and medium-sized enterprises.

**Table 13. Exporters as a Share of Firms & Exports as a Share of Total Sales by Size (%)**

Economy	Share of Firms Exporting Directly			Share of Total Sales Exported Directly			Year
	Small	Medium	Large	Small	Medium	Large	
Chile	0.8	3.8	22.5	0.2	1.5	5.7	2010
China	4.6	12.5	29.4	3.3	5.7	13.9	2012
Indonesia	5.3	7.9	25.2	2.9	5.0	11.7	2015
Malaysia	4.3	19.2	69.0	2.2	7.6	30.3	2015
Mexico	0.7	9.1	15.9	0.1	2.1	5.6	2010
Papua New Guinea	11.5	4.9	0.0	1.2	2.1	0.2	2015
Peru	4.6	16.3	26.9	2.3	7.3	12.0	2017
The Philippines	3.9	9.0	23.6	1.8	6.1	16.6	2015
Russia	4.6	5.5	6.6	2.4	3.1	1.6	2012
Thailand	2.2	3.4	28.1	0.8	2.0	18.9	2016
Viet Nam	4.0	11.5	36.1	2.2	6.6	21.6	2015

Note: The classifications of firm size are based on number of employees: Small (5-19); Medium (20-99); Large (100+). The share of firms exporting directly include only those firms where direct exports constitute at least 10% of total annual sales.

Source: The World Bank Enterprise Surveys, available at [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

Data provided by the World Bank Enterprise Surveys also allow for an analysis of exports by sector. Over half of the economies included in the survey had at least a 10% share of manufacturing firms exporting directly – and where direct exports constitute at least 10% of total annual sales – including nearly 50% of the manufacturing firms surveyed in Malaysia (Table 14). Direct exports as a share of total sales ranges from just 0.7% for manufacturing firms in Papua New Guinea to 18.1% for those in Malaysia. For many of the APEC economies surveyed, manufacturing industries with a relatively higher share of exporting firms include: chemicals and chemical products; rubber and plastics products; textiles and garments; and electronics and communications equipment.

A much lower share of firms in the service sector export directly than in the manufacturing sector with many of the APEC members included in the dataset having over three times the number of manufacturing firms than services firms engaged in exporting. The share of services firms that export is relatively similar across the APEC economies, ranging from 2.0% of services firms in Thailand to 6.5% in Indonesia. Direct exports as a share of total sales for services firms is also quite low across the members, with those in Indonesia having the highest share at 3.7%. Although data are very limited, service industries with a relatively higher share of exporting firms include information technology (IT) and IT services; and transport, storage and communications.

**Table 14. Exporters as a Share of Firms & Exports as a Share of Total Sales by Industry (%)**

Economy	Manufacturing		Services		Year
	Share of Firms Exporting Directly	Share of Total Sales Exported Directly	Share of Firms Exporting Directly	Share of Total Sales Exported Directly	
Chile	14.5	5.6	5.8	1.0	2010
China	15.9	7.4	4.4	3.3	2012
Indonesia	5.9	2.7	6.5	3.7	2015
Malaysia	49.3	18.1	5.3	3.0	2015
Mexico	5.6	1.9	3.3	0.5	2010
Papua New Guinea	4.2	0.7	4.2	1.7	2015
Peru	20.3	9.4	5.7	2.5	2017
The Philippines	18.8	12.1	3.3	1.9	2015
Russia	6.9	1.8	4.8	2.7	2012
Thailand	11.0	6.8	2.0	0.8	2016
Viet Nam	21.4	13.2	4.7	2.4	2015

Note: The share of firms exporting directly include only those firms where direct exports constitute at least 10% of total annual sales.

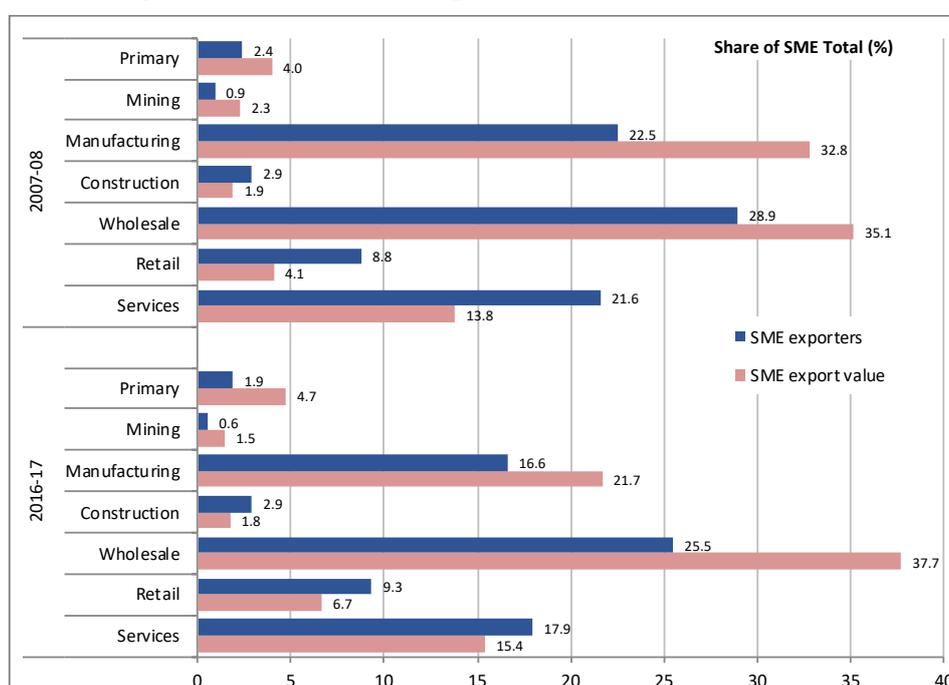
Source: The World Bank Enterprise Surveys, available at [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

Unfortunately, there is limited publicly available data on exports by both firm size and economic sector across the APEC economies, making it difficult to ascertain whether there are any trends evident across the APEC region. Australia, one of the few APEC members that collects goods exports data by both firm size and industry sector, provides an illustrative example as to the distribution of SME goods exports by industry sector. In 2016-17, SMEs accounted for around 83% to 89% of total exporters in the major goods-exporting industry sectors, with the exception of the mining industry (54.0%). This represents a slight decrease from 2007-08 when between 87% to 93% of total exporters in these sectors were SMEs (61.5%

in mining). In terms of total export value in 2016-17, SMEs contributed the highest share in the construction industry (42.2%), followed by the retail trade sector (35.5%). However, these shares have also fallen since 2007-08 across many of the major industry sectors. The exceptions are in the retail trade sector in which SMEs share of total export value rose from 13.3% to 35.5% and in the goods-producing service industries in which SMEs' share increased from 8.5% to 32.6% between 2007-08 and 2016-17.

The wholesale trade sector accounted for the highest share of total SME goods exporters (25.5%) in 2016-17, followed by goods-producing service industries (17.9%) and manufacturing (16.6%) (Figure 2). Compared with 2007-08, nearly all of the major industry sectors experienced a decline in their share of total SME exporters, most significantly in the manufacturing industry and wholesale trade sector. In 2016-17, wholesale trade also accounted for the highest share of total export value from SMEs (37.7%), followed by manufacturing (21.7%). Across the industry sectors, the shares of total SME export value have remained fairly constant between 2007-08 and 2016-17; however, the manufacturing sector experienced a significant decline with its share falling by 11 percentage points.

**Figure 2. SME Goods Exports by Industry in Australia**



Note: Primary sector covers agriculture, forestry and fishing. Services include goods exporters in the service industries. A revised methodology was used to calculate the value of SME exports data in 2013-14. Data for years prior to this revision are therefore not strictly comparable to data after the revision.

Source: See Appendix 2.

## **B. KEY ISSUES AND POLICIES TO IMPROVE INTERNATIONALIZATION OF SMES**

The impetus behind whether an SME chooses to engage in internationalization activities – such as by beginning to export in the first place or by expanding its exports to an additional foreign market – is often very specific to individual firms. Even if an SME wishes to increase its level of exports, there may be constraints within the firm that hinder it from doing so. These barriers can include difficulty in identifying foreign business opportunities; inadequate quantity of and/or lack of trained personnel to deal with exporting; and lack of excess production capacity

for exports. A lack of internal capabilities can often be the most challenging for SMEs to overcome – and for policy makers to address.

In addition, there are a number of external barriers, consisting of both domestic and foreign factors, that can further hinder the ability of SMEs to engage in a greater level of internationalization activities. According to the World Trade Organization (WTO), many of the major external barriers to international trade that SMEs experience include access to information about foreign distribution networks, transportation costs, high tariffs, access to business and trade finance, customs procedures, and foreign regulations.<sup>12</sup> Although large enterprises also encounter many of the same external barriers, the WTO has found that the ability of SMEs to export is more adversely impacted by trade costs (both fixed and variable) than that of large firms.

The specific export barriers that SMEs face can also vary by sector. For instance, SMEs operating in the agriculture sector may find certification costs to be a large barrier, while those operating in the ICT sector may find insufficient foreign intellectual property protections to be the greatest obstacle. Constraints to exporting can also vary according to an SME's level of experience with respect to internationalization activities. For example, financial barriers such as access to trade finance may be greater for a firm just beginning to export, while a firm currently exporting and wishing to expand into additional export markets may encounter greater barriers relating to heterogeneous technical measures across different foreign markets. Even firms at the same stage of export development may have different perceptions in response to the same barrier due to differences in internal constraints and capabilities.

Using data from the World Bank Enterprise Surveys, we can examine the share of firms – by firm size and by sector – that identified customs and trade regulations as a major constraint to exporting. The share of small and medium-sized enterprises that felt these were a major barrier ranges from just 1.4% in China to nearly 40% in Malaysia, with over 20% of SMEs in most APEC economies identifying these as one of the main barriers to trade (Table 15). In over half of the APEC economies included in the dataset, a much greater share of SMEs compared with large enterprises believed customs and trade regulations presented a large obstacle to exporting. The exception was Papua New Guinea where nearly half of the large enterprises surveyed identified these as a constraint compared with around one-quarter of SMEs.

Regarding economic sector, the share of manufacturing firms identifying customs and trade regulations as a major constraint ranges from just 0.5% in China to 31.5% in Papua New Guinea. Although comprehensive and standardized data are not available across all economies, a higher share of firms operating within the following industries tend to find these to be a major constraint to exporting: textiles and garments; chemicals, plastics and rubber; and electronics and communications equipment. In general, the share of firms in the service sector citing customs and trade regulations as a major barrier to trade is lower than that of firms in the manufacturing sector, ranging from 0.8% in China to 19.7% in Malaysia, with around half of the APEC economies included in the dataset having shares under 10%. There is no obvious trend as to whether a higher share of manufacturing firms or services firms within an economy consider customs and trade regulations to be a major constraint. In some economies, a greater share of manufacturing firms compared with firms in the service sector consider these to be a large barrier to exporting, whereas in other economies, the opposite is true.

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<sup>12</sup> World Trade Organization (2016).

**Table 15. Firms Identifying Customs and Trade Regulations as a Major Constraint (%)**

Economy	Firm Size			Sector		Year
	Small	Medium	Large	Manufacturing	Services	
Chile	6.1	4.4	6.1	8.0	4.4	2010
China	0.1	1.3	1.4	0.5	0.8	2012
Indonesia	9.9	15.9	25.5	12.3	11.3	2015
Malaysia	19.3	20.0	14.7	15.7	19.7	2015
Mexico	3.1	8.2	12.3	5.3	5.3	2010
Papua New Guinea	11.5	11.0	48.5	31.5	19.6	2015
Peru	7.3	14.1	10.8	5.9	14.7	2017
The Philippines	5.9	13.9	20.9	12.7	8.7	2015
Russia	14.8	18.0	15.2	15.5	16.1	2012
Thailand	4.4	14.5	7.7	3.4	9.1	2016
Viet Nam	6.5	8.8	3.2	2.7	8.7	2015

Note: The classifications of firm size are based on number of employees: Small (5-19); Medium (20-99); Large (100+).

Source: The World Bank Enterprise Surveys, available at [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

In the survey conducted among the SMEWG by the PSU for the purpose of this study, the APEC members were asked to identify three key challenges or barriers in each economic sector that prevent SMEs in their economy from engaging in a greater level of internationalization. Based on the responses that were received – and noting that only five APEC members submitted a response to this question – the economies emphasized a lack of internal capabilities as a key constraint for SMEs. These include a lack of skills and knowledge in order to develop the strategies required to manage the process of internationalization, identify potential markets and buyers, and navigate foreign regulations and business practices – and a lack of time and financial resources in order to develop or acquire the necessary skills.

In particular, Australia discussed the difficulties that SMEs face with non-tariff barriers, especially for agri-food exporters (e.g., labelling, certification), but also for manufacturing firms (e.g., conformance standards, product registration) and services firms (e.g., documentary barriers, licensing laws). Chile noted the barriers that all SMEs face in accessing capital as well as the constraints due to inadequate public infrastructure (i.e., road networks) that agriculture and manufacturing exporters face in getting their product to market. Meanwhile, Hong Kong, China and Singapore emphasized the challenges that SMEs face in competing in foreign markets in an increasingly globalized economy, particularly given their limited resources.

An earlier publication by the APEC Policy Partnership on Women and the Economy examined the distinct factors that constrain women in starting and expanding businesses. The study surveyed women-owned SME exporters in three developing APEC economies and found that the most critical challenges include finance, human resources, and market access.<sup>13</sup> Most women-owned SME exporters in the Philippines and Thailand cited employee hiring and training as well as access to market and/or relationships with clients as the key challenges in exporting, while those in Malaysia indicated that access to capital and physical space/premises were the key barriers to increasing exports (Table 16).

<sup>13</sup> APEC (2013).

**Table 16. Key Challenges for Women-owned SME Exporters**

Challenge	Malaysia	The Philippines	Thailand
Physical space/premises	29%	13%	11%
Employee hiring & training	18%	44%	21%
Business licensing & administrative procedures	12%	13%	5%
Access to capital	35%	9%	5%
Access to market / relationships with clients	6%	22%	32%
Export processes	---	---	16%
Public sector relationships	---	---	11%

Note: The figures shown are the percentage of respondents that cited the particular challenge as the key challenge to increasing exports.

Source: APEC (2013).

It is important here to also emphasize the diversity of the SME sector within an economy. As previously discussed, a newly-established small-sized enterprise with just seven employees operating in the ICT sector will tend to face different barriers and have very different needs in order to export than a medium-sized business in the textiles industry with 75 employees that has already been exporting for five years. Thus, the heterogeneity that exists within the SME sector presents a major obstacle for policy formulation and underscores the importance of designing targeted initiatives to achieve policy goals. Policy makers will therefore need to differentiate SME policies in order to create targeted initiatives that address specific needs based on firm size, firm level of export experience, and industry sector.

Since SMEs are more adversely impacted by trade barriers than are large firms – not only those that give rise to fixed costs, but also variable costs – reducing barriers that impact the ability of all firms to engage in greater international trade will also disproportionately benefit SMEs. Therefore, further trade liberalization and facilitation, together with SMEs policy coordination, would result in a larger improvement for SMEs to engage in a greater level of exporting. A focus should be given to reducing non-tariff barriers as these are often the most complex and costly for resource-constrained SMEs to navigate. For SMEs in developing economies in particular, non-tariff measures such as conformity and pre-shipment requirements combined with weak domestic inspection and certification procedures often make it very difficult for smaller firms that wish to export.

Although this study has focused on direct exports, it is certainly not the only way in which SMEs can engage in internationalization activities. SMEs are also able to contribute to exports indirectly as suppliers to exporting companies or through subcontracting arrangements with foreign firms (licensing and outsourcing). Participating in regional and global value chains (GVCs) can allow SMEs to overcome some of the major obstacles to trade – such as accessing foreign distribution networks and adopting international standards – thereby offering a channel through which SMEs can more easily internationalize. However, many of the same barriers to trade, including lack of internal skills and access to credit, still remain as challenges in order for SMEs to enter into GVCs.

In more easily matching SMEs with foreign buyers, e-commerce is another way through which SMEs can participate in a greater level of international trade, especially when an online commercial platform that reduces IT costs and enhances buyer trust is used. However, ICT-enabled trade can also present its own unique challenges for those SMEs conducting their own web-based sales, namely those relating to data security and protection as well as payment-

related issues. Furthermore, quality and affordable ICT infrastructure are paramount in order for APEC members to enable SMEs to take full advantage of the opportunities provided through online trade.

There are a number of programs in place across the APEC region to help SMEs become more internationalized. These range from providing financial assistance to export-ready SMEs to initiatives that support further integration of SMEs into GVCs. Many APEC members also have trade development associations or councils that provide information and consultation services as well as conduct trade fairs in order to help support and facilitate the expansion of SMEs into foreign markets. As part of the SMEWG survey conducted by the PSU for the purpose of this study, members were asked to share current initiatives in their economy to promote the internationalization of SMEs. Although responses to this survey question were few, Box 2 highlights the key features of some of the programs as provided in the responses to the PSU and also includes some recent initiatives in other selected APEC economies.

### **Box 2. Initiatives to Promote Internationalization of SMEs in Selected APEC Economies**

**Australia:** SMEs are a key component of Australia's FTA agenda and consultation with the SME sector occurs throughout the negotiation process. Government programs include Export Finance Australia, which assists SMEs that are exporting or involved in GVCs to penetrate new markets, and the Export Market Development Grants (EMDG), a financial assistance scheme for export-ready SMEs. In addition, the SME Export Hubs initiative provides grants to develop SME export hubs in six Growth Centre sectors in order to boost capability and facilitate SME export opportunities.

**Chile:** The Production Development Corporation (CORFO) is responsible for the Associative Networks Program, which aims to improve the productivity of SMEs in order to access new markets, and the Market Networks Program, which supports SMEs' access and use of market information relevant for the export process. It also administers the External Trade Guarantee (COBEX), which provides financial support to SMEs that are directly or indirectly engaged in foreign trade. In addition, ProChile, the export promotion agency, administers several e-commerce programs to digitally facilitate international trade.

**Hong Kong, China:** The Trade and Industry Department (TID) administers a number of funding schemes to assist SMEs in the process of internationalization such as the SME Export Marketing Fund, which supports SMEs to expand markets through participation in export promotion activities, and the Dedicated Fund on Branding, Upgrading, and Domestic Sales, which supports non-listed enterprises in branding, upgrading, and promoting sales in all economies with which Hong Kong, China has signed Free Trade Agreements, including Australia; Chile; China; Georgia; Macao; New Zealand; the ten ASEAN members; and the four European Free Trade Association members (Iceland; Liechtenstein; Norway; and Switzerland).

**Indonesia:** The Ministry of Cooperatives and SMEs (MCSME) has several programs to support the expansion of SMEs into foreign markets, such as the provision of international certification facilities and also international exhibitions for SMEs. A collaboration with the Directorate General of Customs and Excise (DJBC) provides special fiscal incentives for SMEs, such as a tax waiver for the import of raw materials and machinery for export-oriented goods. In addition, together with the Ministry of Trade and the Indonesian Export Financing Agency (LPEI), the Bonded Logistics Centers (PLB) initiative provides export facilities for SMEs.

**Peru:** The Ministry of Production (Produce) and Ministry of Foreign Trade and Tourism (Mincetur) launched the Productive Export Route initiative in 2019 to increase the competitiveness and promote internationalization of MSMEs. The first stage concentrates on agricultural products with export potential in two regions: bananas, mangos, grapes, and avocados in Piura and coffee and ginger in Junín.

**The Philippines:** The Department of Trade and Industry (DTI), through its various agencies, administers several export promotion programs for SMEs such as the Philippines Export Competitiveness Program (PECP), Doing Business in Free Trade Areas (DBFTA), Regional Interactive Platform for Philippine Exporters (RIPPLES), Export Pathways Program (EPP), and Halal Export Industry Development and Promotion Program. The Export Marketing Bureau is the main agency that implements export promotion schemes such as selling missions and other international market access support services. In addition, the Bureau of SME Development provides several business development services, such as marketing, training, and upgrading; the Center for International Trade Expositions and Missions (CITEM) conducts international trade fairs and supports the participation of the Philippines in trade fairs overseas; and the Philippine Trade and Investment Centers (PTIC) link Philippine companies with counterparts abroad through 28 centers in 22 economies.

**Singapore:** Enterprise Singapore (ESG) has a network of 36 overseas centres in 21 economies to help Singaporean SMEs navigate foreign business and regulatory environments, gain market insights, and access local partner networks. In 2017, ESG also launched the Global Innovation Alliance (GIA), an initiative to strengthen Singapore's connection to major innovation hubs; it currently has connections to 11 cities around the world.

**Thailand:** The SMEs Promotion Plan 2017-2021 includes a number of programs to support the expansion of SMEs into foreign markets such as an Internationalization Grant to provide financial assistance, development of the e-commerce market for international trade, and the provision of detailed online information about foreign markets such as rules and regulations.

**Viet Nam:** The Ministry of Planning and Investment (MPI) plans to implement a program between 2020-2030 to support SMEs in taking advantage of FTAs, focusing on promoting business links and encouraging participation in GVCs. In addition, the Ministry of Industry and Trade (MoIT) is developing a scheme to support greater integration of SMEs into the GVCs of key industrial products over the 2020-2025 period, while the Ministry of Agriculture and Rural Development (MARD) is developing a similar scheme for key agricultural products between 2020-2030.

To supplement this study, the PSU encouraged SMEWG members to submit case studies that contain good practices and lessons learned on SME internationalization policies and outcomes (Annex 2). The PSU received case study submissions from Chile and Chinese Taipei. These case studies highlight the key issues and challenges – such as access to finance and a lack of information – that SMEs in their economy face in order to engage in a greater level of internationalization. They also describe specific programs that are in place to help SMEs overcome some of these barriers. For instance, Chile has a range of initiatives to promote, develop, and facilitate SME exports, while Chinese Taipei has a number of projects to mentor and assist SMEs to boost their capabilities and access foreign markets. Box 3 provides a detailed summary of the case studies received from Chile and Chinese Taipei.

### Box 3. Summary of SME Case Studies Submitted by APEC Members

**Chile:** Chile identified four key challenges SMEs generally face when engaging in internationalization activities: management barriers, capital barriers, structural barriers, and lack of information. More specifically, SMEs in the agricultural and manufacturing sectors often face logistical constraints to export due to transportation inefficiencies in Chile. In addition, exports in the services sector are concentrated in the Santiago Metropolitan Region, which comprises 85% of services exports. A key challenge for Chile is to find ways to include all regions in the development of SME services exports.

Chile implements a number of measures to assist SMEs in their internationalization efforts, including support in the specific areas of trade facilitation, e-commerce, and quality certifications. These policies and initiatives are administered mainly through the Production Development Corporation (CORFO),

the Agency for Promotion of Exports of the Ministry of Foreign Affairs (ProChile), and the Trade Facilitation Unit of the Ministry of Finance. Some of the major initiatives to promote SME exports are as follows:

- Associative Networks Program (Redes Asociativa) – aims to improve SME productivity in order to access new and/or better market opportunities (available to SMEs with annual turnover from UF 2,400 up to UF 600,000).
- Market Networks Program (Redes de Mercados) – supports the access and use of market information relevant for exports (available to SMEs with annual turnover from UF 2,400 up to UF 100,000).
- External Trade Guarantee (COBEX) – provides financial support to SMEs that are directly or indirectly engaged in foreign trade (available to SMEs with annual sales up to UF 100,000 if non-exporting and up to UF 600,000 if exporting).
- eCommerce ProChile – encourages exports through three digital channels: 1) Exporta Digital aids SMEs to export goods and services by developing an online presence; 2) Marketplace Chile B2B makes it easier and less time-consuming for Chilean exporters to find buyers; and 3) Nostalgia Amazon Program supports SMEs to diversify their export distribution channels.
- Mujer Exporta – helps to include more women in international trade by encouraging, developing, and strengthening exports from women-owned enterprises. In 2018, the program directly benefited 1,087 women entrepreneurs.
- Services Export Committee – aims to identify, analyse, and evaluate the implementation of measures to develop and encourage services exports.

The number of both SME and large enterprise goods and services exporters has remained relatively constant over the past decade. In 2018, there were 590 newly exporting SMEs that generated 10,625 jobs – implying that, on average, a newly exporting SME generates 18 jobs. Chile has found that while 63% of large enterprises continuously export (i.e., they have registered exports over the past five years), only 38% of SMEs continuously export. In 2018, 58% of SME exporters shipped to a single foreign destination. On average, SMEs export to 2.5 foreign destinations, while large enterprises export to 7.1 foreign markets. Examining only those enterprises that continuously export, on average, SMEs export to 3.6 foreign markets, while large enterprises ship to 9.5 foreign destinations.

**Chinese Taipei:** Indigo once comprised the largest share of export value in Chinese Taipei, but was eventually replaced by tea and sugar. In addition, the invention of chemical dyeing materials substituted the natural method and traditional dyeing skills disappeared in the middle of the 20<sup>th</sup> century. The case study profiled ZhuoYe Cottage, an SME that wished to revitalize traditional indigo dyeing. Established in 2004, ZhuoYe Cottage produces traditional indigo cloth, from the plantation, harvest, and extraction of indigo to dyeing the cloth and retail. ZhuoYe Cottage wanted to expand to foreign markets, but faced several key challenges, including financing capital, strengthening of the product properties and marketing, supply chain management, and building the necessary ICT infrastructure.

Chinese Taipei has a number of policy measures to assist the development of SMEs, including improvement of the business environment and international connections, financial support, management consulting, and business incubators. ZhuoYe Cottage benefited from a number of these initiatives in order to enhance its competitiveness and expand into foreign markets. It now has an international presence and also recently held the Asia-Pacific Indigo Dyes Cultural Festival in November 2019. The initiatives, implemented by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs, that assisted ZhuoYe Cottage to internationalize include the following:

- Digital Broadband Application in the Town Streets Project – aims to build the digital broadband business districts in local townships.
- Local Industry Development Promotion Project – mentors local SMEs with the potential to go global, including through participation in overseas exhibitions and through finding international distribution channels.

- Local SMEs Revitalization and Transformation Mentoring Project – assists SMEs to adopt the Circular Economy, Digital Economy, and Experience Economy by renovating their production process and business model.
- SMEs Digital Innovation and International Marketing Project – helps SMEs to utilize Online-to-Offline marketing by holding themed forum and international business matching activities, sharing knowledge of new trends in global markets, and facilitating industry exchange.
- Rising Star in Green Innovation for SMEs Project – helps SMEs to utilize innovation ecosystems to enhance their technology, business model, and service innovation in order to expand to international markets.

## 4. CONCLUSION AND RECOMMENDATIONS

Based on the findings of this study, the PSU proposes the following recommendations for APEC members to increase the internationalization of SMEs in their economy:

### *Collect comprehensive data by firm size, especially for exports*

Over the past 10 years, some APEC economies, such as Brunei Darussalam and Viet Nam, have introduced periodic enterprise surveys to collect data on enterprises, including by firm size. These surveys enable members to better assess the characteristics and contribution of SMEs and to analyse changes in the sector over time. Since effective policies depend on current and accurate data, all APEC members should strive to collect and publish data on enterprise characteristics in a timely manner using best practices in data collection and methodology.

However, a lack of data on exports by firm size continues to present a significant problem in order to analyse the export patterns of SMEs in the region. It appears that only around half of the APEC members currently collect such data – and in some cases there is not complete coverage across all economic sectors. It may indeed be the case that these data are being collected, but are not made publicly available and/or were not shared with the PSU for the purpose of this study. However, without data on the number of SMEs engaged in exporting and the value of their exports, it is difficult to quantitatively assess and measure over time whether SMEs across the region are indeed becoming more engaged in exporting.

APEC members are therefore encouraged to collect exports data based on firm size in order to gain a better understanding of the contribution of SMEs to exports. Collecting exports data by firm size could potentially require support from other government agencies, such as customs to collect firm size along with export data, or from the domestic agency that implements the economic survey of enterprises in order to include questions relating to exports. Such data are vital in order to formulate targeted policies and initiatives so that they may achieve their intended outcomes.

### *Continue to improve the overall business environment and reduce barriers to trade*

Members are encouraged to continue improving the overall business environment, including reducing the time and costs for new firms to enter the market and improving access to information about credit. Research conducted by the PSU on APEC's Ease of Doing Business Action Plan in support of the Economic Committee (EC) found that APEC members have indeed made significant progress on starting a business and getting credit between 2010 and 2018.<sup>14</sup> In fact, APEC outperforms the rest of the world across the Ease of Doing Business indicators, although there is substantial variation between the economies. These important achievements underscore the dynamism of the region.

APEC members should also continue their efforts in trade facilitation and in further reducing tariffs. Since the inception of APEC three decades ago, members have indeed made substantial progress in reducing barriers to trade. According to analysis by the PSU, APEC members have signed 175 free trade agreements (FTA) as of 2017 – an increase from just eight FTAs signed

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<sup>14</sup> APEC Policy Support Unit (2016a) and APEC Policy Support Unit (2019).

before 1990.<sup>15</sup> In addition, the share of duty-free products with MFN-applied tariff rates increased from 40.1% to 47.9% between 2007 and 2017. Over that same period, the share of products subject to MFN tariffs above 10% steadily declined from 18.0% to 13.1%. Given that SMEs are more adversely impacted by trade barriers than are large enterprises, continuing to improve the trading environment will certainly help to increase the internationalization of SMEs among the member economies.

For those APEC economies with a large informal sector, efforts to formalize these typically small enterprises are important to help reduce their vulnerability as well as to improve their productivity since they remain outside the scope of SME policy. The International Labour Organization (ILO) reports that micro-sized enterprises and the self-employed, largely in the informal sector, are the most important drivers of employment in many developing economies, underscoring the need to design programs that can reach these enterprises.<sup>16</sup> A joint study conducted by the OECD and ERIA, covering SMEs in the ASEAN economies, found that the main challenges to greater productivity include a lack of formalization, regulatory restrictions, access to finance, and access to technology.<sup>17</sup> The study also found that the main drivers of SME productivity within those economies include clustering, FDI, and trade liberalization.

### ***Implement targeted policies to improve the internationalization of SMEs***

The difficulty in formulating policies for such a diverse sector as the SME sector cannot be overstated. A clear understanding of the needs of the target group – based on size of firm, level of international experience, and economic sector of operation – is essential in order to develop policies and initiatives that reach those SMEs most in need of support. Consultation with the SME sector is therefore vital throughout the entire policy making process in order to ensure that specific needs are in fact being addressed so that SMEs can achieve a greater level of internationalization.

Although it is difficult for policy makers to address many of the internal constraints faced by SMEs, providing a centralized portal with detailed information on exporting to various foreign markets can help to alleviate some of the challenges SMEs face in accessing information. Increasing knowledge about the business opportunities connected to existing FTAs and RTAs could also help to promote the internationalization of SMEs across the APEC region. Since there are a number of channels through which SMEs can internationalize, there are also a number of specific policies that APEC members could implement in order to increase the level of SMEs' engagement in international trade. These can range from initiatives to improve the competitiveness of SMEs in certain sectors with export potential to schemes that support greater integration of SMEs into global value chains in key economic sectors.

For instance, Authorized Economic Operator (AEO) programs can provide an avenue to include SMEs in international trade through integration into global value chains. APEC members could therefore provide support to SMEs through expedited authorization examinations and more flexible security standards in order to reduce the compliance burden for SMEs and facilitate greater AEO certification of SMEs.<sup>18</sup> A recent study conducted by the Inter-American Development Bank on behalf of APEC surveyed the members and found that although some APEC economies provide special benefits to SMEs through their AEO program,

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<sup>15</sup> APEC Policy Support Unit (2018). Of the 175 signed FTAs by APEC members, 164 are in force.

<sup>16</sup> International Labour Organization (2019).

<sup>17</sup> OECD/ERIA (2018).

<sup>18</sup> See APEC Policy Support Unit (2016b) for a review of best practices in AEO programs in the APEC region.

only seven have identified the number of SMEs that have been certified or are in the process of becoming AEOs.<sup>19</sup> As of July 2019, there were 1,692 AEO certified SMEs among those economies, with Canada comprising the largest number (1,512), followed by Australia (118).

***Share best practices, build capacity, and aim to harmonize SME data within APEC***

SMEWG members are encouraged to continue sharing best practices and building capacity throughout the region. For instance, workshops on best practices in SME data collection methodologies could be conducted in order to assist APEC members in improving the availability and quality of data on SMEs in their economy. SMEWG members could also consider harmonizing SME data to enable cross-economy comparison of SME performance in the region. Comparable data on SMEs would also contribute to better monitoring of regional cooperation efforts and achievements towards greater internationalization of SMEs. In addition, SMEWG members can exchange best practices in policy initiatives that promote and support the internationalization of SMEs. APEC members that responded to the SMEWG survey conducted by the PSU emphasized the importance of regional cooperation in reducing barriers to trade, especially those relating to the participation of SMEs in global value chains and digital-facilitated trade across the region.

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<sup>19</sup> Inter-American Development Bank (2019). Sixteen APEC members responded to the survey.

## APPENDIX

### 1. SME DEFINITIONS IN APEC ECONOMIES

Economy	Size	Employees	Sales / Revenue	Assets / Capital	Sector / Industry
Australia	Micro Small Medium	0-4 5-19 20-199	< AUD 10 million < AUD 250 million		
Brunei Darussalam	Micro Small Medium	< 5 5-19 20-99			
Canada	Small Medium	1-99 100-499			
Chile	Micro Small Medium	1-9 10-49 50-199	≤ UF 2,400 ≤ UF 25,000 ≤ UF 100,000		
China	Micro Small Medium	< 5 ~ 100 < 20 ~ 300 < 200 ~ 2,000	< RMB 0.5 ~ 10 million < RMB 5 ~ 80 million < RMB 0.1 ~ 1.2 billion	< RMB 3; 20 million < RMB 50 million < RMB 100; 800 million	There are specific size standards for 16 industry groups. Most industries have number of employees or operating revenue as size standards; however, two industries have operating revenue or total assets as size standards. The range of upper limits across the different industry groups for each classification size are shown in the respective columns.
Hong Kong, China	SME	< 50 < 100			Non-manufacturing Manufacturing
Indonesia	Micro Small Medium		≤ INR 300 million ≤ INR 2.5 billion ≤ INR 50 billion	≤ INR 50 million ≤ INR 500 million ≤ INR 10 billion	

Economy	Size	Employees	Sales / Revenue	Assets / Capital	Sector / Industry
Japan	Micro / Small	$\leq 20$ $\leq 5$ $\leq 5$ $\leq 5$		$\leq$ JPY 300 million $\leq$ JPY 100 million $\leq$ JPY 50 million $\leq$ JPY 50 million	Manufacturing, Construction, Transportation, Others Wholesale Retail Services
	Medium	$\leq 300$ $\leq 100$ $\leq 50$ $\leq 100$		$\leq$ JPY 300 million $\leq$ JPY 100 million $\leq$ JPY 50 million $\leq$ JPY 50 million	Manufacturing, Construction, Transportation, Others Wholesale Retail Services
Korea	Small Medium		$\leq$ KRW 1 ~ 12 billion $\leq$ KRW 40 ~ 150 billion	$\leq$ KRW 500 billion	There are limits on the amount of sales (based on a three-year annual average) depending on the specific industry of the enterprise's main business. The range of upper limits across the different industries is shown in the Sales / Revenue column. The limit on total assets applies across all industries.
Malaysia	Micro	$< 5$	$<$ MYR 300,000		All Sectors
	Small	$< 75$ $< 30$	$<$ MYR 15 million $<$ MYR 3 million		Manufacturing Services and Other Sectors
	Medium	$\leq 200$ $\leq 75$	$\leq$ MYR 50 million $\leq$ MYR 20 million		Manufacturing Services and Other Sectors
Mexico	Micro	$\leq 10$	$\leq$ MXN 4 million		All Sectors
	Small	11-50 11-30 11-50	$\leq$ MXN 100 million		Industry Commerce/Trade Services
	Medium	51-250 31-100 51-100	$\leq$ MXN 250 million		Industry Commerce/Trade Services
New Zealand	SME	$< 20$			

Economy	Size	Employees	Sales / Revenue	Assets / Capital	Sector / Industry
Papua New Guinea	Micro	< 5 < 5	< PGK 200,000 < PGK 200,000	< PGK 200,000 < PGK 200,000	Manufacturing, Construction, Engineering Agriculture, Tourism, Forestry, Fisheries, Services, Others
	Small	5-19 5-39	< PGK 5 million < PGK 5 million	< PGK 10 million < PGK 5 million	Manufacturing, Construction, Engineering Agriculture, Tourism, Forestry, Fisheries, Services, Others
	Medium	20-99 40-99	< PGK 20 million < PGK 10 million	< PGK 20 million < PGK 10 million	Manufacturing, Construction, Engineering Agriculture, Tourism, Forestry, Fisheries, Services, Others
Peru	Micro Small Medium		≤ UIT 150 ≤ UIT 1,700 ≤ UIT 2,300		
The Philippines	Micro Small Medium			≤ PHP 3 million ≤ PHP 15 million ≤ PHP 100 million	
Russia	Micro Small Medium	1-15 16-100 101-250	≤ RUB 120 million ≤ RUB 800 million ≤ RUB 2 billion		
Singapore	SME	≤ 200	≤ SGD 100 million		
Chinese Taipei	SME	< 200		≤ TWD 80 million	Manufacturing, Construction, Mining or Quarrying
		< 100	≤ TWD 100 million		All Other Industries
Thailand	Small	≤ 50 ≤ 50 ≤ 25 ≤ 15	≤ THB 50 million ≤ THB 50 million ≤ THB 50 million ≤ THB 30 million		Manufacturing Services Wholesale Retail
		51-200 51-200 26-50 16-30	≤ THB 200 million ≤ THB 200 million ≤ THB 100 million ≤ THB 60 million		Manufacturing Services Wholesale Retail

Economy	Size	Employees	Sales / Revenue	Assets / Capital	Sector / Industry
United States	SME	≤ 500	< USD 7.5 million		There are specific limits on the number of employees or the average annual receipts depending on the industry of the business. There are currently 27 different industry-based size standards and 13 exceptions. The limits shown here apply to most manufacturing businesses (≤ 500 employees) and non-manufacturing businesses (average annual receipts < USD 7.5 million). Financial assets and refining capacity are used as size measures for a few specialized industries.
Viet Nam	SME	≤ 200	≤ VND 300 billion	≤ VND 100 billion	

Note:

**Australia:** There is no uniform or legislative definition of an SME in Australia. The definition shown in the table is that of the Australian Bureau of Statistics (ABS), which is based on number of employees, and that of the Australian Taxation Office (ATO), which is based on annual revenue turnover (excluding GST) and is often used by policy makers. For SME exports data, the ABS defines small exporters as having fewer than 20 employees and both annual turnover and exports of less than AUD 2 million; medium exporters as having fewer than 200 employees and both annual turnover and exports of at least AUD 2 million, but less than AUD 20 million. Export Finance Australia, which provides financial assistance to SME exporters, defines an SME as an entity with annual turnover of less than AUD 150 million. The Australian Securities and Investment Commission (ASIC) defines a company as small if it satisfies at least two out of the following three criteria: (1) annual revenue of less than AUD 50 million; (2) fewer than 100 employees at the end of the financial year; (3) consolidated gross assets of less than AUD 25 million at the end of the financial year.

**Brunei Darussalam:** There is currently no legislative definition of an SME in Brunei Darussalam. The definition shown in the table is considered to be standard and is used across the economy. Brunei Darussalam is in the process of formulating a legal definition of SMEs.

**Canada:** There is no uniform legislative definition of an SME in Canada. The definition shown in the table is that of Statistics Canada and may be adjusted based on the specific survey being conducted. For instance, gross annual revenue is sometimes included as an additional criterion (less than CAD 1 million for Small and less than CAD 50 million for Medium). Industry Canada uses the following definition of SMEs based on number of employees: Micro: 1-4; Small: 5-99 (goods-producing) or 5-49 (services-based); Medium: 100-499 (goods-producing) or 50-499 (services-based).

**Chile:** The definition of SMEs was established in 2010 under Law 20,416. Unidad de Fomento (UF) is an inflation-indexed unit of account used in Chile, with the value adjusted daily to remain close to parity with the Chilean peso.

**China:** The most recent definition of SMEs – Regulations on the Standards for Classification of Small and Medium-sized Enterprises – was jointly promulgated by the Ministry of Industry and Information Technology, the National Bureau of Statistics, the National Development and Reform Commission, and the Ministry of Finance in 2011. The classification standards were updated in 2017 to be in accordance following the formal implementation of the China Industry Classification System. Enterprises must meet one of the two size criteria as defined depending on the industry of operation in order to be classified as an SME.

**Hong Kong, China:** There is no legislative definition of an SME in Hong Kong, China. The one shown in the table is considered to be standard and is used across the economy.

**Indonesia:** The definition of an SME was first set out in the Small Enterprise Act No. 9 of 1995. Under the most recent regulation from 2008 – Law No. 20/2008 on Micro, Small, and Medium Enterprises (MSME Act) – enterprises must meet either of the criteria on sales or assets (excluding land and buildings) in order to be classified as an SME. In practice, government agencies, including Statistics Indonesia (BPS), use the following definition based on number of employees: Micro: < 5; Small: 5-19; Medium: 20-99. The legal definition is in the process of being amended to include employment as a criterion.

**Japan:** The SME Basic Law, enacted in 1963, specifies the definition of SMEs and was last revised in 1999. Enterprises must meet either of the criteria on the number of employees or the amount of capital in order to be classified as an SME. There are exceptions for the following industries: Rubber product manufacturing ( $\leq 900$  employees or  $\leq$  JPY 300 million in capital); Software & information services ( $\leq 300$  employees or  $\leq$  JPY 300 million in capital); Hotel services ( $\leq 200$  employees or  $\leq$  JPY 50 million in capital); and Accommodations and amusement services ( $\leq 20$  employees to be classified as small).

**Korea:** The law defining SMEs – Framework Act on Small and Medium Enterprises – was most recently amended in 2014 with effect from 2015, removing the number of employees as a criterion.

**Malaysia:** Initially established in 2005 by the National SME Development Council, the definition of SMEs was revised in 2013 with effect from 2014. Enterprises must meet either of the criteria on the number of employees or the amount of sales turnover in order to be classified as an SME.

**Mexico:** The definition of SMEs – set out in the Law for the Development of Competitiveness of Micro, Small and Medium Enterprises – was most recently revised in 2009. The size of an enterprise is determined on the basis of the following formula: Maximum Combined Cap  $\geq$  (Number of Workers X 10%) + (Annual Sales X 90%).

**New Zealand:** There is no official definition of an SME in New Zealand. The one shown in the table is the standard definition for a “small business” and is traditionally used across the economy to refer to an SME.

**Papua New Guinea:** The definition of an SME was recently quantified in 2016. A scoring matrix is used to determine the size classification of an enterprise based on allowable ranges of the number of employees, amount of sales, and amount of assets within each size category.

**Peru:** The definition of SMEs was most recently amended in 2013 under Law N° 30056, eliminating the number of employees as a criterion and adding a size classification for medium-sized enterprises. Unidad Impositiva Tributaria (UIT) is a tax unit used in Peru, with the value set annually by the tax authorities. (The UIT for 2019 is equal to PEN 4,200.) For data on employment by SMEs, the following classification based on number of employees is used: Micro:  $\leq 10$ ; Small: 11-100; Medium: 101-250.

**The Philippines:** A legal definition of SMEs was established in 1991 under Republic Act No. 6977, “Magna Carta for Micro, Small and Medium Enterprises (MSMEs)”, that classifies firm size exclusively by fixed assets (excluding land). It has been amended through Republic Act No. 8289 in 1997 and Republic Act No. 9501 in 2008. In practice, government agencies, including the Philippine Statistics Authority (PSA), define SMEs based on the number of employees: Micro: 1-9; Small: 10-99; Medium: 100-199.

**Russia:** Federal Law № 209-FZ – On small and medium business development in the Russian Federation – defines SMEs and was adopted in 2007. In 2015, Government Decree № 702 – On the thresholds of sales revenue for each category of SMEs – doubled the previous limits on sales revenue for each size category. In addition to the criteria shown, the share in the registered capital of public bodies and of foreign legal entities which are not SMEs must be less than 25% and 49%, respectively.

**Singapore:** The definition shown in the table, as decreed by the Singapore Ministry of Trade and Industry, went into effect across all sectors from 1 April 2011. Enterprises must meet either of the criteria on the number of employees or the amount of sales in order to be classified as an SME.

**Chinese Taipei:** “Standards for Identifying Small and Medium-sized Enterprises” was first enacted in 1991 with the definition of SMEs most recently revised in 2009. Enterprises must meet either of the criteria on the number of employees or the amount of sales or capital (depending on which industry they operate) in order to be classified as an SME. A “small-scale enterprise” refers to an SME with fewer than 5 regular employees.

**Thailand:** The definition shown in the table follows ministerial regulations that have been in effect since 2002. However, a revision that increases the amount of assets in order to be classified as an SME is currently under consideration. (The value of assets is based on total fixed assets, excluding land.) The Revenue Department of Thailand defines SMEs based on upper limits of the number of employees and either revenue or assets for the promotion of tax benefits.

**United States:** The Small Business Administration (SBA) establishes the size standards that apply to each industry in order for an enterprise to qualify as an SME. The size standards are based on average annual receipts in 526 industries, number of employees in 505 industries (one of which also includes barrels per day total refining capacity), and average assets in five industries. The size standards are reviewed every five years, with the most recent review completed in 2016. Monetary based size standards are reviewed and adjusted every five years for inflation, with the last update in 2014. The size standards are also updated to adopt the 5-year revisions to the North American Industry Classification System (NAICS), with the last update in 2017.

**Viet Nam:** The current definition was established under Law 04/2017/QH14 – Law on Support for Small- and Medium-sized Enterprises (SME Law) – with effect from 1 January 2018. In addition to the criterion on the number of employees, enterprises must meet either of the criteria on revenue or capital in order to be classified as an SME.

Source: See Appendix 2.

## 2. DATA SOURCES OF SME STATISTICS

Economy	Source	Note
Australia	Australian Bureau of Statistics (ABS): <ul style="list-style-type: none"> <li>• <i>Counts of Australian Businesses, including Entries and Exits</i> (Catalogue Number 8165.0), Table 13</li> <li>• <i>Australian Industry</i> (Catalogue Number 8155.0), Table 5</li> <li>• <i>Characteristics of Australian Exporters</i> (Catalogue Number 5368.0.55.006), Tables 5.1 &amp; 5.2 for 2007-08 data and Tables 3.1 &amp; 3.2 for 2017-18 data</li> </ul>	ABS collects data based on Australia's financial year, which runs from the beginning of the second half of one year (1 July) to the end of the first half of the next year (30 June). Non-employing businesses are sole proprietorships and partnerships without employees and are considered as micro/small enterprises by ABS. Economic activities typically not covered include General government (Public administration and safety, Education and training, Health care and social assistance); Finance; Insurance and superannuation funds; Public administration; Defence; Private households employing staff; and Undifferentiated goods- and service-producing activities of households for own use.
Brunei Darussalam	Brunei Darussalam Ministry of Finance and Economy, Economic Planning and Development (JPKE): <ul style="list-style-type: none"> <li>• <i>Annual Census of Enterprises (ACE) 2017</i></li> <li>• <i>Economic Census of Business Enterprises (EC) 2016 (Preliminary)</i></li> </ul>	Data cover all active companies and businesses, including proprietorships, partnerships, public limited companies, private limited companies, branches of a foreign company, and cooperatives.
Canada	Statistics Canada: <ul style="list-style-type: none"> <li>• <i>Canadian Business Counts, with employees</i>, various December releases</li> <li>• <i>Labour Force Survey (LFS), Employment by establishment size</i>, annual (Table 14-10-0068-01)</li> <li>• <i>Survey of Innovation and Business Strategy (SIBS)</i>, 2017 release</li> <li>• <i>Trade in goods by exporter characteristics</i></li> </ul>	Data are based on the number of establishments rather than the number of enterprises. Non-employing enterprises and self-employed businesses are excluded.
Chile	<ul style="list-style-type: none"> <li>• Chile Internal Revenue Service (SII)</li> <li>• Chile Ministry of Foreign Affairs, Vice Ministry of International Economic Relations, Studies Directorate, Department of Market Intelligence, based on data from Chilean Customs Service, May 2019</li> </ul>	
China	<ul style="list-style-type: none"> <li>• National Bureau of Statistics of China, <i>China Statistical Yearbook</i>, 2018 annual edition (Tables 1-5, 3-1, and 4-1)</li> <li>• Guo Linmao and Ma Xianghui (Editors). <i>People's Republic of China Small and Medium-sized Enterprises Promotion Law: Guidebook</i>, China Democracy and Legal System Publishing House, Beijing, 2017</li> </ul>	Data shown for China are estimates calculated by the APEC PSU using data from the National Bureau of Statistics of China and generally accepted estimates as to the contribution of SMEs (share of enterprises, share of employment, and share of GDP). Data on enterprise growth rates and the distribution of SMEs by size were provided to the PSU by China.

Economy	Source	Note
Hong Kong, China	<p>Hong Kong, China Census and Statistics Department:</p> <ul style="list-style-type: none"> <li>• <i>Central Register of Establishments</i>, various releases</li> <li>• <i>Quarterly Survey of Employment and Vacancies</i>, various releases</li> <li>• <i>Quarterly Employment Survey of Construction Sites</i>, various releases</li> <li>• <i>Annual Survey of Economic Activities</i>, various releases</li> </ul>	<p>Economic activities not covered mainly include agriculture, forestry and fishing (entire industry section); construction (other than construction sites); hawkers and retail pitches (other than market stalls); taxis, public light buses, and part of goods vehicles and inland freight water transport; monetary authorities and self-employed insurance agents with no business registration; renting and leasing of recreational and sports goods; public administration (entire industry section); work activities within domestic households; activities of extraterritorial organisations and bodies; religious organisations; authors and other independent artists; and some social and personal services.</p>
Indonesia	<ul style="list-style-type: none"> <li>• Indonesia Ministry of Cooperatives and SMEs (MCSME), online SME statistics tables, 2010-2015 &amp; 2017-2018</li> <li>• Statistics Indonesia (BPS) online database (number of manufacturing establishments by sector)</li> </ul>	
Japan	<p>Japan Ministry of Economy, Trade and Industry (METI), Small and Medium Enterprise Agency (SMEA), <i>2019 White Paper on Small and Medium Enterprises in Japan</i>, Supplementary Statistical Data Tables</p>	<p>Data do not cover enterprises in the primary sector (agriculture, forestry and fisheries). Sole proprietorships are included in the data.</p>
Korea	<ul style="list-style-type: none"> <li>• Korea Ministry of SMEs and Startups, online statistics tables</li> <li>• Statistics Korea (KOSTAT) online database (“Export statistics of SMEs”)</li> </ul>	
Malaysia	<p>Ministry of Entrepreneur Development, Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia):</p> <ul style="list-style-type: none"> <li>• <i>SME Annual Report 2017/18</i></li> <li>• <i>SME Annual Report 2012/13</i></li> </ul>	<p>Data shown are based on the number of establishments rather than the number of enterprises. Some of the growth shown in the SME indicators for Malaysia is partly due to a redefinition of SMEs in 2014. The previous definition of SMEs (with size standards for micro, small, and medium) had the following thresholds:</p> <ul style="list-style-type: none"> <li>• Manufacturing, Manufacturing-related Services, &amp; Agro-based Industries: &lt; 150 employees or &lt; MYR 25 million in sales turnover</li> <li>• Services, Primary Agriculture &amp; ICT: &lt; 50 employees or &lt; MYR 5 million in sales turnover</li> </ul>

Economy	Source	Note
Mexico	Mexico National Institute of Statistics and Geography (INEGI): <ul style="list-style-type: none"> <li>• National Survey on Productivity and Competitiveness of Micro, Small and Medium Businesses (ENAPROCE) 2018</li> <li>• National Survey on Productivity and Competitiveness of Micro, Small and Medium Businesses (ENAPROCE) 2015</li> </ul>	
New Zealand	Statistics New Zealand (Stats NZ): <ul style="list-style-type: none"> <li>• Business Demography Statistics (accessed via NZ.Stat)</li> <li>• Business Operations Survey (accessed via Infoshare)</li> </ul> Ministry of Business, Innovation & Employment, <i>Small Businesses in New Zealand 2017 Factsheet</i>	Data include non-employed enterprises and the self-employed.
Papua New Guinea	Papua New Guinea Ministry of Trade, Commerce and Industry: <ul style="list-style-type: none"> <li>• <i>SME Policy 2016</i></li> <li>• <i>SME Master Plan 2016 - 2030</i></li> </ul>	Data shown are based on those enterprises in the formal sector only. (The informal sector is estimated to account for around 85% of the Papua New Guinea economy.)
Peru	Peru Ministry of Production: <ul style="list-style-type: none"> <li>• <i>MSMEs in Figures 2017 (Las Mipyme en cifras 2017)</i></li> <li>• <i>MSMEs in Figures 2013 (Las Mipyme en cifras 2013)</i></li> </ul>	Data cover the formal sector only. (The Ministry of Production reports that there is a high percentage of informality in the Peruvian economy with an estimated 48.4% of MSMEs unregistered with the tax authority SUNAT.)
The Philippines	<ul style="list-style-type: none"> <li>• Philippines Department of Trade and Industry online information based on Philippine Statistics Authority (PSA) 2017 Annual List of Establishments (LE)</li> <li>• Senate of the Philippines, Senate Economic Planning Office (SEPO), <i>The MSME Sector At A Glance</i>, March 2012 based on National Statistics Office (NSO) 2010 Annual List of Establishments (LE)</li> </ul>	Data shown are based on the number of establishments rather than the number of enterprises and cover both the formal and informal sectors in the Philippines. (Establishments in the formal sector account for around 30% of total establishments on the Annual List of Establishments.)
Russia	Russian SME Resource Center (RCSME) “SME Statistics 2010-2014: Key Performance Indicators of SMEs in Russia” based on data from Russia Federal State Statistics Service (Rosstat) <i>Small and Medium Enterprises in Russia 2015</i> and <i>Labour and Employment in Russia 2015</i>	Given that the most recent definition of an SME in Russia went into effect in July 2015, the data shown in the report are based on the previous definition of an SME, under which limits on sales revenues were half of the current maximum values for each size category. (See Appendix 1.)
Singapore	Singapore Department of Statistics (DOS) online database (“Topline Estimates For All Enterprises And SMEs, Annual”)	Enterprises include companies, businesses, non-profit organisations, ministries, statutory boards and government / government-aided schools.

Economy	Source	Note
Chinese Taipei	Chinese Taipei Ministry of Economic Affairs, Small and Medium Enterprise Administration: <ul style="list-style-type: none"> <li>• “SME Statistics in 2018” online statistics tables</li> <li>• <i>White Paper on Small and Medium Enterprises, 2010</i></li> </ul>	
Thailand	Thailand Office of Small and Medium Enterprises Promotion (OSMEP), <i>SMEs White Paper</i> , various annual reports	
United States	<ul style="list-style-type: none"> <li>• United States Small Business Administration (SBA), Office of Advocacy, <i>2019 Small Business Profile</i> factsheet</li> <li>• United States Census Bureau: Statistics of U.S. Businesses (SUSB); Nonemployer Statistics (NES); and Foreign Trade Statistics, Profile of U.S. Importing and Exporting Companies</li> <li>• Kobe, Kathryn and Richard Schwinn, <i>Small Business GDP 1998–2014</i>, United States Small Business Administration, Office of Advocacy, December 2018</li> </ul>	Data include sole proprietorships and non-employing businesses. For statistical purposes, firms with fewer than 500 employees are considered to be SMEs.
Viet Nam	General Statistics Office (GSO) of Viet Nam: <ul style="list-style-type: none"> <li>• <i>2017 Economic Census</i></li> <li>• <i>2012 Establishment Census</i></li> </ul>	Data cover state-owned enterprises, non state-owned enterprises, and foreign direct investment enterprises. Given that the most recent definition of an SME in Viet Nam went into effect in January 2018, the data shown in the report are based on the previous 2009 definition of an SME, under which enterprises are classified as SMEs based on either the number of employees or the amount of capital, depending on the economic sector: <ul style="list-style-type: none"> <li>• Micro: ≤ 10 persons</li> <li>• Small: 11-200 persons or ≤ VND 20 billion (11-50 persons or ≤ VND 10 billion in Trade &amp; Services)</li> <li>• Medium: 201-300 persons or &gt; VND 20 billion; ≤ VND 100 billion (51-100 persons or &gt; VND 10 billion; ≤ VND 50 billion in Trade &amp; Services)</li> </ul>

**Note:**

In practice, most economies typically use firm size based on number of employees in order to calculate statistical data on SMEs. Data for 2018, and for 2017 for some economies and/or indicators, are preliminary.

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## ANNEX 1: SMEWG SURVEY

### Definition of an SME

**1. How does your economy define an SME?**

Please give a precise definition. For example, if small-sized enterprises are differentiated from medium-sized enterprises and/or if the definition varies by economic sector (e.g., agriculture, manufacturing, services).

**2. Are there varying definitions of an SME in your economy as defined by different ministries or departments?**

(If yes, please also provide those definitions.)

**3. Is there a specific law or regulation under which the definition of an SME has been written in your economy?**

(If yes, please provide the name of that law or regulation.)

**4. Has the definition of an SME in your economy changed recently (e.g., within the past 10 years)?**

(If yes, please indicate when and how the definition has changed.)

**5. Is there an agency in your economy that is responsible for collecting or providing data on SMEs?**

(If yes, please indicate the name of that agency as well as how it defines SMEs under the official statistics or industrial survey.)

### Annual Data on SMEs

If available, please provide annual data for the past 10 years with as much granularity as possible (for example, if the data are disaggregated by firm size or by economic sector). Please be sure to specify the unit used to provide the data (such as millions, USD, etc.). Please also be sure to provide the data source as well as a link to that source if publicly available.

This survey seeks to collect time series annual data (disaggregated by firm size and by economic sector when available) for the following indicators:

**6. Overview of SMEs:**

- **6.1** Number of SMEs & Total number of enterprises
- **6.2** Employment of SMEs & Total employment
- **6.3** Value of output or sales of SMEs & Total value of output or sales

**7. SMEs engaged in exporting:**

- **7.1** Number of SMEs engaged in exporting & Total number of exporters
- **7.2** Value of exports from SMEs & Total value of exports

## Key Issues & Policies

**8.** Please identify three key challenges or barriers in each of the following economic sectors that prevent SMEs in your economy from engaging in greater internationalization:

- agriculture (including fisheries, mining and forestry);
- manufacturing; and
- services.

Please elaborate and discuss by explaining the three major barriers most commonly found in each of the three economic sectors listed above. (Please limit your response to two pages only.)

Possible internal and external barriers for SMEs could include the following:

- Limited information to locate and/or analyse foreign markets
- Difficulty in identifying foreign business opportunities
- Difficulty in obtaining reliable foreign representation or business partners
- Lack of managerial time to deal with internationalization
- Inadequate quantity of and/or untrained personnel for exporting
- Lack of excess production capacity for exports
- Shortage of working capital to finance exports
- Difficulty in meeting specific foreign quality standards and specifications
- Difficulty in matching the prices of competitors
- Difficulty in accessing export distribution channels
- Excessive transportation and/or insurance costs
- Lack of domestic government assistance or incentives
- Lack of access to foreign markets, including high tariffs and/or non-tariff barriers
- Lack of public infrastructure and/or limited access to technology
- Other (please specify)

**9.** Please identify three key initiatives and/or policies that your economy has implemented over the past 10 years (or currently has plans to implement) to support, promote, or facilitate greater internationalization of SMEs. Please elaborate and discuss those initiatives and/or policies by explaining the objectives, key stakeholders, method(s) of implementation, and outcomes.

(Please limit your response to two pages only.)

**10.** What do you believe is the most important role of regional cooperation with respect to minimizing barriers in order to promote greater internationalization of SMEs? Please elaborate and discuss with an emphasis on what APEC and/or the SMEWG could do so as to minimize the challenges facing SMEs and/or member economies.

(Please limit your response to one page only.)

## ANNEX 2: CASE STUDY TEMPLATE

<b>Title of the Case Study:</b>	
<b>I.</b>	<b>Introduction</b>
Provide a summary of relevant regulatory, policy, and socioeconomic context/background.	
<b>II.</b>	<b>Key issues/problems to be addressed</b>
Discuss key issues, including an explanation on the urgency of the situation.	
<b>III.</b>	<b>Policy solutions and response</b>
Describe the policy solutions and response that were implemented to address the problems and to achieve desired objectives. Some pointers: Why and how the policy was chosen? What are the policy objectives? Who are the stakeholders? How was the policy being implemented? What are the identified risks of the policy or practice? What are the alternatives?	
<b>IV.</b>	<b>Key implementation challenges, outcomes, and impact</b>
Describe the challenges and impact as a result of the above policy response. Any relevant side effects should also be explained. Key statistics/indicators should be included as necessary, particularly those relating to the impact. Some pointers: What are the key benefits (outcomes and impact) of the policy or reform? Who are the main beneficiaries? What are the costs of implementing the policy?	
<b>V.</b>	<b>Lessons learned</b>
Describe the key success factors and/or lessons that will be useful for future reforms. Some pointers: Under what conditions would the policy solutions work? What are the causal mechanisms? How do you assess the effectiveness and/or efficiency of the policy/reform? What are the innovative approaches that the reform or policy has adopted? What could have been done differently? How could things have been improved? How applicable would the adopted policy be should it be applied to a different setting?	
<b>VI.</b>	<b>Way forward: Considering the development or growth trajectory of your individual economy as well as the global trade outlook, what are the <b>three key strategic challenges and opportunities</b> for the internationalization of SMEs over the next 3-5 years?</b>
<p>A. Strategic challenges:</p> <p>B. Strategic opportunities:</p>	