

## **APPENDIX 7**

### **INITIATIVES TO ADDRESS THE TOP BARRIERS FACING SMALL AND MEDIUM-SIZED ENTERPRISES IN TRADING IN THE REGION**

## **Proposal to Address Customs Clearance Delays Caused by Difficulties in Navigating Overly Complex Customs and Requirements and Documentation (Barrier #5)**

Proposed by Canada and the United States

In May 2011, APEC Ministers Responsible for Trade and Ministers Responsible for Small and Medium Enterprises (SMEs) identified nine top barriers to SMEs trading in the region. Ministers agreed that APEC's work to address these barriers should provide a direct and practical benefit to SMEs, and "instructed officials to identify and undertake specific and concrete actions to address each of these barriers by the APEC Economic Leaders' Meeting in November 2011". To contribute to this goal, Canada and the United States are pleased to propose the following to address the fifth barrier identified by Ministers:

***Customs clearance delays caused by difficulties in navigating overly complex customs requirements and documentation:*** Customs clearance delays can more significantly affect SMEs because of their lower inventory volumes, their role as a provider of goods or services in larger supply chains, and other factors common to SMEs.

### **Background**

With the recently completion of the second Trade Facilitation Action Plan and work underway on the Supply Chain Connectivity Framework Action Plan, APEC continues to have a robust trade facilitation agenda. In order to further connect APEC's overall trade facilitation agenda with addressing barrier #5 identified by Trade and SME Ministers, Canada and the United States propose a two-step approach that will enhance the accessibility of economies' customs information for SMEs and identify other specific actions that APEC can undertake to further barrier #5. While customs websites tend to include a wide variety of important information exporters and importers, the first stage of the proposal would enhance accessibility by providing direct access to specific resources important to SME exporters and importers. One tool that can be used to promote transparency is the posting of relevant materials/information on websites accessible to SMEs. However, currently there is no compendium of information specific to APEC members in any form that would enable SMEs to easily and remotely access this information.

### **Proposal**

The first stage of the proposal is to create a simple APEC webpage that includes links to basic information on import procedures like commonly required customs forms, contact information for relevant customs authorities, and other SME-specific resources available on APEC economies' customs websites. To ensure a resource-effective approach that provides a broad level of accessibility, the proposed webpage would utilize the same approach as the website for Tariffs and Rules of Origin in APEC Member Economies (WebTR) in terms of layout and language. By directly linking to the resources on economies' customs websites, economies would only need to update information on their customs websites, without the need to update the separate APEC website. The goal would be to establish the website with economies' information, to the greatest extent possible, by the APEC Leaders Meeting in November.

Following consultations with APEC economies' customs administrations, Canada and the United States would undertake a review of websites currently maintained by APEC economies to compile and distribute customs-specific information to SMEs at the domestic level. Two to three examples would then be highlighted and shared with all APEC members to determine whether these websites could serve as models for APEC economies' customs administrations to facilitate the sharing of domestic practices and legislation. Economies would be encouraged to develop similar website portals catering specifically to the needs of SMEs, at both the domestic and international level. In consultations with APEC members, timelines will be encouraged for the development of such website portals.

## **Proposal to Address Problems Navigating Differing Legal, Regulatory, and Technical Requirements (Barrier #6)**

Proposed by Australia

Small and medium enterprises find it more difficult than large corporations to identify commercial opportunities to trade and invest overseas and to navigate the complex and technical rules and regulations affecting access to new markets, particularly in relation to services trade. The Services Trade Access Requirements (STAR) Database is a business-friendly, on-line tool providing services providers with simple, easy-to-understand information on how to export and invest in five major services sectors<sup>1</sup> across 11 APEC economies<sup>2</sup>. Next year, the STAR Database will be expanded to cover the entire APEC region as well as three new services sectors: education, distribution and ICT services.

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<sup>1</sup> Sectors covered include financial services (banking and insurance), mining and energy services, transport and logistics, telecommunications and professional services (legal, accounting, architecture and engineering services).

<sup>2</sup> Initial economies covered include Australia, Chile, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand and the United States.

## **Proposal to Address Difficulty with Intellectual Property Acquisition, Protection, and Enforcement (Barrier #7)**

Proposed by Japan and the Philippines

### **1. Context**

Small and Medium Enterprises (SMEs) are one of strong drivers for economic growth, therefore, to increase SMEs' trade is our mutual interest and common goal for future prosperity in the region.

As agreed in the Joint Ministerial Meeting of Ministers Responsible for Trade and Ministers Responsible for Small and Medium Enterprises in May 2011, *the lack of knowledge and resources to acquire, protect, and enforce intellectual property rights in foreign markets are major obstacles to small business owners who are deciding whether to export.*

For the purpose of enhancing awareness and resources for IP acquisition, protection and enforcement to SMEs in the region, we should follow three initiatives, namely ((1) Increase IP information input from public sector, (2) Strengthen consultation function of government, and (3) Share IP learning materials), because these three initiatives directly improve the quality and quantity of SMEs' ability to find IP information as well as their awareness of issues associated with emerging technologies. Therefore, these initiatives could be implemented in all APEC economies to the extent possible after a sufficient preparation time.

We believe that these initiatives could support SMEs which have relatively less knowledge and resources for IP, and finally lead to increase SMEs' trade and promote economic growth in the region.

### **2. Draft Action Plan**

#### 1. "IP Info Discovery" (Increase IP information input for SMEs)

- Uploading summary of IP application procedures on the website of the relevant governmental agency (e.g. Intellectual Property Office), including flowcharts or diagrams which will facilitate SMEs' understanding of processes.
- Making available information on IP for SMEs by each economy through resources such as booklets or webpages in English by each economy and, if possible in the future, an APEC regional booklet or website, compiling information on each economy's booklet or website.
- Where possible, these publications should be made in English.

#### 2. "IP Single Window" (Strengthen consultation function of government (Establishment of the IP single window))

- Promote the use of a Single Window for SMEs in each economy to find information on IP application and protection.

#### 3. "IP Education Network" (Share IP learning materials)

- Exchanging each economy's IP educational information by uploading this information on the website of the iPAC initiative (IPEG) (<http://ipac.apec.org/>) and encourage SMEs to access to this website for information on IP.
- Distributing and encouraging SMEs in the region to use a current existing APEC IP education material, namely (e.g., Strategic Intellectual Asset Management for Emerging Enterprises - Capacity Building for Successful Entry to Global Supply Chain, November 2010 (HRDWG/CBN)<sup>3</sup>) more widely.

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<sup>3</sup> [http://publications.apec.org/publication-detail.php?pub\\_id=1101](http://publications.apec.org/publication-detail.php?pub_id=1101)

## **Proposal to Address Inadequate Policy and Regulatory Frameworks to Support Cross-Border Electronic Commerce for Small and Medium Enterprises (Barrier #8)**

Proposed by the United States

In May 2011, APEC Ministers Responsible for Trade and Ministers Responsible for Small and Medium Enterprises (SMEs) identified nine top barriers to SMEs trading in the region. Ministers agreed that APEC's work to address these barriers should provide a direct and practical benefit to SMEs, and "instructed officials to identify and undertake specific and concrete actions to address each of these barriers by the APEC Economic Leaders' Meeting in November 2011". To contribute to this goal, the United States is pleased to propose the following to address the eighth barrier identified by Ministers:

***Inadequate policy and regulatory frameworks to support cross-border electronic commerce:***  
Electronic commerce is a powerful enabler for the internationalization of SMEs. Critical to the ability of SMEs to conduct this type of trade are enabling policy and regulatory frameworks in APEC economies.

### **Background**

APEC has been at the forefront of identifying policies and actions to facilitate the use of electronic commerce (e-commerce) in the region. In 1998, APEC Leaders endorsed *The APEC Blueprint for Action on Electronic Commerce* containing broad themes and cooperative activities for the promotion and development of e-commerce in the region. Since then, the work undertaken by APEC has played an important role in improving the regulatory environment for e-commerce in the Asia-Pacific region, which has contributed to its tremendous regional growth. In particular, e-commerce and related services have provided SMEs in the region with an efficient mechanism to internationalize their operations in a cost effective way that has evolved significantly since the *Blueprint* was agreed to in 1998.

### **Proposal**

The challenge now is for APEC is to keep pace with developments in technology and innovations in business models by enhancing the use of e-commerce and related services in the region in a way that takes into account the special role that SMEs play in APEC economies as exporters and engines of growth. To meet this challenge, and to address the barrier of "*Inadequate policy and regulatory frameworks to support cross-border electronic commerce*", APEC should update the foundational *Blueprint for Action on Electronic Commerce* to reflect advances in ways that the private and public sectors are utilizing e-commerce as a tool to expand trade and public services within APEC economies.

Additionally, the *Blueprint for Action on Electronic Commerce* should include an updated direction on the broad themes and areas of cooperative activity that can be undertaken to promote further growth in the use and development of e-commerce in the region. Without compromising the original intent of the *Blueprint*, the update would enhance it by including new issues that have resulted from advancements in technology, the growth in e-commerce based business models, and the importance of e-commerce as a tool to reach international markets for SMEs.

Attachment: Draft Revised *Blueprint for Action on Electronic Commerce*

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**ATTACHMENT****APEC Blueprint for Action on Electronic Commerce**

APEC Ministers,

- Recognising electronic commerce as commercial transactions occurring over open networks, such as the internet, which includes both business-to-business and business-to-consumer transactions.
- Recognising the enormous growth and further potential of electronic commerce to expand business opportunities, reduce costs, increase efficiency, improve quality of life, and facilitate the greater participation of small business in global commerce and in global production networks.
- Taking into account the different stages of development of member economies, the per se regulatory, social, economic and cultural frameworks in the region.
- Taking into account that improving capability in electronic commerce among APEC economies, including through economic and technical cooperation (ECOTECH activities), is needed to enable APEC economies to enhance the benefits of electronic commerce.

Agreed to the following:

1. The need to update the 1998 APEC Blueprint for Action on Electronic Commerce to take into account the evolving nature of electronic commerce and enabling services in our economies, recognizing that advancements in technologies and business processes will continue to impact electronic commerce.
2. The business sector plays a leading role in developing electronic commerce technology, applications, practices and services.
3. The role of governments is to promote and facilitate the development and uptake of electronic commerce by :
  - Providing a legal and regulatory environment which is favourable to electronic commerce, and is predictable, transparent and consistent;
  - Providing an environment which promotes trust and confidence among electronic commerce participants;
  - Promoting the efficient functioning of electronic commerce internationally by aiming, wherever possible, to develop domestic frameworks which are compatible with evolving international norms and practices; and
  - Enhancing the use of e-government services within our economies, taking into account advances in technologies.
4. For electronic commerce to flourish, business and government should cooperate wherever possible to promote the development of affordable, accessible and interoperable communication and information infrastructure, including the promotion of universal access to high speed broadband networks.
5. Government and business should cooperate to develop and implement technologies and policies, which build trust and confidence in safe, secure and reliable communication, information and delivery systems, and which address issues including privacy, authentication and consumer protection.

To encourage the continued growth of electronic commerce in the region, we instruct officials to:

6. Work together to build trust and confidence; enhance e-government services; intensify community outreach; promote technical cooperation and experience exchange; where appropriate, work towards eliminating impediments to its uptake; and develop seamless legal, technical, operating and trading environments to facilitate the growth and development of electronic commerce, especially to meet the needs of the private sector, in particular for small and medium enterprises (SMEs).

7. Promote work that APEC can undertake to facilitate and support an enabling environment for electronic commerce activities by the private sector, in particular for small and medium enterprises (SMEs).
8. Promote the growth and use of e-government services within APEC to enhance the efficient delivery of government services and information to individuals and the private sector in our economies.
9. Provide a legal and regulatory environment which is favourable to electronic commerce, and which is predictable, transparent and consistent
10. While recognising that some degree of government regulation may be necessary, technology-neutral, market-based solutions which can be promoted by competition policy, and effective industry self-regulation, should be favoured.
11. Enhance our understanding of measures and indicators to the uptake, use, and flows of electronic commerce.
12. Enhance our understanding of linkages enabled by electronic commerce in global production networks and the participation of SMEs.
13. Encourage “identity ecosystems” that use secure, efficient, easy-to-use, and interoperable identity solutions to access online services in a manner that promotes confidence, privacy, choice, and innovation.
14. Explore further economic and technical cooperation (ECOTECH activities) to facilitate the uptake, use and maximisation of benefits of cross-border electronic commerce in APEC member economies.
15. Continue to promote an environment that facilitates greater information flows across borders through the implementation of the APEC Cross-border Privacy Rules System and related collaborative activities.
16. Promote the inclusion of provisions related to electronic commerce in trade agreements.
17. Promote a favourable environment for the growth and use of new services and business models, like mobile commerce and cloud computing, that take into account technology advancements and the role of electronic commerce in facilitating SME access to the global marketplace.
18. Recognize the importance of online dispute resolution in fostering trust in cross-border electronic commerce transactions by working with UNCITRAL and other international fora in moving forward work on legal foundations, where appropriate, for a seamless system of cross-border electronic commerce.
19. Welcome collaboration with relevant international fora.
20. APEC Ministers recognised that the task force steering approach had been an efficient and effective mechanism for providing coordination, greater focus and broad direction of the cross-cutting issue of electronic commerce. The Electronic Commerce Steering Group (ECSG) will continue its efforts to ensure continued coordination and pursuit of the Blueprint for Action through the Committee on Trade and Investment as the coordinating body for work on trade and investment liberalization and facilitation.

APEC Ministers recognise the ongoing importance of the Blueprint for Action to provide greater focus and broad direction to promote the use and development of cross-border electronic commerce. APEC economies agree to work together to promote the themes and cooperative activities in this updated Blueprint for Action on Electronic Commerce. Important in this process are the contributions from the private sector through ABAC and other representatives.

## **Proposal to Address Difficulty in Taking Advantage of Preferential Tariff Rates and Other Aspects of Trade Agreements (Barrier #9)**

### **Proposed by Japan, Peru, and United States**

#### **I. Background**

In May 2011, in Big Sky, Montana, the United States, during the first Joint Ministerial Meeting between Ministers Responsible for Trade and Ministers Responsible for SMEs, APEC Ministers noted the existence of a variety of barriers that limit the ability of SMEs to trade in the region. Nine different barriers were identified, which would be addressed by both the CTI and SMEWG in the following years.

Ministers instructed APEC officials to *“identify and undertake specific and concrete actions to address each of these barriers by the APEC Economic Leaders’ Meeting in November 2011”*.

Japan, Peru and the United States have volunteered to lead the initiatives to address one of the identified barriers: *“Difficulty in taking advantage of preferential tariff rates and other aspects of trade agreements”*. It was established that improving the understanding of how to utilize free trade agreements will make it easier for small and medium size enterprises (SMEs) to benefit from these agreements, which will lower their overall cost when exporting and, in turn, increase their competitiveness.

#### **II. Proposal**

As initial steps to improve SMEs’ abilities to take advantage of trade agreements and increase their participation in international trade, we propose the following initiatives:

- 1) *Summaries of the region’s FTA chapters, in areas of interest for SMEs, written in an easily understandable language.*

We believe that having summaries of relevant FTA chapters written in an easy to understand way will enable SMEs to better understand the advantages that these agreements give them in the global markets. While we encourage economies to be as comprehensive as possible on the chapters it summarizes, each economy will decide. In addition, we will provide suggestions on chapters that would be relevant so SMEs.

In order to achieve a better understanding about the information the economies will be requested to provide, examples will be circulated to the economies in order to provide guidance on the presentation and contents of these summaries. (Peru will provide some concrete examples in the least possible time.) Economies will summarize their FTA chapters in their own language and make English versions publicly available in the future in order to enhance accessibility of the information. Both activities, meaning summaries in economies’ own language and in English, are a deliverable for 2012. This information could be initially posted in the WebTR.

- 2) *An “Increase of FTA Utilization” Workshop; a “Guidebook on FTA Utilization in APEC” and a “Compendium of Best Practices to Promote FTA Utilization Policy in the APEC Region”.*

In order to build capacity among our economies, “Increase of FTA utilization” Workshop would be held between May to July 2012, attended by specialists from the Government, Academia, and Industrial Organizations. The objective is to share information on how SMEs can take advantage of FTAs in APEC economies and the best practices used by governments or related organizations to promote FTA utilization by SMEs.



The information collected at this workshop will be compiled in two documents. The first will be the “Guidebook on FTA Utilization in APEC”<sup>4</sup>; and it is aimed to show how SMEs can take advantages of the FTAs, for instance how to fill and use Certificates of Origin, or Customs Procedures. The second document, “Compendium of Best Practices to Promote FTA Utilization Policy in the APEC Region”, will be published as a tool for understanding how APEC economies can promote their FTAs among SMEs so they could take advantage of them. The second document, “Compendium of Best Practices to Promote FTA Utilization Policy in the APEC Region”, will be published as a tool for understanding how APEC economies can promote their FTAs among SMEs so they could take advantage of them. Both documents can be used by the public and private sectors to promote increased utilization of FTAs by SMEs.

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<sup>4</sup> We could also encourage the participation of other international organizations that have been successful in increasing FTA utilization by SMEs.

## SAMPLE - Beneficios de los Acuerdos Comerciales para las PYMES

### 1. Acuerdo de Promoción Comercial (APC) Perú-Estados Unidos

Tema	Beneficios
Acceso a Mercados	<ul style="list-style-type: none"> <li>- Las muestras comerciales enviadas por PYMES peruanas serán admitidas temporalmente sin pago del arancel en EE.UU. Adicionalmente las muestras comerciales de valor insignificante podrán ingresar sin pago de arancel al mercado de EE.UU.</li> <li>- No es posible adoptar o mantener subsidios a la exportación de mercancías agrícolas, lo que permite a las PYMES competir de manera igualitaria en el mercado local.</li> <li>- Las PYMES peruanas que producen ciertas mercancías agrícolas se encuentran protegidas en caso exista un incremento de que la mercancías importada afecte a la producción local.</li> <li>- Desgravación inmediata por parte de EE.UU. (a la puesta en vigencia del Acuerdo que fue el 01 de febrero del 2009) para productos de exportación de interés de las PYMES, tales como manufacturas pequeñas en general, mercancías del sector textil-confecciones.</li> <li>- Desgravación inmediata por parte del Perú para maquinaria en general, insumos entre otros productos que pueden brindar competitividad a las PYMES.</li> <li>- Se mantiene la prohibición de importar mercancías como ropa usada y calzado usado, que pueden competir deslealmente con la producción de las PYMES.</li> </ul>

### 2. Acuerdo de Libre Comercio Perú-China

Tema	Beneficios
Reglas de Origen	<ul style="list-style-type: none"> <li>- Los criterios de origen para mercancías que emplean insumos no originarios se encuentran basadas principalmente en el método de cambio de clasificación arancelaria. Este es el método más claro y directo para evaluar el cumplimiento de origen.</li> <li>- Certificación de Origen a través de entidades habilitadas, hecho que garantiza el cumplimiento de origen para las mercancías exportadas por las PYMES.</li> <li>- Cuando el embarque de mercancías no superen los 600 dólares, no se requiere un Certificado de Origen. En este caso las PYMES podrán emitir una declaración de origen de las mercancías, sin la intervención de una entidad certificadora. Una auto certificación que implica menos tiempo y costos para las PYMES.</li> <li>- El Acuerdo establece la posibilidad de devolver a las PYMES los aranceles hasta un año después de la importación de la mercancía. Esto implica que dentro del primer año de importación de la mercancía, se podrá solicitar el trato arancelario preferencial con un Certificado de Origen y obtener de esta manera la devolución de lo pagado.</li> <li>- Una PYME que exporte mercancías originarias tendrán que guardar por 3 años la información que demuestre el origen de la mercancía, tales como el origen de los insumos, el proceso productivo. A diferencia con otros Acuerdos Comerciales Internacionales, el mantenimiento de información en este Acuerdo es más corto. Este hecho implica ahorros en los costos de almacenamiento de la información, en caso la información sustentatoria sea en papel.</li> <li>- Las PYMES pueden solicitar la emisión de Resoluciones Anticipadas acerca del cumplimiento de origen de las mercancías, de esta manera brinda certeza a las empresas.</li> </ul>

### Benefits of Free trade Agreements to the Peruvian SMEs

#### 1. US-Peru Free Trade Agreement

Topic	Benefits
Market Access	<ul style="list-style-type: none"> <li>- Commercial samples sent by Peruvian SMEs will be duty-free temporary admitted in USA. Additionally, the commercial samples of negligible value may enter duty-free into the American market.</li> <li>- It is not possible to adopt or maintain export subsidies to agricultural products, something that allows SMEs to compete fairly in the local market.</li> <li>- Peruvian SMEs producing certain agricultural products are protected in case there is an increase of imported goods affecting the local production.</li> <li>- Immediate tariff elimination of US customs duties (at the moment the Agreement entries into force) to SME export interesting goods, such as small manufacturing goods, textile and apparel, etc. The preferential access is going to enhance the long term market access opportunities.</li> <li>- Immediate tariff elimination of Peruvian customs duties to key SME importations, such as machinery, inputs, fuel, etc. The removal of the customs duties will reduce the cost of production and improve the competitiveness of the SMEs.</li> <li>- The Peruvian SMEs are protected to unfair competition in the field of used clothing and shoes, since the ban to import such goods is maintain.</li> </ul>

#### 2. China-Peru Free Trade Agreement

Topic	Benefits
Rules of Origin	<ul style="list-style-type: none"> <li>- The rules of origin for products using non-originating inputs are mainly based on tariff classification change method. This method is more clear and direct to evaluate the origin of the products.</li> <li>- The origin certification is by governmental entities, a fact that guaranties that the exporting goods comply with the established rules.</li> <li>- When a shipment of originating goods does not exceed 600 dollars, a certificate of Origin is not required. In this case, a SME would be able to issue a declaration of origin, without the intervention of a certifying entity. A self-certification process that implies less time and money for SMEs.</li> <li>- The Agreement provides SMEs with the possibility of a refund of customs import duties in case at the moment of the importation, it was not possible to proof the origin of the goods. So, within the first year after the good importation, it is possible to request for a preferential tariff treatment with a Certificate of origin and obtain a refund.</li> <li>- A SME that exports an originating good must maintain for 3 years information proving the origin of the good, such as cost of materials, production process, etc. In comparison with other Free Trade Agreements, the record keeping period in this Agreement is shorter and implies a cheaper storage cost, in case it is paper based.</li> <li>- SMEs may request the issuance of Advance Rulings of origin, biding documents. By this way, they are going to have certainty about the origin of the exporting products.</li> </ul>