

Final report

Forum of East Asian and Latin American Cooperation

Invitation Program for Young Leaders on Small and Medium Enterprises (SME) Promotion and IT

Executive Report



**Group 3: Brazil, Chile, China, New Zealand, Nicaragua, Panama, Paraguay,
Philippines**

SUMMARY – GROUP 3

The purpose of this report is to briefly discuss and understand the current situation and business environment for SMEs in the two FEALAC regions. The desired outcome is a number of multidimensional recommendations designed to support and accelerate SME development.

Regardless of how individual FEALAC members define and categorize SMEs and taking into account unique cultural differences, SMEs in East Asia and Latin America face remarkably common problems. This report highlights experiences from different FEALAC economies and notes some local best practices. This can enable FEALAC members to learn of SME developments in other countries and offer alternative business models that FEALAC members could adopt or adapt to their own jurisdictions. The report will conclude with recommendations that should be taken in to consideration by national policy makers in order to increase SME growth and competitiveness.

Examples of problems & barriers identified include:

- 1) Difficulty in accessing finance: SME can find access to credit lines difficult for a range of reasons, including high interest rates.
- 2) Accessing market information and appropriate education: SMEs are constrained by the lack of export and foreign trading market information (Asia).
- 3) Lack of business management and IT skills continues to remain key issues impeding SME growth.
- 4) Lack of interaction between SMEs local private institutions (e.g. chambers of commerce)
- 5) The heterogeneous aspirations of SMEs present problems to policy makers and a “one size fits all” approach to business development.
- 6) High cost of transport, protecting copyright and intellectual property can inhibit entrepreneurial initiatives.
- 7) Low uptake and utilisation of IT and telecommunications.

The following are some international examples of initiatives designed to enhance SME development:

KOREA - The government has a platform for SMEs when doing business overseas

COLOMBIA – Café Colombia, all coffee growers from Colombia organized as a group

and sell coffee as a country brand instead of as individual SMEs

BRAZIL – National Competition on Virtual Management creates awareness and interest on becoming entrepreneurs, training ground for prospective entrepreneurs. Creation of cheaper computers for small businesses. National Campaign for SMEs to export (special training, administrative facilities)

CHINA – Fund for SMEs established by the China Council for the Promotion of International Trade.

NEW ZEALAND – Web-based Business Portal for SMEs offering a wide range of information, business assistance program, benchmarking, resource center. Market Development Scheme offered by the Government, shoulder 50% of cost of international market development (eg. Trade shows)

CHILE – Supporting, funding and advisory for SMEs through third parties (chamber of commerce, specialized associations, etc)

PANAMA – Government loan guarantee scheme to enhance SMEs access to debt finance.

Group 3 recommendations are as follow:

1. Form SME co-operatives to reduce fixed costs for trading purposes exporting/importing.
2. Reinforce IT utilization to minimize information asymmetry
3. Enable SMEs to use IT to improve efficiency and productivity.
4. Strengthen the role of the chambers of commerce, local and national institutions
5. Create a logistic and administrative structure to support FEALAC regional SMEs;
 - a. Availability of funds for trading-oriented SMEs
 - b. Promote resource sharing among economies (trainers/trainees exchange, SMEs business road shows and ferias, unify trade business information troughs web page portals)
 - c. build database on needs, human resource
 - d. market information on FEALAC countries
6. Labour sharing to solve skills shortages and encourage knowledge transfer in FEALAC
7. Involve universities and research organizations a source of monitoring, understanding and development of policies SMEs-oriented, business opportunities schemes, and IT implementation/ diffusion programs.
8. Provide incentives (grants, tax credits) to enhance SME uptake of IT