SME Newsletter

4th Quarter 2014

CHAIRMAN'S MESSAGE

The SME Development Council (SMEDC) is pleased to publish the 1st quarter 2015 edition of the SME Newsletter. It is our ardent hope that, as we usher in the New Year, we can also look forward to the continued support of our members in our efforts provide a platform – through this newsletter – for an effective exchange of information among CACCI members on the latest developments in the the SME sector not only in Asia-Pacific countries but in other regions around the globe as well.

The articles featured in this issue underscore some of the major limitations faced by SMEs that prevent them from attaining economies of scale – such as lack of access to technology, financing, information, and markets, among others. We must therefore continue to encourage and call on both the private and government sectors to provide the necessary support and policy measures that are designed to reduce, if not totally eliminate, these limitations, and hence enable SMEs to effectively compete not just in the local markets but globally as well.

We are therefore pleased to learn that SMEs, which employ nearly all of Southeast Asia's domestic workforce, will take center stage at the 2015 APEC Summit, which will be held in the Philippines. Mr. Gregorio Domingo, Philippine Trade Secretary, said during the launch of APEC 2015 recently said that there is a need to underscore the significance of SMEs in the country, and their role and integration in the global supply chains. As we know, the looming integration of ASEAN region aims to cut trade borders within the region, and as such, the economies will compete with each other. Regional integration, according to Secretary Domingo should work towards empowering the people and achieving inclusive growth in every country in the region, and this can be achieved by promoting the growth of SMEs.

I wish you all a prosperous and successful Year of the Sheep!

George Abraham
Chairman, CACCI SME Development Council

Inside this issue ......

SME Issues Addressed at the CACCI Conference in Kuala Lumpur

Issues relating to the development of small and medium enterprises (SMEs) were addressed during two sessions of the 28th CACCI Conference that took place on September 17-19, 2014 in Kuala Lumpur.

Plenary Session

Plenary Session Two of the Conference focused on the topic "Services in the Asia-Pacific Region: Supporting the Growth of SMEs and Entrepreneurship". Held on the morning of September 18, this session featured speakers who assessed the relevance and implications of a large service sector on the region's economic well-being (including its impact on the degree of division of labour and specialization); examined the challenges of a growing services sector for the region's SMEs and the promotion of entrepreneurship; suggested measures for enhancing productivity in the services sector; identified areas for regional cooperation to raise the level of intra-regional trade in services; and shared their views on what is commonly perceived as the inevitable trend toward service economies in Asia.

The speakers included: Tan Sri Rafidah Aziz, Chairman, AirAsiaX; Dr. Mario Arturo Ruiz Estrada, Econographicologist, Visiting Senior Research Fellow, University of Malaya; Mr. Jagdeep Kairon, Managing Director, The Ethical Alliance, Singapore; and Datuk K. Supperamaniam, Former Ambassador/Permanent Representative of Malaysia to the World Trade Organization (WTO).

The session was chaired by Mr. K. K. Modi, President Emeritus, CACCI and Chairman, Modi Enterprises.

Breakout Session

One of the breakout sessions at the Conference addressed the topic "SME Development and Women Entrepreneurship." Scheduled on the morning of September 19, the two-hour session discussed the vital role played by SMEs and entrepreneurship in economic development and industrial growth of a country, and underscored the importance of allowing women to be active participants and beneficiaries of the economic growth process and to make contribution for their family and modern society. It also identified what the private sector and governments, through programs and pro-active policy measures, can do to achieve this objective.

The women speakers who were themselves entrepreneurs shared their experiences in putting up their businesses, the challenges and difficulties they faced, and what they did to overcome those problems. Some of the speakers advised women entrepreneurs to register their businesses to better their chances of getting funding from banks.

Featured as panelists in the Breakout session were: Y Bhg Dato' Hafsah Hashim, Chief Executive Officer, SME Corporation Malaysia; Ms. Zuhal Mansfield, Member, TOBB Women Entrepreneurs Board and Chairman of the Board, TMG Mining and Manufacturing; Ms. Rossana Llenado, President, AHEAD Learning Center; and Ms. Maggie Hsu, Acting Director, Incubation Division, Small and Medium Enterprise Administration, Ministry of Economic Affairs of ROC.

Co-chairing the breakout session were Mr. George Abraham, Chairman of CACCI's SME Development Council from Singapore, and Dr. Sheikh Ghazali Abod, Chief Operating Officer, Center for Entrepreneurship Development and Research from Malaysia. ■

EU SME Centre to continue business support in China until 2018

Following the success of the first phase, the EU SME Centre in China officially launched its second phase of operations, having secured funding from the European Union for another four years.

The Centre will continue promoting market access for European small and medium sized enterprises (SMEs) offering market intelligence information, webinars, trainings, workshops, hot-desking and tailor made solutions. Advocacy work towards the Chinese government is another important field of the Centre's activities.

Chris Cheung, Centre Director, also unveiled three new services – the Knowledge Centre, the Advice Centre and the Training Centre – which will deliver more in-depth business support to SMEs seeking to internationalise in China.

Since its operations began in 2010 the Centre answered over 2,400 enquiries from all EU member states – with Italy, UK and Spain topping the statistics – covering areas such as Business Development, Legal, Standards & Conformity and Human Resources. Most common challenges faced by EU SMEs when dealing with China are Chinese partners and how to conduct due diligence on them. Ways to enter the market, customs clearance and salary as well as recruitment procedures are also among the most relevant issues for European companies.

Arnaldo Abruzzini, Secretary General of EUROCHAMBRES – the organisation responsible for coordinating the Centre's activities in Europe – said: "The Centre's success during the first phase confirms how important it is to provide hands-on support to European companies in third markets. More similar EU initiatives are needed in order to meet the clearly existing demand from European businesses, helping them prosper beyond the EU's borders."

Chairing the launch event, Ambassador Hans Dietmar Schweisgut, Head of the European Union Delegation to China, praised the EU SME Centre for being a tangible and successful example of providing business support services and said he was confident that the success of the Centre will continue and "develop into an even more effective tool" in the second phase.

The Centre's six implementing partners are the China-Britain Business Council, the European Union Chamber of Commerce in China, the French Chamber of Commerce in China, the China-Italy Chamber of Commerce, the Benelux Chamber of Commerce and EUROCHAMBRES. The second phase will last for 48 months. The EU Commission finances the action with EUR 5,995,640.18.

Source: Brussels/Beijing, 27 November 2014 ■

SME Factors of Malaysia conducts due diligence on Sri Lanka – conducts meeting at Ceylon Chamber

A delegation from the SME Factors Sdn Bhd of Malaysia, a firm which is in the business of financing SMEs was in the Sri Lanka to continue with its due diligence process to set up operations in the country.

The firm which is planning to initially bring in a sum of Rs. 400 million, in the form of capital infusion and loan funding met with the representatives of public and private sector officials to explain their Sri Lanka plan.

SME Factors is planning to launch in Sri Lanka in January 2015 in collaboration with a local party.

During the meeting at the Chamber, they met with the private sector representatives, who are also the members of the Sri Lanka – Malaysia Business Council of the Ceylon Chamber of Commerce.

SME Factors says, it will work with local agencies to find the potential SME operators to provide non-collateral loans, which will also adopt a much speedier loan approval process. The firm will not accept deposits from the public.

During the meeting held at the Chamber, delegation from the SME factors met with the President of the Sri Lanka – Malaysia Business Council, Ms. Nilrukshi De Silva, Mr. Aashiq Lafir,Executive Director- Finance of United Motors Lanka PLC Mr. Fairoze Burah, Head of the Administration of the Amana Bank, Mr. Khalid M. Farouk, Director of Ilham,. Dushy Jayaweera, Director/ General Manager, Hemas Air Services (Pvt) Ltd, Dr. M. Rohitha Silva, Managing Director, Idac Pvt Ltd and several other members of the SL – Malaysia Business Council.

Source: The Ceylon Chamber of Commerce Media Release, 20 November 2014. ■

Ceylon Chamber, SMEDeF and Finance Ministry trains Southern entrepreneurs

The Small and Medium Enterprise Development Facility (SMEDeF) Project, Ministry of Finance and Planning and the Ceylon Chamber jointly conducted two training programs for Southern entrepreneurs in a bid to enhance their entrepreneurial skills.

The programs, held recently comes out as a part of a series of "Entrepreneurship Development Training Programs for SMEs," the SMEDeF project, Ministry of Finance and Planning and CCC are jointly conducting, covering many regions of the Island, to help SMEs carry out their businesses in a sustainable manner.

The training programs are organized under the SMEDeF Project implemented by the Ministry of Finance and Planning with World Bank funding. The SMEDeF Project has provided financial assistance to a large number of SMEs operating in all parts of the Country.

Accordingly, the first training program was held in the Galle District in collaboration with the Galle District Chambers of Commerce and Industry and around 100 small and medium entrepreneurs participated for this training programme.

The second program of the series was held in the Matara District in collaboration with the Matara District Chamber of Commerce & Industry for which more than 110 entrepreneurs representing various types of businesses participated.

Among the panelists for the two programs, were Mr. Chandraratna Vithanage, Senior Assistant Secretary General (Projects) of the Ceylon Chamber of Commerce, Mr. Muditha Hettigama, a Chartered Management Accountant, who has over 12 years of experience in training entrepreneurs, Mr. Nusith Kumarasinghe, a specialist in Business Advisory Affairs, Miss Uresha Walpitagama, Finance Manager of the SMEDeF project and Mr. Chamath Abeysinghe, Environment Specialist, SMEDeF project.

Entrepreneurship and identifying business opportunities, Business Planning and Preparation of a Business Plan, Environmental Sustainability and Pollution Control by SMEs, Financial Literacy, Common Financial Management Mistakes of SMEs and Importance of Accounting and record keeping for SMEs, Prudent Cash Flow Management and Avoiding Financial Crisis, Laws and regulations needed to carry out the business, Tax and physical incentives available for SMEs and currently available credit schemes, were the topics that came under the forums discussion.

Each training programme was followed by a panel discussion with the participation of resource persons, Officials of SMEDeF Project and representatives of Banks implementing the SMEDeF Project.

"We are very happy with this program, as it gave us a good overall understanding of how to conduct a business by identifying opportunities and also managing risks," said a participant.

Another participant said, "I got an understanding on how to manage my finances, how to approach banks to borrow, and also how to find market access for my products"

A large number of participants highlighted the need for extending this training program to the Divisional Secretarial level and requested to conduct training programs of this nature more often.

The SMEDeF project and the Ceylon Chamber have planned the next entrepreneurship development training programs in Nuwara-eliya, Kandy, Vavuniya and Jaffna Districts.

Source: The Ceylon Chamber of Commerce Media Release, 2 October 2014

Ceylon Chamber invites Japanese SMEs to set up manufacturing facilities in Sri Lanka

"We wish to extend our invitation to Japan – Sri Lanka Business Co-operation Committee to consider inviting SME's in Japan to set up their manufacturing facilities in Sri Lanka and make use of the opportunity of entering Indian and Pakistan markets through the present Free Trade Agreements Sri Lanka is enjoying with these two countries. Indeed, many of Japan's SMEs have come to rely more on international markets," said Daya Weththasinghe, President of the Sri Lanka – Japan Business Co-operation Committee of the Ceylon Chamber of Commerce, at a meeting held on 18th August with the counterpart organization Japan – Sri Lanka Business Co-operation Committee of the Japan and Tokyo Chambers of Commerce and Industry.

Mr. Tadayuki Seki, newly appointed Chairman, Japan – Sri Lanka Business Co-operation, who is also the Executive Vice President of ITOCHU Corporation Japan visited the Ceylon Chamber of Commerce to meet the Executive Committee of the Sri Lanka – Japan Business Co-operation Committee of the Ceylon Chamber of Commerce to discuss the way forward of promoting trade, investment and tourism between Sri Lanka and Japan.

More than 99% of all businesses in Japan are small or medium-sized enterprises (SMEs); they also employ a majority of the working population and account for a large proportion of economic output. While most of these companies are not as well-known as Japan's giants, they form the backbone of the service sector and are a crucial part of the manufacturing and export supply chain.

The definition of what constitutes an SME varies between countries: this paper uses the definition according to the Small and Medium-sized Enterprise Basic Act and used by Japan's Ministry of Economy, Trade and Industry (METI). This classifies as SMEs businesses in the retail or services sector with less than ¥50m (US$600,000) in capital, those in the wholesale sector with less than ¥100m (US$1.2m) in capital, and those in manufacturing with less than ¥300m (US$3.6m) in capital. In addition, it restricts the definition to those in retail with fewer than 50 employees, those in services or wholesale with fewer than 100 employees, and those in manufacturing with fewer than 300 employees.

SMEs are prevalent across the Japanese economy, constituting the lion's share of enterprises in all sectors. SMEs are most numerous in the retail, services and restaurant/lodging industries but among the most productive are those in the manufacturing sector. While many of those in the services sector are wholly reliant on domestic demand, a large proportion of SME manufacturers are essential suppliers to Japan's famous large exporters. SMEs, should be making the most of growth opportunities outside their domestic market.

The Sri Lanka – Japan Business Co-operation Committee (SLJBCC) was set up in 1979 by the Ceylon Chamber of Commerce following a Memorandum of Understanding with the Japan - Sri Lanka Business Co-operation Committee (JSLBCC) setup by the Japan Chamber of Commerce & Industry (JCCI). Since then, 18 joint meetings have been held in Sri Lanka and Japan, the most recent in Tokyo, Japan in June 2014. The 19th joint Committee Meeting is scheduled to be held in 2015 in Colombo.

The SLJBCC is the first bilateral business council to be set up by the Ceylon Chamber of Commerce with the main objective to promote trade in goods, tourism and other services between Sri Lanka and Japan and also to attract investment from Japan to Sri Lanka and encourage the establishment of joint ventures in Sri Lanka with investors from Japan.

Source: The Ceylon Chamber of Commerce Media Release, 26 August 2014 ■

Lowering cost key to making country's SMEs competitive: PCCI President

Alfredo M. Yao, president of the Philippine Chamber of Commerce and Industry (PCCI), said that small and medium enterprises would benefit from Asean economic integration in 2015 if they can avail themselves of government policies designed to improve their capacities to trade and to exploit expanding regional opportunities.

"Make no mistake about it: PCCI views the Asean Economic Community in a positive light," Yao said, "but we acknowledge that the opportunities offered by greater openness can only be achieved if our local industries and SMES are provided with the complementary support that will enable them to participate effectively and benefit from the global production network being built by Asean with its trade partners and important export markets."

Head of the country's largest business organization, Yao delivered his remarks at the start of the Visayas Area Business Conference held in Mandaue City in Cebu on Friday (August 22, 2014). The theme of the conference was "Proudly Filipino: Partnering Towards Sustained Growth:"

Asean's open markets gives access to the best ideas, technologies, and new business environments or parameters to work with and this requires innovation, skills, know-how and new approaches to trade and investments, he said.

The PCCI president acknowledged efforts of public policies to engage the private sector in realizing Asean Economic Community through a clear blueprint from which actions of the different stakeholders are based.

However, Yao said, "receptiveness to embrace the potentials of the AEC has been rather meager because of concerns on the level of competitiveness of local industries versus those of our Asean neighbors that has limited the participation particularly of our SMEs in global production networks."

He suggested that government act urgently to lower costs of doing business such as those related to power and logistics, inadequate transport infrastructure, conflicting laws and regulation, issues related to taxation, business permits and licensing, and access of SMEs to financing and technology. (BCM)

Source: Manila Bulletin, 23 August 2014

Philippines to launch APEC 2015, to focus on SMEs

by Bernie Magkilat

The Philippines launched Asia-Pacific Economic Cooperation (APEC) 2015 on Dec. 1, 2014, to buoy up local businesses, particularly the small and medium enterprises (SMEs).

Trade and Industry Secretary Gregory L. Domingo said the government will explore and initiate opportunities based on lined up activities for the APEC Summit next year.

"While the Department of Trade and Industry (DTI) has lined up several activities as the country chairs APEC in 2015 and hosts the 23rd APEC Economic Leaders' Meeting, we aim to spur greater private sector participation and generate new prospects for local and foreign businesses to flourish," Domingo said.

The Philippine hosting of the APEC intends to inspire greater confidence that the APEC member-economies can indeed build a truly vibrant and inclusive future for all peoples as they pursue the Bogor Goals and work to realize the vision laid out by the country.

Domingo noted that next year will be a perfect opportunity for local business to seize and further help in contributing to the Philippines' growing economy.

"In the country's hosting next year, we seek to underscore the significance of the small and medium enterprises (SMEs) in the country's economy, and their role and integration in global supply chains," Domingo said.

Domingo further said SMEs play an essential role in driving economic growth and generating employment in the local communities. They contribute and enrich growth opportunities in these communities that are being developed as hubs of trade and investments in various

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COST AND MANPOWER PRESSURES FORCE SMEs TO RETHINK HOW THEY DO BUSINESS

Half of all SMEs looking at restructuring their business
SMEs fighting back by cutting costs, sourcing cheaper goods and improving productivity

Singapore's SMEs are changing. The combined impact of rising costs, manpower constraints and relentless competition is forcing local companies to adapt in order to remain competitive.

According to the latest SME Development Survey (the Survey) released today, SMEs have embraced the need to restructure with half (51 per cent) saying their main business strategy is to rethink their business model.

The survey also found a growing number of SMEs are pursuing productivity improvements, strengthening their technology and embracing innovation.

The annual Survey is the definitive quantitative research on Singapore's SME community, with a record 2,836 SMEs taking part. The survey is conducted by DP Information Group (DP Info), Singapore's leading provider of credit and business information services.

Ms Chen Yew Nah, Managing Director of DP Info said it is a positive sign that SMEs are embracing the need to change and become more competitive.

"SMEs are fighting back and making dramatic changes in order to reduce their reliance on manpower and keep ahead of their competition."

"With half of all SME business models being re-evaluated, the next few years will see many SMEs undergo major transformations in order to survive."

"It is one thing to understand the need to change but what is arguably more important is the changes SMEs plan to make. A growing number of SMEs are embracing technology and innovation in order to improve their productivity."

"It is a welcome sign that many SMEs are responding to changes in their trading conditions. However, some SMEs are sitting idle and waiting for trading conditions to improve and costs to come down. These SMEs risk becoming victims of the new competitive business environment," Ms Chen said.

MAJOR CHALLENGES FACING SMEs

Manpower issues are still a major pre-occupation among SME leaders. Nearly half of the respondents cited difficulty in hiring staff (49 per cent) and high manpower costs (48 per cent) as their top business concerns. Increasing Competition was the third most common concern (45 per cent) followed by high rental costs (31 per cent). Only two per cent of SMEs said they had no major concerns.

Top Business Concerns	2014
Difficulty in Hiring Staff	49%
High Manpower Costs	48%
Increasing Competition	45%
High Rental Costs	31%
Uncertain Global Economic Environment	23%
High Material Costs	19%
Difficulty In Retaining Staff	17%
Lack of Access to Business Opportunities	8%
Loss of Market Share	8%
Cash Flow Problems	3%
Difficulties in Securing Bank Financing	2%
No Major Concerns	2%

MAIN BUSINESS STRATEGIES

While a business model rethink is the most common business strategy this year, nearly as many SMEs (50 per cent) plan to increase their production capacity in the

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Philippines to launch

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regions of the country.

The country's micro, small and medium enterprises (MSMEs) account for 99 percent of the businesses, and contribute 65 percent of the jobs generated by all types of business establishments.

Domingo pointed out that as the backbone of the country's economy, MSMEs are developed by the government to help them become more competitive not just regionally but also globally.

"The DTI has continuously implemented several programs for these enterprises to grow in an enabling business environment, enjoy access to finance, expand market access, and improve efficiency and productivity," Domingo said.

He noted that to get the most of these government interventions, SMEs must also be abreast with regional economic forums that facilitate economic growth, cooperation, trade and investment for them to take full advantage of undertakings geared towards SME development and integration to global supply chains.

"We strongly believe that regional economic integration should work towards empowering the Filipino people and achieving inclusive growth in the country. Thus, we will work with other APEC member economies towards this goal and complement it with frameworks and policies that will benefit all in the Asia-Pacific region," Domingo said.

Source: Manila Bulletin, 30 November 2014 ■

Cost and Manpower

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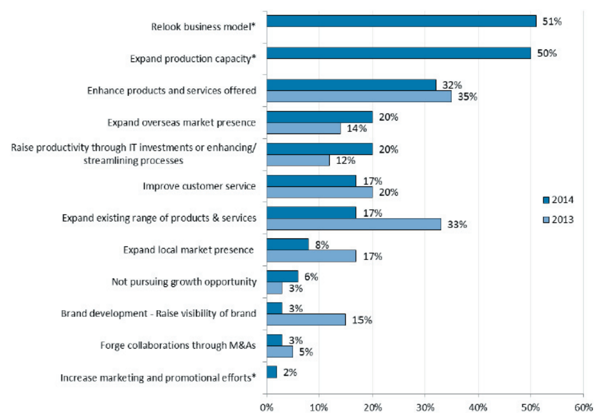
next 12 months, indicating they believe they can keep ahead by working harder and delivering more.

The proportion of SMEs planning to expand their range of products and services fell from 33 per cent in 2013 to 17 per cent this year. SMEs are favouring doing more of what they are good at rather than trying to diversify their offerings to capture new customers.

There is a noticeable decline in companies pursuing expansion within the local market and brand awareness, while the percentage of SMEs planning to expand overseas in the next 12 months rose from 14 per cent in 2013 to 20 per cent this year.

Overall Business Strategies



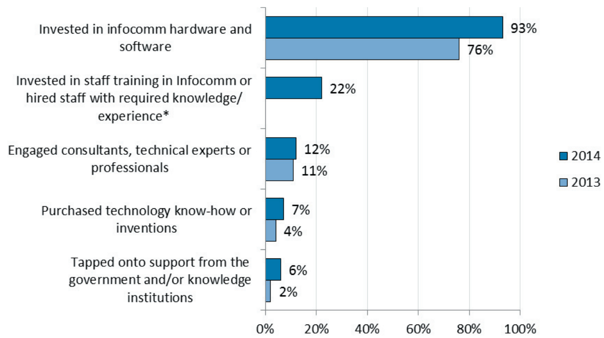
** Not asked in 2013 survey*

SMEs EMBRACE TECHNOLOGY

In the last 12 months 64 per cent of SMEs invested in strengthening their in-house technology, up from 58 per cent a year ago. The most commonly cited benefit from investing in technology is a reduction in operational costs (67 per cent) and the ability to operate with less manpower (57 per cent).

Of the SMEs that did invest in technology, 93 per cent chose to upgrade their hardware and software, 22 per cent chose to train staff or hire people with technological skills. The increase in hardware and software investment was supported by the enhanced PIC scheme and other grants provided by the government.

Actions Taken to Strengthen In-House Technology Innovation Capabilities



** Not asked in 2013 survey*

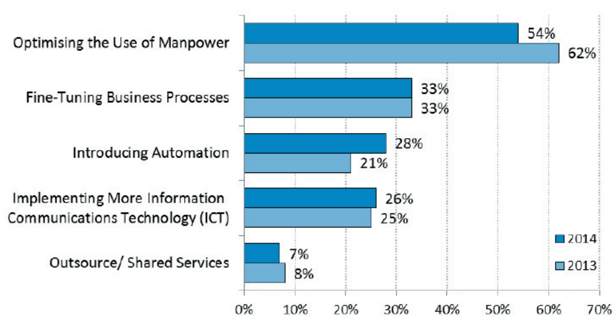
Of the SMEs that did not strengthen their capabilities in the last 12 months, 56 per cent indicated it was because the investment would not have directly contributed to revenue.

PRODUCTIVITY AND INNOVATION

The majority (87 per cent) of SMEs are looking to improve productivity in 2014, a significant increase from the previous year's 58 per cent.

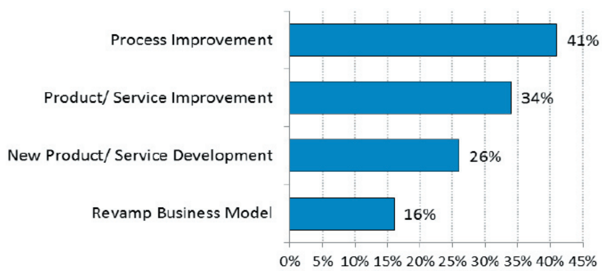
While most SME leaders (54 per cent) are looking for ways to get the most out of their manpower, automation is an increasingly popular choice for achieving productivity gains, up from 21 per cent in 2013 to 28 per cent in 2014.

Areas of Productivity Improvement



An encouraging finding in the Survey is that 75 per cent of SMEs are pursuing innovation of some form. Of these, 41 per cent are looking to implement innovation in the area of process improvements, with the next most common choice being product/service improvements.

Areas of Innovation Implementation



INTERNATIONAL EXPANSION

The survey found 50 per cent of companies are earning money from overseas, up from 46 per cent last year.

Among the 50 per cent of SMEs with no international revenue, the majority (85 per cent) have no plans to venture overseas.

Presence of Overseas Revenue (2010 – 2014)

Presence of Overseas Revenue	2014	2013	2012	2011	2010
Yes	50%	46%	54%	44%	66%
No	50%	54%	46%	56%	34%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

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Cost and Manpower

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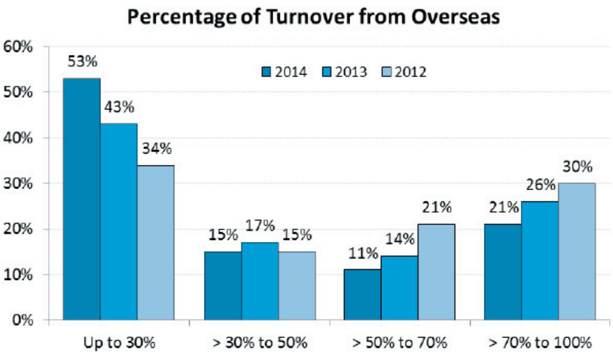
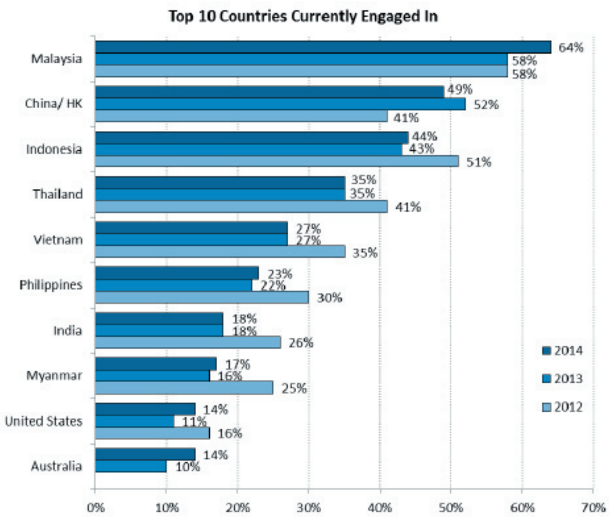
While more SMEs are doing business overseas, the proportion of international revenue they generate is falling. The percentage of SMEs generating less than 30 per cent of their revenue overseas rose to 58 per cent, while those earning 70 per cent of their revenue overseas fell to 21 per cent.



Malaysia, China and Indonesia remain the three most common countries where Singapore SMEs are doing business. The United States and Australia entered the top ten countries at the expense of Japan and Brunei, as the economies of both these countries are seeing greater stability and moderate recovery.



DP CREDIT RATING

The changing market conditions continue to have a polarising effect on the creditworthiness of SMEs.

Nearly a quarter (23 per cent) of SMEs have a DP1-4 Investment Grade credit rating demonstrating they have the financial strength to take on new opportunities and the ability to expand and grow sustainably.

There is also an increase of High Risk companies, up from 43 per cent to 45 per cent. Changes in the operating environment have affected the cost structure SMEs have to contend with. This includes the current manpower constraints which erode the profitability of SMEs as well as limiting their capacity to grow.

SMEs with weak credit ratings can have a domino effect on the entire business ecosystem. This arises when weaker SMEs fail to pay their vendors on time, which in turn leads to other companies experiencing weaker cashflow. This can result in an increase in non-performing loans, which will restrict the ability of SMEs to access funding from lenders.

DP Credit Rating (2012 – 2014)

DP Credit Rating	2014	2013	2012
Investment Grade (DP1 - DP4)	23%	22%	21%
High Yield (DP5 - DP6)	32%	35%	40%
High Risk (DP7 - DP8)	45%	43%	39%
Total	**100%**	**100%**	**100%**

GOVERNMENT SCHEMES PROVE POPULAR WITH SMEs

Government schemes and grants are increasingly popular among SMEs. According to the Survey, 81 per cent of SMEs have successfully applied to at least one of the government grant schemes.

Of the SMEs that successfully applied for a grant, a high 96 per cent have accessed the Productivity & Innovation Credit (PIC) Scheme.

There was also a substantial increase in SMEs accessing manpower related schemes like the Workfare Training Scheme (up 17 per cent) and the Workfare Income Supplement Scheme (up 12 per cent).

SME DEVELOPMENT CONFERENCE

The SME Development Conference will be held on Thursday November 6 at the Raffles City Convention Centre. Now in its 12th year, the Conference is organised by DP Information Group and Standard Chartered Bank.

This year's study focuses on growth and productivity, delving into the heart of the key drivers of an economy in transformation. It will provide valuable insight into SMEs seeking to adapt and transform into sustainable enterprises of the future.

STRATEGIC PARTNERS

The strategic partners of the Survey are SPRING Singapore, IE Singapore, IDA Singapore, the Singapore Workforce Development Agency and the Singapore Business Federation. BDO, Standard Chartered, DBS SME Banking, ANZ Bank and the Tripartite Alliance for Fair and Progressive Employment Practices are the Survey's supporting organisations.

Source: DP Information Group ■

Statement from SBF CEO Mr Ho Meng Kit on the SME Development Survey 2014

We have been associated with DP Information Group in this survey for the past three years as it is an important development study of our SMEs. Many of the respondents are our members and the results therefore represent the views of our SME members.

I will make a few key observations that reflect SMEs' current status and sentiments.

In general, prevalent domestic issues such as rising business cost and manpower challenges have eroded SMEs' confidence in the local market. •Some 15% of survey respondents expected losses, an increase by 2% from last year.

• Only 8% of respondents are expanding presence in local market. This is a 9% drop from 17% in 2013.

• This year's survey recorded highest proportion of SMEs (45%) with a High Risk rating (DP 7- DP8).

• Liquidity has also dropped with average cash reserve falling by some 24% from last year. This has been the trend for the past 3 years.

Not surprisingly, SMEs' top concerns pertain to manpower challenges. Manpower costs continue to top the list of cost concerns for the third year running since 2012.

Nonetheless, we are seeing firmer signs that Singapore SMEs are at a turning point in their growth and development. Companies are challenged to revisit the way they operate amid the ongoing economic restructuring. SMEs are embracing business restructuring, productivity enhancement and business expansion overseas to overcome challenges. For example, some 20% of respondents are expanding overseas presence, up from 14% in 2013.

Whilst an increasing number of SMEs are embracing innovation and technology in their bid to up productivity levels, this is in its early days and more sectors and companies need to come on board so that businesses as a whole maintain their competitive edge. Importantly, whilst in 'fire-fighting' mode, businesses must also plan for growth, or be left behind. This was the main reason why we organise the National Productivity Month during this month with many business organisations and associations involved so that this message gets to more companies.

On our part, SBF is working on the following initiatives to help SMEs: •Helping businesses to explore overseas opportunities in a bigger way

- The ASEAN Economic Community 2015 and opportunities in Asia, Africa and other emerging markets.

• Firming up recommendations for broader SME participation in government procurement as a strategy for SME development.

• Putting together a Fair Tenancy Consideration Framework to help SMEs negotiate fairer tenancy agreements.

• Collaborating with SPRING Singapore in the Partnership for Capability Transformation (PACT) programme to help accelerate capability development of SMEs

To help SMEs cope with the economic restructuring, we welcome the assurance provided by PM recently that government will not drastically tighten manpower policies further to allow businesses room to adjust to the pace of restructuring. The recent IMF economic report on Singapore also acknowledged the tough challenges of our economic transformation adding that Singapore's competitiveness could be impacted by the foreign labour curbs and our exposure to the volatile external markets.

I make two additional points for government's consideration:

• Government charges increasingly have impacted SME's cost competitiveness. In the last three years, more SMEs view government charges as a top five cost component. Government charges are more controllable costs and they should be reviewed so that they do not add to the cost burdens of our small businesses.

• After five years of economic restructuring, Government should consider fine tuning its policies and incentives to address the needs of different industry sectors. Many of its current policies and schemes are broad-based, setting a level playing field and general conditions for all enterprises. With more feedback now on how SMEs in different sectors are responding to restructuring, restructuring policies can be more sector specific, targeted to help transform companies in key sectors.

Source: Singapore Business Federation (www.sbf.org.sg)

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Philippine SMEs can avail of technology and compete -- DOST

The Department of Science and Technology has said that micro and small enterprises (SME) that have upgraded their processes with the use of new technologies are capable of competing in the region although the high cost of power will prove to be a challenge.

Roms Tresvalles, senior researcher at the National Capital Region of the DOST, told reporters at the launch of the 2nd Philippine SME Business Expo that DOST has implemented its small enterprise technology upgrading program since 2004.

With this long preparation, Tresvalles said local enterprises have improved their productivity and quality of their products and be able to compete in the region once the full economic integration kicks off starting next year.

“Our small enterprises have been prepared for the ASEAN integration and they can compete, the only problem is we have higher cost of power,” Tresvalles said noting that technology-wise Filipinos can tap the DOST for assistance for new equipment and automation of their processes.

DOST’s enterprise upgrading program is a four pronged approach. Foremost, DOST has concentrated on technology upgrading and acquisition of new equipment.

DOST can even provide for an interest-free technology support fund of as high as P2 million. Some micro enterprises are availing of support fund of as much as P100,000. The support fund is interest-free and is payable over a three-year certain period of time

“MSMEs need to adopt new technologies to improve their processes,” said Tresvalles.

DOST also offers fund for product development to help an enterprise comply with international food standards.

According to Tresvalles, DOST has set aside P650 million from its budget for technology upgrading.

Secondly, DOST provides technical and consultancy services like assistance on food safety, cleaner production, engineering audit and manufacturing audit.

“We deploy experts and train their people to make them more productive and we also give recommendations on how to improve their processes,” she said.

Third, DOST also assists in the packaging and labeling aspect of a product so products particularly food can meet with mandatory international food requirements and standards.

“Packaging can help lengthen the shelf life of a product,” she added.

Fourth, she said, DOST offers laboratory services to ensure a product has quality control and is meeting all standards.

The fifth leg of the DOST program is technical training services. Enterprises that have availed of technical training have improved their productivity.

As proof of the success of the program, Tresvalles said that some micro enterprises have already graduated to small-scale while others are already exporting their products to the US and Australia.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF SCIENCE AND TECHNOLOGY

Source: Manila Bulletin, 23 November 2014 ■

Unleashing Taiwan’s Entrepreneurs

By Anjie Zheng

Taiwan is stuck in a rut of slow growth, at least by East Asian standards, with GDP expected to grow around 3% this year. So how can the island revive the entrepreneurial spirit that created its once-booming technology industry?

There are challenges from all sides. Competition from South Korea and China means tech firms here are not as profitable as they once were. Demand for PCs, 90% of which once originated from Taiwan, has plummeted. On the mainland, where many firms have manufacturing lines, wages are increasing.

Meanwhile Taiwan’s firms struggle to foster the innovation that could allow them to move beyond making commoditized products. Industry experts blame everything from Taiwan’s limited market share in software development, an education system that doesn’t reward risk-taking, and even the secretive manner in which tech companies contract out their services.

Policy makers believe that the key to future growth is Taiwan’s ability not just to innovate but to commercialize its inventions and sell them in international markets. But Taipei’s leaders have yet to articulate a coherent plan that tackles the underlying issues dogging tech companies. A recent uptick in export orders off the backs of Taiwanese firms contracted to supply parts for Apple’s new iPhone

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is a rare bright spot, but economists worry it's not sustainable. What happens in years without an iPhone release?

One big barrier to indigenous innovation is the problem of retaining human capital. Here at Hsinchu Science and Industrial Park, a government-sponsored community modeled after Silicon Valley, it was an instrumental ingredient to its boom. Most of the nation's top tech firms—including the world's largest semiconductor maker—trace their roots to this park and its neighboring Industrial Technology Research Institute (ITRI). Companies here supply the chips and other vital components that power most of the world's smartphones, laptops and tablets.

"Talented researchers," May Hsia, a research associate at the park, tells me, "was a major reason why Hsinchu became successful." Around the time it was established in 1980, many Taiwanese were returning home with advanced degrees from foreign universities.

That's no longer the case. Real wages are lower now than they were 16 years ago and the best students prefer to work in more cosmopolitan world capitals where their talents are better rewarded. A recent survey by human resources firm ManpowerGroup found that 45% of Taiwanese firms face a shortage of talented workers.

The reverse brain drain that once made Taiwan an attractive place to work, live, and exchange ideas is now flowing in the other direction. Add in a declining birth rate, and the island starts to resemble neighboring Japan.

Another challenge for Taiwan is ensuring there are markets for its products. Exports account for almost 70% of GDP, so it's encouraging that President Ma Ying-jeou has signaled Taiwan's intent to join talks for the Trans-Pacific Partnership (TPP) as soon as possible. The 12 current TPP members produce 40% of global output. Remaining outside this group would pose an "existential threat to Taiwan's economy," says Rupert Hammond-Chambers, president of the U.S.-Taiwan Business Council.

Yet Mr. Ma may not have the political clout to push through ambitious reforms in the next two years before his term is up. Growing distrust with his signature economic plan of détente with the mainland has sunk his approval ratings into the single-digits. This spring, student-led protestors occupied the Legislative Yuan for three weeks to protest the ruling party's attempt to unilaterally pass a cross-Strait trade pact. The current political mood means that accession to TPP will probably not happen for several years.

In the meantime, what do Taiwan's tech firms need? Not more subsidies, according to Stephen Su, director general at ITRI, but more freedom. "Private industry

wants to make their own management choices. Most of the companies would not necessarily crave more financial support," says Mr. Su. "They would mostly ask for more deregulation and foreign investment in Taiwan."

These include loosening restrictions on assets held outside the country, and making it easier for foreign investment to flow into Taiwan. Currently, red tape holds up private-equity investment and firms that want to do business in Taiwan balk at the reams of paperwork involved.

If policy makers want Taiwanese manufacturers stationed in the mainland to come home, they could relax labor laws on immigrants from Southeast Asia to ensure there are workers available for the production lines. Similar policies have been proposed in several new economic pilot zones. Meant to free up capital, these zones also allow domestic universities to partner with foreign schools. A dose of the same medicine would benefit the nation at large. There may be short-term pain from new competition, but Taiwanese companies will benefit from the increase in productivity in the long-run.

On the deregulation front, here's a lesson from Hsinchu Science Park: although established by the government, the state's hands-off attitude allowed the park to succeed. Business flourished because of private investment and close partnerships between manufacturers and researchers.

Taiwan's leaders win praise for talking the right game. But innovation does not occur in a vacuum. It requires infrastructure, capital and labor, as well as entrepreneurs who are unafraid to fail and unencumbered by excessive regulations. If it lowers barriers to labor and education, and gives small- and medium-sized firms more power to manage their own finances, Taiwan can build on its position at the heart of the world's electronics supply chains.

Ms. Zheng is a Princeton-in-Asia fellow at The Wall Street Journal Asia.

Source: The Wall Street Journal, 13 August 2014

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Philippines urges APEC to help cottage industries

by Bernie Magkilat

The Philippines would like country members of the Asia Pacific Economic Cooperation (APEC) to give focus on the cottage industries, which need a different kind of intervention from governments to help them break out from being micro and become part of the global value chains.

Trade and Industry Secretary Gregory L. Domingo stressed this in a speech at the opening of the two-day APEC-Informal Senior Officials Meeting (ISOM), which was moved to Manila from Legazpi City due to Typhoon Hagupit.

The ISOM, where senior officials of member-economies will discuss the priority agenda of APEC 2015, gathers a total of 32 economies with 450 participants.

Domingo explained that there are two main kinds of SMEs.

One is the kind of SMEs that are part of the global value chains. But, he said, there is also a more important part: those are what being referred to in the Philippines as cottage industries because they are smaller SMEs that may include some micro enterprises.

"These are the smaller business people who have one, two, three, four, five-person type of operations that have. Some of them produce very good quality products. They are mainly in food processing. They are also in handicrafts. They are also in furniture and also in the production of smaller items. And these are the ones that really need the most help," he said.

"For the global value chain SMEs, we need a different intervention to help them out from the cottage industries," he said.

In the Philippines, micro, small and medium enterprises (MSMEs) account for 99 percent of the businesses and contribute 65 percent of the jobs generated by all types of business establishments.

THE 2013 UNCTAD World Investment Report estimates that 80 percent of gross of global exports are tied to global value chains.

To achieve inclusive growth, he said, it is imperative that our SMEs must be competitive and be able to participate in global value chains.

"For Filipino SMES to succeed internationally, they need access to open, transparent, and efficient markets," he said.

As APEC 2015 host, the Philippines will lead projects that will promote and harness synergistic linkages between SMEs and large firms, as well as to enable SMEs to benefit from regional economic integration.

"Simply put, we will look at global trade through the prism of SMEs," Domingo said.

He reminded the participants to keep that in mind as they move forward in developing some action plans that will help out SMEs.

For one, he pointed out the need to focus on initiatives that the help create facilitation for SMEs.

"It's really market access that's lacking for the most part so we'd like to emphasis on creating facilitation agendas for SMEs," he said.

These facilitation measures involve upgrades on customs and also simplifying the rules of origin administration and establishment of exclusive support systems for SMEs.

"We're counting on all senior officials to make AEC the incubator for active and dynamic SMEs and be enablers in providing SMEs with wider access to opportunities for inclusive growth and integration in the …value chain," he said.

He recalled that when the Philippines hosted the APEC in 1996, the leaders launched the Manila Action Plan for APEC or MAPA.

MAPA specified the first steps of an evolving process towards achieving the overall progressive and comprehensive trade and investment liberalization by 2010 for developed economies and by 2020 for developing economies.

MAPA introduced initiatives that address concerns in improving market access , both tariff and non-tariff measures, enhancing market access and services, providing an open investment regime, reducing the cost during business, building an open and efficient infrastructures, and strengthening economic and technical cooperation.

In the recently concluded leaders meeting in Beijing, the leaders endorsed an extensive array of measures to build on APEC's work of trade and investment and liberalization and on facilitation and economic cooperation.

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Datuk Wan Azhar Wan Ahmad
Managing Director, CGC

CGC introduces new SME financing scheme

The Credit Guarantee Corporation Malaysia Berhad (CGC) has introduced a new scheme to help uplift the development of new businesses and their role in the country's economic growth. BizMula-i direct financing is a scheme that provides financing to entrepreneurs viewed as high risk within the financial sector with efficient funds to start up their new business. The underlying principle is to encourage and nurture budding businessmen with reliable business plans, satisfactory business insights and a high entrepreneurship drive. CGC's President and CEO, Datuk Wan Azhar Wan Ahmad, said the Syariah-compliant scheme is unique because businesses will be directly financed by CGC, with financing ranging from RM50,000 to RM300,000 and a repayment tenure of up to seven years. He said it was crucial for new businesses to have the ease of access to hassle-free financing facilities as relying solely on the use of their own funds will be insufficient to sustain and strengthen their businesses. He added that BizMula-i is the first scheme in CGC's series of initiatives to ensure that the operations of new businesses become successful, adding that over the years CGC has been instrumental in providing an assortment of financing options for SMEs.

Source: ADFIAP News ■

Philippines urges

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"The list of issues in this symposium reflects on the breadth of interest we share in the APEC region. It also reminds us of how far APEC has come since the last time the Philippines hosted APEC in 1996," he said.

As host of APEC 2015, there are more ministerial meetings to be held in the country. These are the Ministers Responsible for Trade (MRT), APEC Women and the Economy, the SME Ministerial Meeting as well as other equally important sectoral ministerial meetings in the Philippines in 2015.

In all of these meetings, Domingo said the Philippines will put special emphasis on the SME agenda.

"While we will continue to look at issues such as …the Bali Package of the WTO, ITA, environmental goods, for the chairmanship of the Philippines next year, in particular for the 2015 APEC MRT and the Ministerial Meeting, we will put special emphasis on the SME agenda," he said.

From the Philippine perspective, he said, the SME Agenda is very critical not only to APEC but to the forward movement of global trade in general because SMEs are one of the stronger voices now opposing global trade and that is because they hardly feel the benefits of global trade.

"Many of the SMEs see the influx of goods and services in their own markets but find it very cumbersome and difficult to take advantage of the free trade agreements because of the very cumbersome rules and procedures," he said.

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