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**OPENING SPEECH BY MR LEE YI SHYAN,
MINISTER OF STATE FOR TRADE & INDUSTRY AND MANPOWER,
OFFICIAL LAUNCH OF THE APEC SME BUSINESS FELLOWSHIP,
03 OCTOBER 2009 (SATURDAY), 9.00 AM AT
KATONG/TANGLIN BALLROOM, SHANGRI-LA HOTEL**

Fellow APEC Colleagues,

Distinguished Guests,

Ladies and Gentlemen,

Good morning.

Singapore is honoured to host APEC 2009. I would like to extend my warmest welcome to all participants especially our foreign guests. This morning's seminar, "Accelerating SMEs' Access to Global Markets", will kick start a week-long APEC SME Working Group, Ministerial Meetings and seminars.

Importance of APEC SMEs

1. SMEs account for approximately 90% of all businesses in the APEC region and employ as much as 60% of the total work force.¹ The importance of SMEs to the APEC economies cannot be over-emphasized. In light of the recent downturn, the role of SMEs takes on even greater significance. A recent Asian Development Bank's publication² reported that "SMEs' growth is a key driver for a rapid recovery

¹ Profile of SMEs and SME Issues in APEC 1990-2000 which was published in 2003

² [Key Indicators for Asia and the Pacific 2009](#)

of our regional economy, and their productivity is crucial in improving the living standards of many Asians”.³

2. Since its establishment in 1995, the APEC SME Working Group has been encouraging the development of SMEs by capacity-building and participation in international trade. However, the current weakness in the global market could derail the growth paths of many SMEs. We should therefore be sensitive to the viability of SMEs and ensure that they are resilient enough to weather the storm for better days to come.

3. The theme for this year’s SME Working Group is "Helping SMEs Access Global Markets and Overcome Trade Barriers". An earlier APEC studies⁴ revealed that there was much room for growth in terms of SME exports. On average, although APEC SMEs contribute to about half of the GDP of their respective economies, they accounted for only some 30% of total exports. The report indicated that “there is the potential for SMEs to add about \$1 trillion in trade and about \$150 billion in FDI per annum to the APEC economy if structural changes allow a simpler, more business friendly, more integrated APEC economy to emerge”.⁵

Importance of Internationalisation for SME Growth

4. Research also shows that SMEs which are active in global markets tend to be more innovative and efficient. International SMEs therefore are also more competitive and have a greater capacity to grow.

5. To help more SMEs venture overseas, the APEC SME Ministerial Meeting in 2002 had urged the various groups to develop programmes to remove trade barriers related to regulatory reform, legal framework and capacity-building. We could also help SMEs navigate the foreign business environment by making market information more readily accessible.

³ “Special Chapter: Enterprises in Asia: Fostering Dynamism in SMEs” Key Indicators for Asia and the Pacific 2009, ADB

⁴ Profile of SMES & SME Issues in APEC 1990-2000 (2003)

Barriers to SME Internationalisation

6. In a 2006 APEC-OECD Paper entitled “Removing Barriers to SME Access to Internationalisation”, both policy-makers and SMEs identified the top 3 difficulties⁶ facing SMEs in foreign markets, as follows:

- 1) identifying foreign business opportunities;
- 2) limited access to market information; and
- 3) inability to reach out to potential overseas customers.

According to the paper, SMEs also tend to underestimate the barriers they would face in overseas ventures due to lack of understanding of the foreign markets.

7. One of the best ways therefore, for SMEs to understand a foreign market is to simply immerse in it. A number of APEC economies have started to support their own companies on overseas missions, business feasibility studies or setting up operations in foreign markets. In the spirit of APEC cooperation and information-sharing, Singapore has proposed two initiatives:

(a) ABF Will Help APEC SMEs Grow Their International Businesses

8. The first initiative is the “APEC Business Fellowship” (ABF). Co-sponsored by Chile, New Zealand, Peru and Russia, the ABF is an in-market executive training programme designed to expose APEC SMEs to practical business norms in the respective markets. The 5-day programme covers a series of recommended market-related topics structured for easy understanding and learning. APEC economies can customise the ABF for their own purposes, and/or consider collaborating with established learning institutes in their own countries to run the programme.

9. Before launching ABF, Singapore conducted an APEC-wide survey on the internationalisation needs of APEC SMEs to design the programme. I would like to specially acknowledge the participation and contributions of Peru and Thailand in the survey.

⁵ Profile of SMES & SME Issues in APEC 1990-2000 (2003)

⁶ OECD-APEC Keynote Paper on Removing Barriers to SME Access to International Markets, 2006

10. The survey revealed, not surprisingly, that the top three capabilities required by SMEs to venture overseas were:

- 1) means to seek out and evaluate potential partners;
- 2) ability to analyse market attractiveness at the industry level; and
- 3) understanding of the legal and regulatory framework of that country.

Interestingly, the respondents also felt that the best way to gain such information is via networking and peer discussion.

11. As such, a significant part of the ABF programme will be dedicated to structured networking sessions revolving around specific topics. Together with classroom learning for topics such as taxation and cash-flow management, I am confident that the ABF will be a relevant and useful way for SME participants to access overseas markets with greater confidence.

12. Singapore plans to kick-start the APEC Business Fellowship in Singapore in 2010. We strongly encourage our SMEs to participate in the Fellowship programme. We are happy to note that Peru and Thailand have expressed their interest in supporting and joining the programme. I look forward to seeing more member economies organising their own ABF programmes.

(b) Study On Export Technical Assistance Models

13. The second initiative by Singapore and partners is to study the effective models for Export Technical Assistance in APEC. We are studying the various models whose aim was to provide advisory to SMEs on export, regulatory and technical matters. The study is expected to produce insights into best practices across various APEC economies, which can be shared amongst member economies for mutual learning.

Conclusion

14. Today, you will hear the success stories of a number of SMEs which have succeeded not just at home but also in overseas markets. I am sure many of you will identify with the challenges they face and their approaches to solving problems. I wish everyone a fruitful week ahead.

Thank you!