



**Asia-Pacific  
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# **Summary Report APEC Workshop on SME's Participation in the Global Value Chains During and Post COVID-19 Pandemic**

20 - 21 April 2023

**APEC Small and Medium Enterprises Working Group**

July 2023





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# **APEC WORKSHOP ON SME'S PARTICIPATION IN THE GLOBAL VALUE CHAINS DURING AND POST COVID-19 PANDEMIC**

**20 – 21 April 2023**

**A Hybrid Event**

## **Summary Report**

### **I. INTRODUCTION**

On 20 - 21 April 2023, the APEC Workshop on SME's Participation on the Global Value Chains During and Post Covid-19 Pandemic, initiated by Viet Nam and co-sponsored by China; Malaysia; Mexico; Singapore; and Chinese Taipei was held in a hybrid mode. Speakers and participants came from SME economic-related global organizations and research institutions and APEC member economies' relevant Ministries and government's agencies, companies and business associations.

The Workshop aimed to share information and case studies about the participation of small and medium-sized enterprises (SMEs) in global value chains (GVCs) during and post COVID-19 pandemic, identify the obstacles faced (decrease in demand, supply chain disruption, cancelation of orders, lack of materials, disruption in logistics etc.), and provide recommendations for facilitating GVC participation of SMEs.

### **II. BACKGROUND**

Small and medium-sized enterprises (SMEs) play a crucial role in every economy, irrespective of their development status. Their contributions to the economy are multidimensional: output growth, employment generation, poverty alleviation, economic empowerment, and export growth can be considered among them. Promoting the development and globalization of SMEs is vital, given their economic prominence in many economies. An effective way for SMEs to globalize their activities is to participate in global value chains (GVCs), which have been a growing concept in the global economy with the development of globalization. Since globalization is a common concept for all economies, GVCs are also linked with every economy at different capacities, irrespective of economy status.

Participation in global value chains (GVCs) can bring stability to small and medium-sized enterprises (SMEs) and allow them to increase productivity and expand their business. The fragmentation of production has created opportunities for SMEs in developing economies to access global markets as components or service providers, without having to build the entire value chain of a product. Even if they cannot participate directly in global value chains (GVCs), they can benefit from subcontracting to larger firms or foreign companies.

Since 2020, the COVID-19 Pandemic has had significant impact not only on public health but also on the global economy as all economies have suffered supply and demand shocks to their domestic economies, and disruption to their global trade and investment flows. The COVID-19

pandemic has three essential features. First, it is a global phenomenon in that the virus has been detected in most economies around the world. Second, the effects of the pandemic have been multi-dimensional in that it has had adverse impacts both upon public health and upon economic activity in most economies: lockdowns slow the spread of the virus but harm the economy, whilst allowing people back to work benefits the economy but may lead to more infections. Third, the pandemic is contagious not just in the health sense but also in an economic sense, as the global economy is so interconnected through GVCs and global movements of people, capital, goods and services.

Global value chains (GVCs) will play a vital role in enabling SMEs to expand their business opportunities, and SME participation in GVCs will in turn boost domestic productivity. This project aims to hold a Workshop that helps economies and stakeholders to share information about the participation of Small and medium-sized enterprises (SMEs) in global value chains (GVCs) during and post-Pandemic, identify the obstacles faced, and provide recommendations for SMEs and governments for facilitating GVC participation of SMEs.

### **III. OPENING REMARKS**

In the opening remarks, **Mrs Mai Thi Thuy (Chairwoman, Ha Noi's Small and Medium Enterprises Association, Viet Nam)** recalled that SMEs account for more than 97% of the total number of enterprises and employ more than half of the workforce in the APEC region, significantly contribute to economic growth with GDP shares from 40% to 60% in most APEC economies. She stressed that SMEs play an important role in all economies through job creation, poverty alleviation, economic empowerment and export growth, etc., but only account for about 35% of direct exports. This poses a need to further globalize SMEs and one of the effective solutions is through participation in GVCs.

According to the speaker, participation in GVCs can provide stability for SMEs, while allowing them to increase their productivity and expand their business. Thanks to the global value chain, SMEs in developing economies have the opportunity to access the global market as a supplier of components or services without having to build the entire product value chain. Even if it is not possible to participate directly in GVCs, SMEs can still benefit from subcontracting with larger companies or foreign companies.

However, Mrs Mai Thi Thuy stated that since 2020, the COVID-19 pandemic has posed unprecedented challenges for SMEs and GVCs with disruptions to both supply of goods and services and demand of people. In the early phase of the COVID-19 pandemic, strict lockdown measures were imposed in many economies. The speaker observed that this has resulted in many production and business activities being significantly restricted or closed, and supply chains being intermittently disrupted, leading to many SMEs getting bankrupt and disappearing from the market. In the period of deep economic integration, it can be said that COVID-19 has interrupted the deep participation in the global value chain of SMEs.

From that fact, Mrs Mai Thi Thuy emphasized that in recent times, APEC has had many cooperation activities focusing on strengthening GVCs post COVID-19. In that sense, the

Workshop is the contribution of Viet Nam to the collective efforts of the APEC region to address challenges and take advantage of opportunities, and to support the development and internalization of SMEs through participation in the GVCs during and post COVID-19.

#### **IV. KEY ISSUES**

##### **1. OVERVIEW ON SMEs' PARTICIPATION IN THE GLOBAL VALUE CHAINS**

There were two speakers in the Session: Mr Nguyen Anh Duong, Director, Department for General Economic Issues and Integration Studies, Central Institute for Economic Management, Viet Nam and Ms Lucia Cusmano, Deputy Head of the SME and Entrepreneurship Division and Head of the Unit on SME and Entrepreneurship Transformation, OECD Centre for Entrepreneurship, SMEs, Regions and Cities.

- Mr Nguyen Anh Duong talked about the external environment has mixed factors that potentially affect the evolution of supply chains after COVID-19 with the signals of the world economic recovery. He shared that in August 2022, supply chain no longer in the top 5 risk top growth over the next 3 years. Climate change perceived as one of the top risks to growth and GVCs continued to evolve during the COVID-19 pandemic. In the second part, he introduced some FTAs that shape GVCs in APEC region. About the SMEs' participation in GVCs, Mr Duong said that there are wide variations across Asian economies in terms of GVC participation. He concluded that GVC induces efforts towards digitalization along all stages of GVCs during COVID-19 pandemic and GVC participation also implies more resilience, rather than higher exposure to external shocks.
- Ms Lucia Cusmano observed that global value chain is the major channel of SME globalization, as 70% of global trade today involves GVCs. Through indirect export, SME account for a sizeable share of value added in global trade. Small firms tend to integrate GVCs indirectly, mainly through imports, and generally perceive benefits from integration, in terms of innovation, capabilities and productivity. SMEs represent close to 75% of all jobs in the sector most affected by the COVID-19 pandemic, compared to 60% in the total business economy. The speaker emphasized that the pandemic crisis hit trading SMEs hard, exposing structural vulnerabilities, accelerated ongoing trends and transformations in GVCs, driven by technological change and digitalization, changes in consumer demand and new business models, new industrial policies and trade tensions, and drive towards sustainability. At the end of the presentation, the speaker shared some policy priorities to enhance SME participation in GVCs, an important focus of the OECD Recommendation on SME and Entrepreneurship Policy. She informed about the OECD's SME and Entrepreneurship Ministerial Meeting in June 2023, which will focus on: Strengthening the resilience of SMEs and entrepreneurs to current disruptions and future shocks and adapting to a highly volatile environment; Fostering the contribution of SMEs and entrepreneurs to the digital and green transitions; Enabling SMEs and entrepreneurs to navigate a rapidly changing global trade and investment landscape.



## **2. OBSTACLES TO SMEs' PARTICIPATION IN THE GLOBAL VALUE CHAINS DURING AND POST COVID-19 PANDEMIC - PERSPECTIVE OF THE PUBLIC AND PRIVATE SECTOR**

There were three speakers in the Session: Mr Weidong Zhong (David), CEO of ICTGOWORLD, China; Ms Bianca Pearl R. Sykimte, Officer-in-Charge of the Export Marketing Bureau of the Department of Trade and Industry, The Philippines; Ms Nguyen Thi Hanh, Deputy General Director, Small and Medium Enterprise Promotion Center, Viet Nam Confederation of Commerce and Industry (VCCI).

- To begin the presentation, Mr Weidong Zhong talked about the key factors, meaning the obstacles to the GVCs and global market focusing on Digital Transformation. He also talked about the digital technology trend and impact to SME from 1998 and vision to 2033. Suggestion on SME digital transformation and product innovation with 2 main points: Joint establish public product innovation and design platform with new industry internet technology and cloud/blockchain technology, open to SME to help SME improve product innovation and design ability; Tax rebate or other financial support for SME's investment on digital transformation and product innovation. To conclude the presentation, Mr Weidong Zhong gave some recommendations to government policy makers to the matter of SME human resources, market channel and SMEs' compliance for global business.
- In the first part, Ms Bianca Pearl R. Sykimte talked briefly about the overall landscape SME in the Philippines with impressive number 99.58% total number of firms are MSMEs. Top five industries are finance, services, manufacturing, accommodation and food services, whole sales and retail trade. The speaker mentioned about the key challenges to MSMEs in the Philippines are information on market opportunities, support to enable to seize opportunity, lifelines, market study, intelligent, business model, financing, infrastructure, human resource, technology, market access. The speakers shared some government support policy of the Philippines and lesson learn from the past. She concluded with three recommendations: prioritization, broad based industry level intervention to be supported by firm level initiatives, build and get commitment from program partner to facilitate preferential treatment to enrolled beneficiaries.
- Ms Nguyen Thi Hanh started her presentation by introducing about the number of SMEs in Viet Nam and the main challenges of private firms. Vietnamese export-oriented firms reported greater difficulties in managing and engaging with supply chains (60.16%) and accessing global customers (45.57%). The pandemic has led to an increase in trade barriers, such as tariffs and export restrictions, which can make it more difficult for SMEs to participate in global value chains. Delivery time and technical and standard requirements are two aspects that causes more difficulties for enterprises in meeting the requirements of partners when 24% and 30% of enterprises respectively expressed

difficulty to very difficulty. Ms Hanh spent part of her presentation to talk about women-owned businesses with four biggest challenges the businesses had to face. At the end of the presentation, the speaker recommended: (i) supporting policies in response to COVID-19; (ii) mobilizing resources in the society to invest in SMEs; (iii) providing alternative supply chain options, long-term and consistent policies; (iv) Strengthening exchange and trade promotion activities, building business standards.

### **3. OBSTACLES TO SMEs' PARTICIPATION IN THE GLOBAL VALUE CHAINS DURING AND POST COVID-19 PANDEMIC - PERSPECTIVE OF THE ACADEMIC SECTOR AND GLOBAL ORGANIZATIONS**

There were three speakers in the Session: Dr Lee Tzong-Ru, Professor of Department of Marketing, Chung Hsing University, Chinese Taipei; Mr Arnold Jorge, Chief Executive Officer, the Export Council of Australia; Dr Rajan Sudesh Ratna, Deputy Head and Senior Economic Affairs Officer, United Nations ESCAP.

- In the first part of the presentation, Dr Lee Tzong-Ru talked briefly about GVCs, the roles of SMEs and the roles of SMEs to the society. GVCs refer to global production sharing, a phenomenon where production is broken into activities and tasks carried out in different economies and adding value to the end products. SMEs can be essential in creating more diverse, resilient, and competitive GVCs. In the second part, he mentioned about the impact of COVID-19 to the GVCs including: transportation disruptions, raw materials shortages, labor shortages. The pandemic has led to shifts in consumer behavior, including increased demand for online shopping and home delivery. After that, Dr Lee listed out some obstacles to SMEs' participation in GVCs in line with COVID-19 crisis. He also talked about women-owned SMEs who play an essential role in all stages of GVCs from manufacturing, distribution, marketing, and customer service. At the end of the presentation, the speaker concluded that participating in the global value chain would help SMEs access many opportunities to leap-frog the development process, access new technology, and strengthen the supply chain ecosystem.
- To begin the presentation, Mr Arnold Jorge talked about the changing global trading condition, especially from the period of 2020-2023 with the Pandemic, shortage of supply and Inflation, economic slowdown, and fragmentation of trade. Besides, the world trade had to face with many challenges for example: Technological and demand shifts, Trade restrictive rules. Even now, there are still many ongoing challenges such as: Accessing finance, Cash flow management, Finding partners/buyers overseas, Lack of resources to research market opportunities and regulations, Expensive services associated with shipment and transport, Complex regulations in overseas markets, Lack of proficiency in global trade processes, Limited understanding of global marketing, Cost of digitalisation, include establishing website or online presence, Poor infrastructure, especially for remote areas. He also listed out some challenges specific to SMEs partnering with MNEs. At the end of the presentation, he came up with solutions focusing on: holistic approach to trade-ready training, ease access to regulations and licensing requirements, facilitate connections

to partners or buyers in foreign markets, support for fintech services, and better access to finance, ensure there is efficient market competition in provision of shipping and related services.

- Mr Rajan Ratna began his presentation by talking about the SME and current global context. Small and Medium Enterprises (SMEs) contribute significantly to global income and job creation. In developing economies, they provide 60-70% of formal employment. Small and Medium Enterprises (SMEs) contribute significantly to global income and job creation. In developing economies, they provide 60-70% of formal employment. After that, he mentioned about the impact of COVID-19 pandemic to the global trade. He shared some diagrams to show the world merchandise index, year-on-year growth in world manufactured goods trade by product, world commercial services trade by sector, impediments: trade cost, COVID-19 and e-commerce. The speaker also presented about the challenges for SME that include high interest rates, power tariff, cross-border connectivity, infrastructure, doing business, lack of timely information, entrepreneurship promotion, access to finance for SMEs, digital access, complex FTAs and rules of origin. At the end of the presentation, he summed with what SME need: Access to information, Enabling policies, Market intelligence, Access to technology/IR 4.0, Access to finance, Capacity building.

#### **4. CASE STUDIES ON SMES' PARTICIPATION IN THE GLOBAL VALUE CHAINS DURING AND POST COVID-19 PANDEMIC**

There were 3 speakers in the Session: Ms Lucia Cusmano, Deputy Head of the SME and Entrepreneurship Division and Head of the Unit on SME and Entrepreneurship Transformation, OECD Centre for Entrepreneurship, SMEs, Regions and Cities; Mr Marco Marchese, Policy Analyst, Entrepreneurship, SMEs and Tourism Division, OECD Centre for Entrepreneurship, SMEs, Cities and Regions; Ms Nguyen Thi Bich Thuy, Deputy Director, SME Support Division, Enterprise Development Agency, Ministry of Planning and Investment, Viet Nam.

- Ms Lucia Cusmano and Mr Marco Marchese shared the presentation focused on the FDI and GVC in Viet Nam, which was based on an OECD report published in 2021 (*SME and Entrepreneurship Policy in Viet Nam*). In the first part of the presentation, Mr Marco Marchese showed through some graphs how Viet Nam's growth is driven by successful integration in the global economy. Viet Nam's exports have grown enormously in size and quality since the so-called Doi Moi reforms (1986). Nonetheless, knowledge complexity of exports is still lower than in other Asian emerging economies. The speaker emphasized that FDI plays a big role in Viet Nam's exports which is the result of a deliberate government strategy. In the second part of the presentation, Mr Marco Marchese presented 2 case studies on Viet Nam's participation in GVCs in the sectors of Apparel and Electronics and introduced Viet Nam's Supporting Industry Programme, which encourages FDI-SME linkages in specific sectors. At the end of the presentation, he made some analysis on how the COVID-19 pandemic has impacted on the financial security and digitalization of SMEs, as well as on how it has affected global trade and participation of SMEs in GVCs.

- The presentation of Ms Nguyen Bich Thuy was divided into 4 main parts: Overview of SME in Viet Nam; SME supporting policies; Support SME participating in GVC; Orientation of SME support for 2023-2025. To begin, Ms Thuy presented a snapshot of business operation in Viet Nam with Entering market: 208,368 (up 30.3% compared to 2021), newly-established enterprises: 148,533 (up 27.1% compared to 2021), registered capital of newly-established enterprises: VND1,590,860 billion (down 1.3% compared to 2021). After that she introduced some supporting policies from Viet Nam government including Tax Law, Enterprise Law, Investment Law. The priorities focus on support SME transfer from household business, Innovative support and SME engage to GVC. The speaker mentioned about access to the finance, tax and fee accounting, production and business premises, human resource training support program, consultant and technology support etc. At the end of the presentation, the speaker talked about Promoting the implementation of the Law on Supporting SMEs and Decree 80/2021/ND-CP that show some recommendations with related supporting policies for SME in the period of 2023-2025.

## 5. DISCUSSIONS

- GVCs are facing increased requirements for social and environmental compliance. It is a big challenge not only for large-sized value chain actors, but also for SMEs, who are getting more involved in the GVCs, less as direct suppliers, but more as indirect suppliers through the business relationship with larger players. One of the key challenges for SME's participation in the GVCs and as well as for their adaptability to the new market requirements is ESG (Environmental and Social Governance) data that require clear transparent guidelines. In some economies, ESG guidelines have not yet made readily available for companies. It is costly to finding information related to ESG and then to get instructions on how to meet these kinds of ESG guidelines. Some governments may provide different types of legal, capacity building and/ or consultative support to the SMEs, but it is not available everywhere and free of charge.
- There is a big gap in expectation between the supply chain leaders and the SMEs. While supply chain leaders ask for compliance with standards before starting any business relationships, SMEs require guarantees from the potential buyers before making investment. It is advisable to put in place some sort of intermediary from the government agencies or administrations in charge of SMEs and Investment to bridge the gap between the supply chain leaders and the SMEs.
- The next important thing for SMEs to address ESG requirements is availability of resources. While the participants tended to talk about finance first, the speakers highlighted the challenge of labor mobility and technology transfer from the investors to SMEs. Most firms need to make big investment in human resource development and training in meeting the ESG standards. However, if they are not able to continue the training, sooner or later they will make a loss and fail to meet increasing ESG requirements for sustainable business.
- The best thing to do is to increase the awareness of SMEs and business owners to establish strong and solid understanding about the need for ESG and related standards.

- In Viet Nam, more than 90% of enterprises are SMEs and out of them 27-30% are women-led. Empowering women entrepreneurs and women-led SMEs is a very important process. According to the McKinsey Institute, the consequences of the COVID-19 pandemic increased the burden on women through working online from home. The problem is that being at home the women usually have to work and take additional care of children at the same time. So it is proposed that the governments should issue a policy to empower women so that they can work on an equal basis with men.
- Two scenarios have been studied. The first one is to wait until the COVID-19 pandemic is over and then take measures to create different parenting strategies for women and men. The second scenario is to start those measures as soon as possible in the COVID-19 pandemic context.
- In the first scenario, if we wait until the end of COVID-19 pandemic, the global GDP would increase by USD8 trillion by 2030. But if we move to the second scenario to start the reforms during the COVID-19 pandemic, the incremental GDP generation would total up to USD13 trillion in the same time frame. The studies imply that the reforms cannot wait and women empowerment cannot be delayed.
- At the business level, a number of policy considerations can be taken into account in order to empower women-led SMEs in the GVCs. The first thing is evolvement of regional FTAs. In the Asia-Pacific region, FTAs are still very dynamic: the implementation of existing FTAs is evolving and new opportunities can arise. Therefore, the SMEs still need frequently updated information about existing and new FTAs to take advantage of those agreements.
- In addition, the SMEs need to develop a long-term strategy for digitalization and digital transformation, which is now a common trend. Though it cannot do everything, but if digitalization and digital transformation is missing, it is very hard to improve the competitiveness of any single SME. Despite the fact that SME competitiveness improvement requires more complex efforts than just making an investment in digital transformation, this is indeed an unavoidable agenda for SMEs to follow.
- Besides, related to digital transformation the development of e-commerce for export promotion and online dispute resolution should be taken into account. One example from Viet Nam is that the Viet Nam Trade Promotion Authority has been implementing a program to develop initiatives for export promotion. Particularly in relation with online dispute resolution, it is suggested to build and start the process without delay by working with, for example, the global arbitration center or global advocacy centers. As a result the online platform for resolving disputes would then be made ready for any matters and arising issues that may happen in digital transformation and e-commerce.
- Regarding the possibility that FTAs can reverse the trend of new GVCs and suppliers moving their operation closer to the market, a speaker highlighted that FTAs would not and cannot do that, for three reasons. Firstly, FTAs can trigger a closer relationship between the signatory economies; for example, it is likely to encourage both access to supply and to operations within each other's economy. Secondly, a lot of benefits actually come out even during FTA negotiation at the very initial stages; once the FTA has been negotiated, the concessions might be available under those agreements. Thirdly, a number of economies are now putting in place other regulations to attract more investment in manufacturing.

- During the adoption of digital transformation by SMEs, one of the growing concerns is cybersecurity and data protection. Currently, different governments have different policies on cybersecurity. At the business level, there is a way to encourage businesses to actually build cybersecurity awareness. In Australia, for example, various cybersecurity awareness training courses are available for SMEs. A lot of risks could be avoided by simply educating and raising awareness in advance. SMEs really need to work on cybersecurity and even deploy particular software to protect themselves against those threats. At the macro level, the governments should consistently establish and improve cybersecurity operations centers that provide hardware, expertise as well as software to protect both the private sector and the public sector.
- About the role of the government in providing technical assistance for SMEs in GVCs, a speaker shared that in Chinese Taipei technical assistance could not become sustainable without support from both the public sector and private service providers. For example, at first a university can provide technical assistance and everything will be done by students. But such assistance will not continue after their graduation if something wrong may happen in the future. But private companies want to make money and run a business in the long run, then better services and sustainable solutions will be provided.
- When joining the GVCs, SMEs have to face multiple types of difficulties in terms of production capacity, cost management and competitiveness. In Viet Nam, the policy is not divided into growth policies for SMEs in joining GVCs and for those who are not. Instead some tools are available to evaluate the background of SMEs. If an SME has potential to join GVCs, a few types of technical support or even some packages for training and consulting will be provided in response to their specific needs.
- Besides, it is difficult for SMEs to identify the appropriate markets by themselves. Therefore, the governments and business associations should help to inform small businesses about the opportunities that may be created by free trade agreements and perhaps to practically guide them on appropriate actions to reap those opportunities.

## **V. RECOMMENDATIONS**

During the final session, there were 4 panelists in this Session: Mr Lim Shean Pin, Senior Principal Assistant Director (Policy), Policy and Global Relations Division, Ministry of Entrepreneur and Cooperatives Development (MECD), Malaysia; Dr Rajan Sudesh Ratna, Deputy Head and Senior Economic Affairs Officer, United Nations ESCAP; Mr Arnold Jorge, Chief Executive Officer, the Export Council of Australia; Dr Sitanon Jesdapipat, Associate Professor, Rangsit University, Thailand.

- Mr Lim Shean Pin started his presentation by briefing about Malaysia economic context which is identified as one of the newly industrializing economies by World Bank in early 1990s. With the economic liberalization and policy measures on industrialization in the 1980s, the manufacturing sectors are now contributing significantly to the economic growth and contributing significantly to the GDP. He also talked about the current situation when COVID -19 the pandemic broke out, the combined shock of supply and demand led

to a dramatic collapse in trade. In the second quarter of 2020, the volume of global trade in goods fell by 12.2 percent, and trade in services fell by as much as 21.4 percent compared with the final quarter of 2019. At the end of the presentation, the speaker provided with some recommendation for SMEs to participate effectively to the GVC such as: Diversification of sourcing, enhance digital infrastructure, mapping global value chains, reducing trade costs, managing risks.

- Dr Rajan Sudesh Ratna went straight into the recommendation with focus on (i) Formulating policy – on the basis of evidence and research, (ii) Must do a proper analysis of SMEs in your economy with their strengths and weaknesses, (iii) Sector specific policy interventions may also be required, (iv) Support SMEs by correct flow of information, (v) Proper stakeholder consultation, (vi) Have regular interactions, (vii) APEC Technology bank – to connect the tech holder with the seeker. At the end of the presentation, Dr Rajan Ratna talked about the technology transfer like NTBs the carbon tax will further make added cost to SMEs, while climate finance is being talked, but nothing much on transfer of technology (digital divide exists amongst economies and within). Challenges for SME in this field is lack of knowledge and financing. The speaker left a question to answer: Can APEC consider building a Technology Information Bank (to fill this knowledge gap)?
- Mr Arnold Jorge listed out some challenges, specific to SMEs partnering with Multinational Enterprises (MNEs) that include SMEs failing to take the necessary steps, no clear export strategy, finding the right MNE partner, meeting the MNE's requirements. The speaker came up with solutions that need to have: Clarity and coherence in policy and program support; Holistic approach to trade-ready training; Awareness-raising and encouraging adoption of new technologies; Ease access to regulations and licensing requirements; Facilitate connections to partners or buyers in foreign markets; Awareness of environmental sustainability (including for competitive edge and investment attraction); Support for fintech services, and better access to finance; Ensure there is efficient market competition in provision of shipping and related services.
- Dr Sitanon Jesdapipat divided his presentation into 2 parts: Role of MSMEs in most economies and their viability: proposed propositions; Ways forward. To begin, the speaker talked about the general stylized facts through which existence of MSMEs in global economies and their futures partly depends on governments' commercial policies, partly and by large, depends on business landscapes that are shaped by many factors including, but not limited to, technologies, supply chains, competitiveness, movement of financial and human capitals. About the way forward, Dr Sitanon Jesdapipat observed that MSMEs are not uniform, hence, it is essential to differentiate the diversity embedded in MSMEs as a bundle. This fact is important for policy formulation and implementation. He recommended that at the economy level: building conducive commercial environments for

(categorized) MSMEs. In the longer term, APEC economies may propose to normalize, to the degree and extent possible, domestic policies and laws to facilitate more focused, and with priority sector focus, a “fast track” experiment that move technical efforts onto a real, commercial win-win agreements, on voluntary effort. Build a long-term APEC MSMEs development road map that member economies can consider adopting it for implementation and create an APEC review mechanism, to be agreed to and adopted by APEC economies, that allows economies to use as an MSMEs development tool.

Participants also shared overall views and recommendations on (i) take-aways from the Workshop, (ii) what economies/ APEC should do in term of policies and actions to assist SMEs’ participation in the global value chains.

About the key take-aways on obstacles to SMEs’ participation in the global value chains during and post COVID-19 pandemic, participants shared they learned a lot about:

- Government’s restrictions that affected SMEs. Specifically some sectors such as healthcare, food delivery, initial services were prioritized by the governments during the pandemic, and now exposed to more changes. Therefore, SMEs should think out of the box to make their businesses move further, for example with digital transformation in order to integrate themselves in the GVCs;
- The fact that service SMEs can often gain better and quicker outputs than the manufacturing SMEs, as a result of lower costs that digitalization implies to the former;
- Climate change and its increasing impact on SMEs and GVCs. Climate change does not only represent a top risk for SMEs’ growth but also an external factor that can affect all GVCs at the global level;
- The importance of SME organization. In order to promote the participation of SMEs and smallholder producers in GVCs, some economies act on organizing them in groups, alliances and/ or cooperatives. In such arrangements, one company may represent all organized SMEs and producers and negotiate deals in the with business partners from other economies and gain more bargaining power to earn better prices and business terms and conditions. This is practiced in many sectors, including agriculture;
- Experience of using market linkers in market entry. Malaysia selects experienced companies, called the market linkers, because they have the expertise in different markets. For SMEs to enter a foreign market, there are a lot of complicated requirements, regulations and paperwork. Going through the experienced market linkers, it is easier for products to enter the destination market.
- Financial assistance for SMEs. It is necessary and helpful for SMEs to get a grant or government financial assistance for market exploration in order to join GVCs.
- Local production development. Alongside with direct export, the participants recognized the importance of developing local suppliers and raw materials for more sustainable local production. For instance, for beer that needs barley, instead of importing it, the local farmers can grow it and improve the techniques. From this starting point, now Chile can even move from import replacement to export business by exporting the seeds. In short,



economies may consider to develop their own local supply now and initiate a strong GVC later.

- Logistics crisis during the COVID-19 pandemic. During the pandemic, green transport in the logistical chain as well as documentation requirements are big obstacles to participate in the GVCs. It was hard and extremely costly to find containers to ship the products and also to prepare human resources for these challenges.
- Additional obstacles after COVID-19 pandemic. On top of that, nowadays APEC economies and their SMEs may have to face several other obstacles, namely (i) how to do digital transformation; (ii) how to add value from SMEs' viewpoint; (iii) intellectual property (IP) issue; and (iv) quality of infrastructure;
- Access to resources. Besides, another group of participants also indicated that SMEs still struggle to access finance; information about export markets, products, pricing overseas, etc. They lack awareness of the benefits of GVCs, environmental sustainability, and good manufacturing practices (especially for product quality and safety).

***Some recommended initiatives and policies to the government:***

- First, to enhance digital infrastructure and bridge the digital divide. Although SMEs are used to the traditional way of doing physical business and most are still staying with that, digitalization is now getting more and more popular among them. It is suggested to invest in digital infrastructure and legal framework such as digital platforms, connectivity improvement, digital transformation regulations, adapting the law to protect consumers and SMEs from cybersecurity threats, etc. It is also highly advisable that the government put in place some regulations to require foreign technological companies' shared responsibility for awareness raising on digitalization and digital transformation, and for tailoring their products and services to local needs of the economies, for example, setting up accounts in the local languages.
- Second, to develop human resource for digitalization and digital transformation. At the basic level, the governments should design some program to train the current work force on sufficient and adequate digital skills and continue to update them, to strengthen the sector and other supporting subsectors in the medium term. At the more advanced level, it is important to build human resources to develop domestic digital technologies for the long-term purpose of improving domestic digital infrastructure and tools. This should start with some policies to encourage universities to develop new courses on digital technologies and tech-related industries and to support further education, deployment and career development of such students and graduates.
- Third, to provide capacity building and share best practices for SMEs. The governments can focus on how to prepare and adapt employers for the new business models, which facilitate a greater level of participation in the regional and global value chains;
- Forth, to ensure fair entry requirements into digital trade zones are put in place. It is necessary to enforce a fair and consistent policy for SMEs to enter into GVCs and get better opportunities, and to build a platform for SMEs to work together and improve their competitiveness. Additionally, individual SMEs may think about preparing a roadmap to grow into a medium size enterprise and the governments can facilitate the process by developing an orientation and/ or action plan for this.

- Fifth, to improve the institutional and policy environment for digital transformation in SMEs. The governments should set up a digital transformation committee and make it accountable for making SMEs ready for implement of digital transformation. It is the government's job to make sure elite capture is avoided in digital transformation, and the support for these reforms should not be navigated only towards larger companies and enterprises.
- Sixth, to ensure appropriate budget relocation. The government should not only just take care of the larger business entities. Budget assistance should be fairly allocated to SMEs through an appropriate channel to support their development and integration into the global GVCs.
- Seventh, to support SMEs' access to market intelligence and skill training. The governments should create some structures, institutions and channels for market information delivery and update that is affordable and convenient to SMEs, e.g. through a government portal. In the same direction, more in-person training workshops, seminars and fora should be organized with government support, for SMEs in specific industries. The topic of information and training should also cover practical skills and knowledge, for example alternative business models and global marketing.

***For APEC:***

- Capacity building: It is advisable to provide support packages for SME such as capacity building events, SME database, best practice sharing and demonstrations so that SMEs from APEC economies can learn valuable lessons, good case studies and practices, and appropriate information to apply in their current conditions.
- Business matching: As recommended activities to APEC, some participants noted that organizing cross border business matching events or market exploration trips within the APEC economies is a feasible way to build capacity for SMEs' integration into the GVCs. Furthermore, it would be very helpful to establish regulations for a common platform for SMEs from APEC economies to make business contact and business matching. In addition, this would also become opportunities for member governments to play their role by supporting business matching when big companies and SMEs meet and start their cooperation.
- Demonstration models: Another useful action for APEC is to set up and support demonstration models for business matching. These models can be examples for the member economies and their SMEs to apply in their real conditions. Through the demonstration models they would be able to get practical experience through learning by doing.
- Digital transformation committee: It is advisable to set up an APEC SME digital transformation committee to support SMEs in the digital transformation process.
- SME learning platforms: As a part of APEC SME support package, learning platforms for SME should be organized in different forms, including dialogues, workshops and regular SME assistance platform. This kind of activities can serve as a place for information and best practice sharing and connecting among SMEs and policy makers from member economies, where they can share and learn a lot from one another. It is also high time a

regular APEC platform was established to update information and facilitate business matching to assist SMEs' integration into the global markets.

- APEC marketplace: An APEC marketplace can be considered as a platform for all enterprises and businesses to connect, make business and start their engagement in the GVCs. Digital tools are nowadays necessary for all companies to start and develop their global business and get easier access to the global value chains.
- Fintech development support: Regarding solutions for addressing financial issues, there is an opportunity to promote fintech services, e.g. virtual banks, innovative financial products. Moreover, it is suggested to provide soft loans either through governments or in partnership with the private sector or global organizations. This will require governments to develop the enabling regulatory environment, and therefore the government official may need training and capacity building assistance from APEC, for example in law and policy making.
- Awareness on environment and climate change: It is important for APEC member economies to agree upon and raise public community's awareness on the role of GVCs to the environment. APEC is recommended to organize training courses, workshops and dialogues to share views, experience, case studies and best practices on how to achieve carbon neutrality, how to create and promote green goods and financial services for green goods manufacturing and consumption by governments and the private sectors.

## **VI. CONCLUSIONS**

In her closing remarks, Ms Pham Quynh Mai (Viet Nam's Senior Official to APEC) recognized productive sessions were held on a number of important issues such as overview on SMEs' participation in the Global Value Chains (GVCs), their obstacles during and post Covid-19 pandemic from various perspectives, as well as exploring case studies on SMEs' participation in the GVCs.

From the presentations and discussions, the Senior Official also noted that since the outbreak of the Covid-19, the world economy in general, business community in particular have been impacted in both negative and positive ways. Business and SMEs have encountered a number of more profound challenges such as difficulty in accessing finance, lack of resources, supply chain disruption, increasing cost associated with shipment and transport, complex regulations in oversea markets, etc. On the other hand, it now has also started to recover despite remaining complicated risks of diseases, tension and conflict, other serious concerns on sustainable development and climate change adaptation, and so on. The prolonged supply chain disruption during the Covid-19 has forced SMEs to adapt to new developments to survive and grow, which has contributed to reshaping the business operation, accelerating transitions to digital and sustainable economy.

Through the sharing of information and lessons learnt, Ms Pham highlighted Though various challenges remain, a number of great recommendations have been suggested to best address the obstacles. These recommendations might include, but not limited to: improving awareness and access to information and guidance on global standards and requirements, behind

the border rules; accelerating the digitalization of SMEs; enhancing the financing of SME globalization including through development of trade finance instruments for the digital economy; strengthening FDI-SMEs linkages, and so on.

The Senior Official suggested that each and every member economy's participants could have a more in-depth knowledge of the issues, hence promoting sustainable and inclusive growth and development, subject to their specific domestic circumstances and long-term development policies.

By hosting this Workshop, Viet Nam wishes to join and strongly support APEC's common efforts to promote seamless connectivity, supply chain connectivity, GVC as well as sustainable and inclusive growth and development.

## VII. ANNEX 1: RESULTS OF THE PRE-WORKSHOP SURVEY

1. **Question:** Do you think that SMEs in your economy have been affected by COVID-19 when participating in Global Value Chains (GVCs)? If Yes, please answer the next question.

All of responds said Yes.

### INDONESIA

Yes

### LAOS PDR

During COVID-19 pandemic every economy was lockdown and Lao SMEs factories were closed as well. SMEs products were not able to export to other economies.

### MALAYSIA

Small and medium-sized enterprises (SMEs) in Malaysia have been affected by the COVID-19 pandemic when participating in global value chains (GVCs). The pandemic has disrupted global trade and supply chains, leading to reduced demand for goods and services, supply chain disruptions, and financial constraints.

### MYANMAR

Yes

### PERU

Peruvian SMEs were negatively affected during the COVID-19 health crisis. Thus, between 2018 and 2019, the pre-pandemic period, the total value of exports made by small and medium-sized formal companies decreased slightly at an average annual rate of -2.4%, obtaining a level of USD1,297 million at the end of 2019. However, in the face of the COVID-19 health crisis, in 2020, formal SME exports contracted much more, reaching a decline of 9.2%, which represented a loss of global currency in the Peruvian economy in around USD120 million.

Given the post-pandemic economic recovery environment, in the period 2021 - 2022, total exports of formal SMEs expanded by 21.9% on an annual average. In this way, in 2022 exports amounted to USD1,750 million, which exceeded the export levels made before the pandemic, due to the recovery of the global market.

In reference to the types of products exported by Peruvian SMEs, non-traditional products stood out, that is, those with a higher added value, which represent more than 80% of the total value of global sales made by said companies. Thus, in the last years of the pre-pandemic period, between 2018 and 2019, the total value of non-traditional exports made by

the aforementioned companies grew at an average annual rate of 1.9%, bordering on USD1,068 million in 2019, highlighting shipments of fishery products (+13.1%) and textiles (+11.8%).

Later, in the face of the economic and health crisis of COVID-19, in 2020, the total value of non-traditional exports of formal SMEs contracted by -14.7%, which was reflected in lower shipments of all types of products: Agricultural (-6.6%), Metal-Mechanical (-10.1%), Non-Metallic Mining (-6%), Fishing (-26.3%), Chemicals (-0.7%), Iron and Steel (-5.3%) and Textiles (-32.3%). This panorama affected a reduction of more than USD150 million in the exports of SMEs. In the context of post-pandemic economic recovery of the global market, the exportable supply improved. It was estimated that in the period 2021 - 2022, the total value of non-traditional exports of formal Peruvian SMEs would have increased 25.7% on an annual average, accounting for a total amount of USD1,441 million at the end of 2022 and, with this, widely exceeded to the levels of global sales made before the pandemic.

In said period, the increase in shipments abroad by SMEs stood out, products such as Metal-Mechanical (+15.8%), Non-Metallic Mining (+433.9%), Chemical (+12.7%) and Siderometallurgical (35.9%). On the other hand, it should be noted that, in some products such as agricultural, fishing and textiles, they have not yet managed to exceed the levels of exports noted in pre-pandemic.

Regarding the main export destinations of small and medium-sized Peruvian companies, markets such as the United States, China, Brazil, the Netherlands, Ecuador, Chile, India, Argentina, Mexico and Spain stand out. These economies represent about 60% of the total value of Peruvian exports made by SMEs. In this sense, regarding the evolution of exports of formal SMEs by destination economies, we have that, in the last years of the pre-pandemic period, between 2018 and 2019, these increased in the economies of Ecuador (+11.6%), Chile (+11.3%), Mexico (+10.3%), Spain (+3.6%) and Korea (+19.6%), despite the annual average drop of around -2.4% of the total value exported.

However, in the scenario of the economic and health crisis of COVID-19 that occurred in 2020, shipments abroad by Peruvian SMEs decreased in most export destinations. shipments to the United States (-8.8%), the Netherlands (-21.4%), Argentina (-51.2%), Mexico (-3.1%), Spain (-24%), France (-28.7%) decreased with the highest incidence. , Italy (-34.5%), Korea (-24.2%), United Kingdom (-32.6%) and Belgium (-27.4%).

Given the measures to reactivate the Peruvian economy, as well as the economic recovery of the global market, between 2021 and 2022, exports from Peruvian SMEs recovered and recorded an increase of 21.9%, highlighting the largest shipments to economies such as United States (+46.1%), China (+92.6%), Brazil (+102.5%), Netherlands (+11.8%), Ecuador (+17.1%), Argentina (+238%), Mexico (+6.3%), France (+36.2%), Italy (+55.5%), Korea (+3.5%), United Kingdom (+43.6%) and Belgium (+39.9%).

## **THE PHILIPPINES**

The COVID-19 pandemic posed challenges that made it difficult for MSMEs to participate in global value chains. The pandemic most certainly disrupted the global economy thereby affecting the Small and Medium Enterprises (SMEs) in the Philippines. It has dispensed significant challenges for SMEs participating in Global Value Chains (GVCs) but it has also provided adaptation and innovation opportunities to the SMEs to address said challenges. This is supported with the following studies and survey results:

**- Disruptions in Global Value Chains Due to COVID-19:** Stylized Facts and Policy Lessons by Adrian Mendoza of the University of the Philippines: A double digit contraction was experienced from the majority of the sectors: (1) Philippine agricultural GVC trade still endured a 19.7 percent decrease despite the relatively limited direct participation in GVCs; (2) Textile and textile products (-25.1 percent) and leather, leather products, and footwear (-25.0 percent) also posted large declines on account of the sectors' lower usage of imported contents; (3) Electrical and optical equipment fell by 16.2 percent while transport equipment plunged by 27.4 percent.

**- World Bank [2020] surveys conducted in July and November 2020:** An average of 45.5% of Philippine firms, particularly in manufacturing, suffered from decreased supply of inputs due to the reduced availability of domestic suppliers. Further, an average of 40 percent and 29.5 percent of firms were affected by the reduced operations and delays experienced by local distributors, respectively. In contrast, only 8.5 percent of firms on average reported that they were affected by the reduced availability of global suppliers, while an average of 15 percent of firms experienced slow customs clearance.

## **THAILAND**

Many MSMEs in Thailand have been impacted by COVID-19, particularly businesses that had closed down and those entrepreneurs in the services, manufacturing, and tourism sectors whom had been directly affected from the travel restrictions. MSMEs are facing decreased income and unemployment. Furthermore, supply chain disruption is a serious challenge after COVID-19.

## **VIET NAM**

Yes

2. **Question:** Please share some challenges and opportunities SMEs in your economy faced when participating in Global Value Chains (GVCs) during and after COVID-19?

## **INDONESIA**

### **Challenges:**

Lockdowns, restrictions on global transportation, and the lack of digital literacy from several communities on the economy.

### **Opportunities:**

COVID-19 has become our Economy Momentum to prevent with something unpredictable.

## **LAOS PDR**

### **Challenges**

Due to Lao SMEs mostly they rely on importing from neighboring economies such as Viet Nam, Thailand and China, at that time every SMEs global products were so expensive.

### **Opportunities:**

It was the great opportunity to Lao SMEs because they can produce the domestic products and sell inside economy.

## **MALAYSIA**

### **Challenges**

- **Supply chain disruptions:** The pandemic has disrupted supply chains worldwide, leading to shortages of raw materials and delayed deliveries, which has affected SMEs' production and operations.
- **Reduced demand:** The pandemic has led to a decrease in demand for products and services, leading to lower revenues for SMEs that participate in GVCs.
- **Financial constraints:** SMEs may face difficulties in obtaining financing and managing cash flow due to the economic slowdown caused by the pandemic.
- **Changing regulations:** The pandemic has led to changes in regulations and policies, including trade restrictions and export bans, which can affect SMEs' ability to operate.

### **Opportunities**

- **Digitalization:** The pandemic has accelerated the adoption of digital technologies and e-commerce, providing new opportunities for SMEs to reach global markets and customers.
- **Reshoring:** The pandemic has highlighted the importance of supply chain resilience, leading some companies to consider reshoring production and sourcing locally, which can benefit domestic SMEs.
- **Innovation:** The pandemic has created new challenges that require innovative solutions, providing opportunities for SMEs to develop new products and services.
- **Collaboration:** The pandemic has highlighted the importance of collaboration and partnerships, providing opportunities for SMEs to work together to overcome challenges and access new markets.

In summary, while the COVID-19 pandemic has brought about significant challenges for SMEs in Malaysia participating in GVCs, it has also created new opportunities for innovation, digitalization, and collaboration. SMEs that can adapt quickly and leverage these opportunities are more likely to succeed in the post-pandemic global economy.

## **MYANMAR**

### **Challenges:**

Supply chain disruption, weakening external demand.



**Opportunities:**

Some opportunities are seen in E-commerce and ICT sector.

**PERU****Challenges:**

- Supply chain disruptions: The pandemic disrupted global supply chains, making it difficult for Peruvian SMEs that relied on global suppliers to source raw materials and components.
- Changes in demand: the restrictions imposed by the pandemic, such as the closure of stores and the reduction of economic activity, decreased the demand for products from Peruvian SMEs that depended on global markets. As previously observed, in the scenario of the economic and health crisis of COVID-19, Peruvian SME exports decreased in most export destinations, although they have already recovered pre-pandemic levels. However, the trends have changed. For example, exports to the United Kingdom, Chile and the Netherlands have not fully recovered; while exports to the United States and China have already far exceeded pre-pandemic values.
- Changes in the way of working: the pandemic forced many Peruvian SMEs to adopt new technologies and ways of working to keep in touch with their suppliers and customers, especially the change related to digitization or the adoption of certain quality standards, which it was expensive to implement. SMEs needed to evaluate investment options in standardization and certification, ICT infrastructure, and ICT-trained personnel, to name a few challenges.
- Mobility limitations: travel restrictions and the cancellation of business events limited the ability of Peruvian SMEs to establish contacts and expand their global business networks.

**Opportunities:**

- Market diversification: the pandemic showed the importance of diversifying the markets of Peruvian SMEs so as not to depend on a single market and reduce risks. Even the entry barriers to new global value chains may be lower than before; Therefore, new market niches must be identified.
- Digitization: the pandemic boosted the adoption of digital technologies, which allowed Peruvian SMEs to keep in touch with their suppliers and customers, as well as improve their processes and reduce costs.
- Reorganization of the supply chain: the pandemic forced many companies to reorganize their supply chains and look for new suppliers and logistics solutions, which may mean an opportunity for Peruvian SMEs, since for example the application of new approaches to management also allows adapting to the new reality of Industry 4.0

Increased awareness of sustainability: the pandemic has increased awareness of the need to be more sustainable and responsible in the management of value chains, which can become an opportunity for Peruvian SMEs that adopt sustainable practices.

**THE PHILIPPINES**

### **Opportunities:**

- The Philippines imposed strict lockdowns to curb the spread of COVID-19. Travel restrictions, border closures, and decreased consumer confidence due to the pandemic disrupted the usual operations of MSMEs and made it difficult to participate in global value chains.
- On the other hand, the COVID-19 pandemic created the impetus to embrace digital transformation. It accelerated the shift towards digitalization and e-commerce, which allows MSMEs to tap markets that would otherwise not have been reached should they operate a traditional brick-and-mortar business. However, new issues emerge that may hinder the potential benefits that can be achieved from these opportunities.
- In terms of digitalization, challenges include cybersecurity risks, digital skills gap, and the need for a sophisticated digital infrastructure, including quality internet service.
- The Department of Finance, Department of Agriculture, Department of Trade and Industry, Bureau of Customs, and Philippines Ports Authority issued an Administrative Order expediting the release of cargo and requiring consignees or importers to pull out containers left in ports. This issuance addressed both logistical and administrative constraints.
- Bureau of Customs has fast-tracked the digitalization of customs processing and payment transactions. It began to upgrade its customs processing system in 2018, including requiring the mandatory automation of operations, establishing the Bureau of Customs Operations Center, and undertaking digital transformation initiatives such as a customer care portal.
- The Philippines has signed some free trade agreements, including the Regional Comprehensive Economic Partnership (RCEP) agreement. Signed on November 15, 2020, the RCEP is the world's largest free trade agreement, encompassing 30 percent of global gross domestic product (GDP), 27 percent of global merchandise trade, more than 18 percent of services trade.

### ***Opportunities related to FDI:***

- The Philippines has many competitive advantages, such as an English speaking workforce, strong cultural proximity to the United States, and a geographic advantage in the East Asia and Pacific region.
- In line with global trends, the COVID-19 pandemic caused FDI in the Philippines to plunge, but it also provided an opportunity to rethink the economy's GVC participation strategy: three sectors had positive growth of FDI announcements in 2020 compared to the average for 2015-2019: building materials, non-automotive original equipment manufacturing, and paper, printing, and packaging, possibly reflecting greater global investor confidence in these three sectors during the pandemic. Of the three sectors, the non-automotive original equipment manufacturing sector provides the most opportunity for the transportation equipment sector, reinforcing the strategic role of the industrial, manufacturing, and transport (IMT) cluster for the economy's prospects of GVC participation.

### ***Opportunities related to skills:***

- Creative services that involve original content, such as animation, software development, and game development, are also included in the Strategic Investments Priorities Plan of the Philippine Board of Investments, which entitles investors to incentives if they locate in the Philippines

- Demand for telehealth and telemedicine services increased during the COVID-19 pandemic, suggesting that the HLS cluster might be strategic. This cluster integrates pharmaceuticals, medical equipment, and health care services; and the Philippines is one of the top global providers of medical personnel.

***Other opportunities:***

- Increase in Niche markets
- Increase in on-line transactions
- Higher recognition for the service sector (transportation/distribution)
- Development of new/innovative products
- Pave the way to e-commerce, digital transformation of business; product innovation to meet the consumers needs.

**Challenges:**

- E-commerce development in the Philippines is hindered by the following obstacles:
  - Slow and unreliable internet connection;
  - Low access to more specialized business-to-business (B2B) financial services that can directly lower the cost of borrowing money and make trade more inclusive for MSMEs (ex. Access to trade finance and credit insurance);
  - High logistics cost as a share of total operating cost due to gaps in transportation infrastructure, warehousing facilities, and systems that can bolster supply chain integration and logistics coordination;
  - Complicated and outdated policies and requirements, exacerbated by the overabundance of regulatory agencies overseeing different aspects of online business; and
  - Uneven access to markets, information, and connectivity infrastructure, especially for MSMEs and the rural population.
- Physical connectivity was the major constraint for the GVC participation due to high trading costs in the Philippines. This further worsened due to the extended community quarantine and the Global Port of Manila became congested as consignees were unable to collect their containers from the port. There was also a lack of integrated trade information system making it difficult to assess whether the delays of the cargo was due to lack of trucks, closed warehouses and factories, missing documentation from shipping lines or to delays in obtaining clearances from trade-related government agencies.
- Congestion in Manila due to lack of an efficient urban mass transit system, ban on heavy trucks during certain hours that significantly affected the time and cost of operations not only by shortening the window of operations but also by increasing the number of idle trucks congesting streets. This congestion put the Philippines at a disadvantage in time-sensitive GVCs such as industrial, manufacturing, and transportation (IMT); technology, media, and telecommunication (TMT); and health and life sciences (HLS).

**Challenges related to FDI:**

- Limitations on global ownership in many sectors constrain Foreign Direct Investment (FDI) in the Philippines; poor infrastructure, regulatory inconsistencies, and high energy costs are further disincentives to invest.

- Due to concerns and uncertainty surrounding the effect of a prolonged pandemic on the global economy as well as to travel restrictions, there was a decline of 71% FDI, PHP390 billion in 2019 to PHP112 billion in 2020.

**Challenges related to skills:**

- A significant decline in work force participation in the first half of 2020 was almost offset by January 2021, with a noticeable increase in the number of information and communication technology (ICT) workers across sectors. Although the services sector is the largest employer, most of its workers have few skills, and the share of workers with postsecondary education has not increased over the last decade.
- Despite the notable increase in the number of science, technology, engineering, and mathematics graduates, the education system needs to do a better job of matching its teaching to the evolving demands of labor markets to capture more lucrative parts of the value chain. It is also important to address youth unemployment and underemployment as well as the gender gap that may result from GVC reconfiguration and automation.
- Limited access
  - To raw materials and other inputs to production
  - To wholesale stores for the purchase of inventories for neighborhood retail (sari-sari) stores
- Limited production
- Limited or no access to transportation/logistics
- Limited/No sales/transactions especially for non-food products
- Inability of workers/employees to report to work
- Increasing accounts payables
- Access to GA for the compliance of doc requirements in transporting goods, raw materials from factory to point of destination/market or vice versa, market slowdown due to unemployment, health crisis; coping up with digital technology platform or e-commerce.

**THAILAND**

**Main Challenges due to COVID-19 Pandemic**

- Decrease of Income/Revenue/Sale.
- Lack of financial liquidity.
- Cost increasing compare to Revenue.
- Lack of Knowledge for Online Market Entry.
- Cannot access to Government Service.
- Unemployment.

**Main opportunities due to COVID-19 Pandemic**

- Digitalization and Transformation.

- Increase of Using Internet Banking.
- Formalize SMEs' Information.

### **Main Challenges after COVID-19 Pandemic**

- Inflation.
- Economic Recession.
- Supply Chain Disruption

## **VIET NAM**

### **Challenges:**

- Large FDI enterprises often have their own ecosystem and supply chain to follow, or self-develop a closed supply chain. Their supply chain is ready and completed. Therefore, the opportunity for other Vietnamese SMEs to participate in the value chain led by these enterprises is very difficult.
- The majority of small and medium-sized enterprises (SMEs) in Viet Nam have low management skills and limited human resources; do not have enough capital to invest, innovate technology, expand production scale, improve productivity and product quality to be able to meet increasingly strict requirements of major domestic and global customers. In addition, the leadership team of enterprises is still afraid, not daring to accept risks to invest in upgrading standards, so they have not been able to make breakthroughs. Many SMEs also have difficulties in accessing customers need, market demand.
- Viet Nam also does not have many good enough brand of machine (computer, machine tool). Many SMEs have to import from other economies with high price in order to meet global requirement/standard.

### **Opportunities:**

- Increase export volume, reduce input cost for many industries especially manufacturing and supporting industries.
- Digitalization and Transformation.
- Increase of Using Internet Banking
- Innovation

### **3. Question: Which solutions do you think is the priority to promote SMEs participating in GVCs in your economy?**

- Improve the infrastructure; (**Malaysia, Laos PDR, Peru, the Philippines, Viet Nam**)
- Develop regional planning; (**Malaysia, Laos PDR, Peru, the Philippines, Viet Nam**)
- Develop production and logistics chains; (**Myanmar, Laos PDR, Peru, the Philippines, Viet Nam**)
- Training SMEs with new technologies; (**Myanmar, Laos PDR, Peru, the Philippines, Viet Nam**)

- E. Assistance through supporting regulations; (**Myanmar, Laos PDR, the Philippines, Thailand, Viet Nam**)
- F. **Others: .....** (please specify)

**INDONESIA**

Increasing market access, financing, and business legalization processes by facilitating bureaucratic access.

**PERU**

New technologies have revolutionized the way in which micro and small businesses participate in global value chains. Digital technologies, such as e-commerce platforms, the cloud, and data analytics, have enabled MSEs to access global markets, improve operational efficiencies, and increase collaboration with suppliers and customers around the world.

In the same way, through technological transfer, it has been possible to transmit scientific, technological, knowledge, media and exploitation rights information to MYPEs, for the production of a good, the development of a process or the provision of a service, contributing to the development of its production capacities and competitiveness for a global market.

For these reasons, training MYPEs with new technologies is a priority to promote their participation in global value chains, since it allows them to compete with various companies in the world on an equal footing, creating new opportunities for growth and expansion.

In this sense, from the Technological Institute of Production (ITP), through the Centers for Productive Innovation and Technology Transfer (CITE), technological services are provided such as technical assistance, product design and/or development, production support, testing laboratory, training, certification of labor competencies, specialized technological information and promotion of research, development and innovation management (R+D+i). These services are intended to contribute to improving the productivity and competitiveness of companies and productive sectors through training activities and technical assistance; specialized advice for the adoption of new technologies; technology transfer; research, development and productive innovation and technological services, dissemination of information; interrelation of strategic actors and generation of synergies, under a demand approach, generating greater value in the transformation of resources, improving the supply, productivity and quality of products, promoting productive diversification .

In addition to the training needs in new technologies, for the participation of SMEs in global chains it is important to improve the infrastructure. In this regard, the indicated solutions are considered relevant, since SMEs need to innovate in infrastructure, which will allow them to improve production processes and quality, to enter competitive markets.

Likewise, the importance of having regional planning, according to the most relevant productive sectors by Region, and being able to focus productivity improvement strategies considering the sectors with the greatest development by Region.

Additionally, it is necessary to strengthen the productive and logistics chains in the various Regions, coordinating with the institutions involved in the development of the productive and logistics chains.

The training of MYPEs in new technologies requires providing information on technological advances for each productive sector and demonstrating the improvements that would be achieved with the implementation of new technologies, which must be directed at products and processes.

## **THE PHILIPPINES**

The 2022 E-commerce Roadmap of the Philippines aims to make e-commerce synonymous with easy commerce. Specifically, it aspires to achieve e-commerce that is “plug and play” – safe, reliable, easy, and efficient everywhere by 2030.

- Investments in logistics infrastructure is an important strategy in this roadmap. This includes both direct investments in infrastructure, such as warehouses, port development and upgrade, and cold storage facilities as well as the modernization of the Philippine Postal Corporation (PHLPost), the primary body in charge of the Philippine postal services. One agenda that aims to attain this strategy is to develop an e-commerce logistics infrastructure and investment convergence program. The convergence program will consider the feasibility of e-commerce hubs and townships as well as transport & storage infrastructure and facilities, including related systems and software upgrades for improved logistics operations, in coordination with various logistics-related government agencies and industry associations.

- Enabling the digital transformation of MSMEs is also a priority strategy of the roadmap. In line with the action agenda of the 2022 e-commerce roadmap to implement a cohesive full-scale MSME digitalization program, the Philippines has embarked on the following projects:

- CTRL BIZ Reboot Now Program is a series of webinars and training aimed at providing MSMEs with information on starting their business online, connecting them to enablers, and enhancing their skills to meet the needs of the e-commerce market.
- MSME Digitalization Toolkit and Training Framework Study - A baseline survey was conducted covering MSMEs to measure the level of digitalization of Philippines MSMEs based on the categories developed by the ASEAN SME Digitalization Study for purpose of policy and program development.
- The project on Digital Transformation Initiative for MSMEs aims to assist MSMEs in their digital transformation by making available a suite of government interventions that are relevant to their specific needs and based on their level of digitalization.
- Digital Maturity Toolkit is a self-assessment toolkit designed to help MSMEs assess their organization’s needs and provide recommendations on possible digital transformation training frameworks for capacity building.
- Digital Transformation Training Framework shows a variety of training topics mirroring the stages of digital maturity. The list of training topics includes business basics/essentials, and e-commerce topics, and the lessons are arranged from basic to intermediate to advanced.

- Another important initiative under this roadmap is advancing cooperation on cross-border digital trade through trading agreements and economic cooperation programs with major ecommerce trading partners.

**4. Question: Please share some policies / regulations your economy is applying to promote the SMEs' Participation in the Global Value Chains.**

**INDONESIA**

We have government regulation no 7/2021 which elaborated the pattern of Supply Chain and partnership synergy using the patterns.

**LAOS PDR**

- Policy on access to finance for Lao SMEs;
- Policy on promoting domestic products;
- Regulation on controlling of importing and consumption global products

**MALAYSIA**

The Malaysian government has implemented various policies and regulations to promote small and medium-sized enterprises' (SMEs) participation in the global value chain (GVC).

- **Domestic SME Development Council:** The NSDC is a high-level council established by the government to coordinate and oversee the development of SMEs in Malaysia. It has developed policies and strategies to promote SME participation in GVCs, such as improving access to financing and technology.
- **Malaysia External Trade Development Corporation (MATRADE):** MATRADE is a government agency that promotes Malaysian exports and global trade. It provides various services to SMEs, including market intelligence, trade promotion, and export assistance.
- **Malaysia Investment Development Authority (MIDA):** MIDA is a government agency that promotes global and domestic investment in Malaysia. It provides various incentives and support services to SMEs that invest in GVCs, such as tax incentives and facilitation services.
- **Free Trade Agreements (FTAs):** Malaysia has signed various FTAs with other economies, providing SMEs with preferential access to export markets and promoting integration into GVCs.
- **Industry 4.0:** The Malaysian government has launched the Industry4WRD policy, which aims to transform the manufacturing sector through the adoption of Industry 4.0 technologies. This policy provides incentives for SMEs to adopt digital technologies and improve their competitiveness in GVCs.

In summary, the Malaysian government has implemented various policies and regulations to promote SME participation in GVCs, including the establishment of high-level councils, government agencies that provide support services and incentives, and the signing of FTAs. The Industry4WRD policy is also focused on promoting the adoption of digital technologies and improving SMEs' competitiveness in GVCs.



## **MYANMAR**

Since Small and Medium Enterprises (SMEs) are the driving force for the socio-economic development of the economy, the Government is laying down short and long term visions for the development of the sector.

SME Development Center was established in April 2012, and SMEs supporting program is being carried out continuously by enforcing the SMEs Development Law in April 2015, SMEs Development Rule in December 2016, and SMEs Development Policy in December 2015 to reduce the barriers and to be competitive.

## **PERU**

The Ministry of Production approved, through Supreme Decree No. 016-2022-PRODUCE, the Domestic Industrial Development Policy, so that by 2030 the manufacturing industry in Peru is more competitive and with greater added value, improving its contribution with at least 14% of global GDP. To achieve this, it has the following priority objectives (OP): i) OP 01: Increase the productivity of companies in the manufacturing sector; ii) OP 02: Increase the complexity of manufactured products in companies in the manufacturing sector; iii) OP 03: Increase adequate industrial productive infrastructure and specialized services for manufacturing companies; and OP 04: Improve the quality of the institutional and regulatory environment for the development of manufacturing activities.

Likewise, to increase the complexity of manufactured products in companies in the manufacturing sector, the implementation of the service is planned for the development of a portfolio of business investment projects for industrial branches and/or medium and high technology products, as promotion global investment in Peru; service associated with the operational activities of "Identification of Global Value Chains (CGV) with potential for productive chains of industrial branches and/or medium and high technology products", "Development of portfolio of investment projects before investors" and "Dissemination of investment portfolio before investors and related actors".

Notwithstanding the foregoing, the PNDI can help the insertion of Peruvian MYPES into global value chains by offering a strategic framework and tools that allow them to improve their productivity and, therefore, their ability to participate in these chains. Thus, for example, the policy has guidelines to strengthen their access to financing, business informality, business management, improve employment skills, investment in capital goods, absorption capacity and adaptation to innovation, improve the use of production quality standards.

In addition, the policy can support Peruvian MYPES in the creation of alliances and cooperation networks between companies to strengthen their negotiation capacity in the chain and improve their access to markets and technologies. Thus, there is also a guideline that allows strengthening instruments for articulation with markets.

On the other hand, the PNDI can contribute to the promotion of sustainability in the value chain, encouraging the adoption of environmentally responsible production and management practices.

## **THE PHILIPPINES**

The Philippines has several policies and regulations in place to promote the participation of MSMEs in the global value chains. Some of these include the following:

- **Export Development Act (RA 7844)** and the Philippine Export Development Plan (PEDP) provide the framework for the promotion and development of Philippine exports. They aim to increase the competitiveness of Philippine exporters in the global market, including MSMEs, and to integrate them into the global value chain.
- **The Comprehensive Domestic Industrial Strategy aims** to link and integrate manufacturing, agriculture, and services; address supply chain gaps; and deepen industry participation in global value chains. Strategic actions include human resource development; SME development; innovation and R&D activities; green industries; aggressive promotion and marketing programs; infrastructure investments to address the high cost of power, logistics, and shipping; and streamlining and automation of government procedures and regulations affecting business operations.
- **The Magna Carta for MSMEs (Republic Act 6977, as amended by Republic Acts 8289 and 9501) and the MSME Development Plan** provide support to MSMEs by facilitating their access to financing, technology, mentoring, and markets, and **promoting** their integration into the global value chain.
- **Doing Business in Free Trade Areas (DBFTA)** is a trade advocacy and information campaign which aims to increase exporter awareness of the economy's preferential trade agreements.
- **Global Investments Act:** President Rodrigo Duterte signed Republic Act No. 11647 (Act 11647), which **amends** the Global Investment Act, also known as Republic Act No. 7042 last March 2, 2022. The amendments aim to promote and attract global investments by allowing, for the first time, global investors to set up and fully own domestic enterprises (including micro and small enterprises) in the Philippines.
- **Retail Trade Liberalization Act.** The final amendments to the Retail Trade Liberalization Act (RTLTA), or Republic Act No. 11595 was **approved** last December 10, 2021. The bill reduces the minimum paid-up capital requirements for global retail enterprises, removes the requirement for a certificate of pre-qualification to the Philippine Board of Investments (BOI), and lowers the investment requirements for each store owned by a global enterprise.
- **Public Service Act (Government of the Philippines, 1936, 1991, and 2000).** Republic Act No. 11659 (“RA 11659”) or “An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act” as amended, was signed into law by President Rodrigo Duterte on 21 March **2022**. The amendment of the Public Service Act was made pursuant to the State’s policy of encouraging private enterprise and expanding the base of investment in the economy, with the goal of providing efficient, reliable, and affordable services to all.
- **Philippine Innovation Act (Republic Act no. 11293).** This law recognizes the importance of innovation in order to promote the growth of Micro, Small and Medium Enterprises. This Act established the Domestic Innovation Council and is tasked to take action in all levels and areas of education, training, research and development towards promoting innovation and globalization activities of MSMEs all over the economy.
- **Domestic Payment Systems Act of 2018 and the New Central Bank Act of 2019.** This will provide a comprehensive legal and regulatory framework which supports the twin objectives of maintaining a payment system that is necessary to control systemic risk and providing an environment conducive to the sustainable growth of the economy.

- **Open Access in Data Transmission Act.** The Open Access in Data Transmission Act is an internet and telecommunications law bill filed in the Congress of the Philippines. The bill contains provisions encouraging the development of data transmission infrastructure and removing any barrier to competition in data transmission services.
- **Executive Order 127.** EO 127 amends EO 467, which provides the policy guidelines and regulations concerning the operation and use of global satellite telco facilities and services in the economy.
- **Customs Modernization and Tariff Act.** This aims in modernizing Customs rules and procedures for faster trade, reduce opportunities for corruption, improve Customs service delivery and improve supply chain.
- **Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act.** Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises” (CREATE) Act is the second package of the Comprehensive Tax Reform Program that reduces corporate income tax rates. This also provides other tax relief measures that will help businesses, particularly those organized as corporations (including One Person Corporations) recover from the effects of the pandemic as well as measures that will rationalize the grant of fiscal incentives to targeted investors.

## **THAILAND**

- Increase Market Channels
- Access to Finance
- Financial subsidies to stimulate spending during COVID-19 Pandemic
- Provide Knowledge and Training.

## **VIET NAM**

- Signing FTA with other economies.
- Ministry of Industry and Trade has actively participated in global cooperation activities in the field of industry, especially the electronics industry and supporting industries. Specifically, because Korea stands out to distribute and build the Viet Nam - Korea Technology Consulting and Solution Center (VITASK).
- The USAID LinkSME project, was invested at USD22,1 million and implemented over 5 years. The project will collaborate with the Office of the Government and the Ministry of Planning and Investment to improve the supply chain connection ecosystem for SMEs and enhance capacity building for business associations in supporting SME development. The project will connect SMEs with leading businesses that will advance the vision of enhancing economic competitiveness in the region and support USAID Viet Nam's goal of helping to expand inclusive growth, market-oriented and private sector-led.
- From 2004 to 2017, Viet Nam reduced the statutory CIT rate from 32% to the current 20% (lower than the OECD and ASEAN averages) with the aim of continuing to attract FDI and promote business development.
- Supporting industry is a priority area to promote the integration of SMEs into GVCs.

- Viet Nam has developed many solutions to support the supporting industry such as: Establishing a Steering Committee for the development of supporting industries in the city; establishing the Center for the development of supporting industry in the city under the Department of Industry and Trade.
- Other specific solutions such as: Developing a program to develop supporting industries in the city; organize the connection between supply and demand of supporting industry products; Support training and development of human resources.

The above solutions have contributed to promoting the development of the supporting industry in particular and the whole industry in the city in general, as well as creating conditions for SMEs to effectively participate in the global supply chain and value chain.

- In February 2023, The Department of Industry and Trade in Ho Chi Minh City and localities in the Southeast region have signed a memorandum of supporting SMEs to join the global value chain.

- Accordingly, the Departments of Industry and Trade of the provinces and cities will closely coordinate in organizing the regional association conference in the direction of industrial; research and propose solutions, mechanisms and policies for industrial development and supporting industries; coordinate in organizing conferences and seminars, supporting SMEs to participate in the GVC; cooperate in researching, commenting and proposing the development of the Industrial Law; etc.

- Supporting SMEs in digital transformation

- The Government, Ministries, related agencies has many supporting mechanisms, policies and programs. For example, "Viet Nam Digital Transformation program to 2025, orientation to 2030" has become a guideline for organizations, individuals and businesses participating in the digital transformation. "Domestic program to support enterprises to improve productivity and quality of products and goods in the period of 2021 - 2030 stipulates supporting enterprises to apply IT and digital technology to establish, optimize and modernize enterprise management system, applying standards and supporting tools for smart production and smart services.

- Decree 80/2021/ND-CP of the Government issued on August 26, 2021 also stipulates that SMEs will be supported with 50% of the value of consulting contract on digital transformation with a total value of no more than VND50 million/year, and at the same time supported with costs of renting and purchasing digital transformation solutions improve the efficiency of business processes, management processes, and production processes

- Additional supporting policies with detailed information about incentives and application conditions are also published at: [sme.mic.gov.vn](http://sme.mic.gov.vn) and [smedx.vn](http://smedx.vn).

- The government of Viet Nam fosters SME financing primarily through the SME Development Fund (SMEDF) and the Credit Guarantee Fund (CGF).

- The government has invested considerable resources in improving the system of trade facilitation through the establishment of the Single Window and the Trade Information Portal, which both aim to save time and cost for traders at the border.

**5. Question: If possible, can you list out implication(s) of those policies and regulations (in question 4)?**

**INDONESIA**

This synergy is very important because it is one of the efforts to encourage increased added value, competitiveness, investment, exports, import substitution and expansion of employment through strengthening Cooperatives, Micro, Small and Medium Enterprises (MSMEs) and Entrepreneurship.

**LAOS PDR**

- Policy on access to finance for Lao SMEs: Lao government subsidized the budget to SMEs that they can easy to access to finance with lower interest;
- Policy on promoting domestic products: Lao government tried to promote local SMEs to produce the domestic product rather than import the products from other economies;

Regulation on controlling of importing and consumption products from other economies: Lao government created the regulation to stop some unimportant products from other economies by focusing on consuming domestic products.

**PERU**

- With the approval of the PNDI, a 10-year sector objective has been outlined, establishing that its implementation is mandatory by the government, regional and local governments. Therefore, by 2030 the manufacturing industry in Peru will be more competitive and with greater added value, improving its contribution with at least 14% of global GDP.

Currently, within the framework of the PNDI, PRODUCE is updating its strategic and budgetary planning instruments so that with said instruments the Domestic Policy is implemented and the necessary budget is available to contribute to the achievement of its objectives.

**THE PHILIPPINES**

- The economy's total export sales reached USD78,84 billion in 2022, growing by 5.6% compared to 2021. Electronic products remained the economy's top export in 2022, which recorded a USD45.6 billion valuation, or a 7.25% growth compared to 2021. Strong growths were also recorded in the export of coconut oil and other mineral products, which grew by 46.68% and 15%, respectively.

- Global Investments Act: The proposed amendments to the 1991 Global Investments Act would remove the "practice of professions" from the global investment negative list and reduce mandatory direct local hires by global investor. This will attract more skilled global professionals, so that Filipinos can gain new knowledge and broaden their existing skills.

- Retail Trade Liberalization Act: Amendments to the 2000 Retail Trade Liberalization Act will facilitate retail ecommerce, reducing the minimum paid-up capital requirement, retaining the reciprocity requirement, and removing the prequalification requirements.

- Public Service Act (Government of the Philippines, 1936, 1991, and 2000): The amendments will lift the restrictions on global equity, particularly on telecommunications and transportation service providers. Amendments to the Public Service Act aim to limit public utilities to sectors engaged in the distribution and transmission of electricity as well as the distribution of water or sewerage systems, which are constitutionally subject to a cap of 40 percent global ownership.
- Philippine Innovation Act (Republic Act No. 11293): Accelerating the implementation of this strategy could help to create a Silicon Valley type of environment in which cities and clusters of cities host engineers, technicians, doctors, and nurses working in the IMT, TMT, and HLS clusters. Such an environment would encourage the circulation of knowledge. For instance, an excellent electronics hub in Cebu-Mactan is connected to the auto and aerospace sectors, with key companies such as Analog Devices and Surface Technologies. Another example is Baguio in West-Central Luzon, which hosts Moog Controls and Texas Instruments, two strategic lead firms. Helping analog firms to acquire digital skills and to digitize could help these firms to connect and integrate with GVCs.
- Domestic Payment Systems Act of 2018 and the New Central Bank Act of 2019: The COVID-19 pandemic is accelerating the transition to digital, with more work from home, remote education, fintech, e-government, and telemedicine. Recent reforms in the payment system laid the foundation for a rapid increase in digital payments.
- Proposed Open Access in Data Transmission Act: The act seeks to lower barriers to market entry, fast-track and lower the cost of deploying broadband facilities, and make more bandwidth available for internet services.
- Executive Order 127, which expands the provision of internet services through inclusive access to satellite services, is also expected to bridge the digital divide by enabling the deployment of infrastructure for underserved areas: To maximize the use of satellite technology, complementary policies (either through legislation or through executive action) and an effective spectrum management policy are needed to address digital literacy and improve access and connectivity.
- Digital Transformation Roadmap in 2019 and has sought to partner with agencies that are more advance on digitalization, such as the Australian Tax Office and the Russian Federal Tax Service, to learn from their journey in implementing e-invoicing. Timely implementation of this roadmap will significantly improve the business environment: Pandemic lockdowns led the Bureau of Customs to fast-track the immediate adoption of emergency protocols, such as online filing, processing of incomplete applications, acceptance of digital payments, and creation of a one-stop clearing house for medical supplies. This effort was expanded to include other transactions, such as payments for cargo handling, storage, and transportation scheduling. This automation will strengthen accountability, eliminate a significant number of face-to-face interactions, reduce delays, and minimize discretionary action by officials
- Customs Modernization and Tariff Act: Scaling up such positive developments in physical connectivity will boost the growth of exports in regional hubs. This effort could use physical connectivity to reprioritize the official Build, Build, Build Program in Calabarzon, Cebu, Central Luzon, and Domestic Capital Region, where most of the firms in the IMT, TMT, and HLS clusters are based. This effort should be complemented by the development of advanced logistics and information and communication technology services in these regions, with full implementation of the Customs Modernization and Tariff Act. Also needed is an effort to promote competition and streamline the issuance of permits for digital

infrastructure provision. A comprehensive financing strategy should be considered to maximize successful implementation of these projects.

- Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act: CREATE seeks to cut the corporate income tax and streamline fiscal incentives. The corporate income tax will be lowered from 30 percent to 25 percent for large corporations and to 20 percent for small and medium enterprises. Businesses whose gross sales fall below PHP3 million will pay value added tax of 1 percent instead of 3 percent. CREATE provides incentives to enterprises based on their projects or activities.

## **THAILAND**

### **1. Increase Market Channels**

- Government Procurement: Set a 10% price handicap for MSMEs and give local entrepreneurs first.
- Thai SME Sure: Increase the consumer confidence in MSME products by cooperating with large retailers to expand MSME market opportunities.

### **2. Access to Finance**

- Soft loans: (Total of THB250 billion) to support viable MSMEs affected by the COVID-19 crisis by expanding the pool of eligible borrowers to include both new and existing borrowers; expanding credit limit; expanding loan tenor; and amending the interest rates to better support business recovery.
- Debt restructuring: Buy-Back options (total of THB100 billion) through Asset Warehousing and provides standardized debt restructuring program for adversely affected borrowers whose businesses require prolonged recovery period, while possessing viable business models and collaterals.
- E-factoring: Suppliers sell the invoices of a customer or debtor to a factoring business at a discount to receive money. In result to fixed financial liquidity caused by delayed payments that requires 6-9 months to receive loans.

### **3. Financial subsidies to stimulate spending during COVID-19 Pandemic**

- The Blue Flag scheme: Provides a social welfare Smart card with monthly subsidies to make purchases at more than 90,000 small local shops.
- The No one is left behind scheme and the Rao Chana scheme: Aimed at cushioning the impact of COVID-19 through income subsidies on more than 30 million vulnerable and informal workers.
- The 50:50 Co-Sharing Scheme: Provides a USD5 subsidy per person per day (up to USD100 within three month) that is stored on a government e-wallet and can be used for transactions with 1.3 million small shops and street vendors.
- The “We travel together” scheme: Targets the tourism sector and provides a subsidy on a government e-wallet that can be spent at 70,100 hotels and restaurants, as well as tour operators, health- and wellness-related businesses.
- The Spend more, Get More scheme: A stimulus package targeting middle and high-income people aims at increasing spending by offering more e-voucher the more you spend.

### **4. Knowledge and Training**

- Business Development Service Provider: BDS: Support business development in online platforms that will subsidize business development expenses for SMEs through co-payments through the BDS.
- SME Knowledge Center: “SME One” and “Academy 365” web portal that provides business know-how content for MSMEs and can be accessed 24/7.

## **VIET NAM**

Already mentioned in Question 4

- 6. Question: Can you share some good practices/ case studies of successful SMEs participating in GVC in your economy during or post COVID-19? (You may wish to provide links in English for this question).**

## **INDONESIA**

Our economy has empowering and increasing the role of the SMEs sector by curated SMEs to partner with 7 state-owned companies and 3 large businesses

Link: <https://en.antaranews.com/news/187606/ministry-urges-small-medium-industries-to-enter-global-supply-chains>

## **MALAYSIA**

One example of a successful Malaysian SME that has participated in the global value chain during the COVID-19 pandemic is Comfort Rubber Gloves Industries Sdn Bhd, a manufacturer of rubber gloves based in Klang, Selangor, Malaysia.

Comfort Rubber Gloves Industries Sdn Bhd has been able to leverage the high demand for personal protective equipment (PPE) during the pandemic to expand its business and increase its exports. The company has implemented various measures to ensure the safety of its employees while maintaining its production capacity, such as implementing social distancing measures and providing personal protective equipment to its workers.

The company has also invested in digital technologies to improve its competitiveness in the global market, such as implementing a digital sales platform that allows customers to place orders online. This has helped the company to reach new customers and increase its sales, even during the pandemic.

Furthermore, Comfort Rubber Gloves Industries Sdn Bhd has received support from various government agencies, such as the Malaysia External Trade Development Corporation (MATRADE) and the Malaysia Investment Development Authority (MIDA), which have provided the company with assistance in exporting its products and expanding its operations.

Overall, Comfort Rubber Gloves Industries Sdn Bhd's success in participating in the global value chain during the COVID-19 pandemic demonstrates the importance of agility, innovation, and government support in helping SMEs to succeed in challenging times.



## **PERU**

### **Strengthening of the camelid textile fiber by CITE Textil Camelidos Puno:**

Organizational skills were improved through associative strengthening, improvement in shearing techniques and articulation with leading companies (companies with experience in the market that seek to integrate small producers into function to the quality standard achieved). A commercial articulation is being carried out with the exporting company Mitchell, which together with CITE Textil Camélidos Puno, helped the cooperatives obtain the Responsible Alpaca certification.

Standard (RAS) and increased their income by 18% in 2022. In 2023, income improved by up to 33% compared to 2021.

<https://www.agroperu.pe/mejora-el-precio-de-fibra-de-alpaca-en-puno/>

### **Strengthening of the scallop chain by CITEPesquero Piura:**

During 2022, as a result of the technological services provided by the CITEpesquero Piura, aquaculture practices, extraction mechanisms and scallop cultivation in the Sechura Bay in Piura were improved, in addition to the implementation of cooperative management skills and capacities. . Thanks to the laboratory tests, environmental reports were prepared according to the requirements of the Regional Directorate of Production of the Regional Government of Piura and the General Directorate of Aquaculture of the Ministry of Production. The services provided by the CITE benefited more than 220 mariculture farmers who improved their income.

## **THE PHILLIPINES:**

- Success stories of AM Lasay Food Industry and Musa Fabric (See Success stories for more information)
- Two (2) successful Filipino entrepreneurs in global trading capitalized the use of the DHL Express, the leading global courier service that specializes in providing comprehensive door-to-door logistics:
  - a. Zarah Juan, a Filipino entrepreneur and local socio-cultural advocate, found her passion in promoting handmade crafts from the Philippines in the form of artisan bags and shoes. Drawing inspiration from local artisanal products that she once saw in Japan, she immediately thought of doing something similar in the Philippines. Since 2006, through the support of her friends, family, and business partners, she has been able to provide sustainable livelihoods to advocates, clients, and communities that she has worked with when promoting Filipino culture and traditions.

When COVID-19 happened, she shifted her business online, and expanded her global reach. To ensure On-Time Delivery performance of her business, it was vital to ensure that Miss Juan's products get delivered abroad on time. Enter DHL Express, who came to her rescue and made it possible for her to fulfill her overseas orders quickly and efficiently. DHL Express' vision of transforming the world of logistics and challenging themselves to break boundaries has proven to be

revolutionary for Miss Juan’s business whereby she was able to gain global recognition quickly through their worldwide network. She considers DHL Express a life saver during the pandemic and is grateful to the courier service provider for the support, insights, and expertise that it provided her.

- b. The man behind JohnRev Skinceuticals, Randy Sayson Binondo, started off as an Overseas Filipino Worker in Dubai back in 2009. Eight years later, he returned to the Philippines to start a burger franchise. The business was progressing well till COVID-19 hit. An economic victim of the pandemic, Mr. Binondo ended his food franchise business, and returned to the workforce as a salaried worker. Taking on one job after another, it was not long that Mr. Binondo had the epiphany of distributing and selling health and beauty products. He soon made acquaintances from abroad and started his new business under the brand of JohnRev Skinceuticals, a company that sells affordable, high-quality health and beauty products.

Prior to his partnership with DHL Express, Mr. Binondo would personally take care of all aspects of the business. When he opened an account with DHL Express, the courier service provider took over all of JohnRev Skinceuticals’ shipping and logistics, all of these in just a day’s time. Through DHL Express, all of JohnRev Skinceuticals’ overseas shipments would reach its customers on time and in perfect condition. Due to DHL Express’s reliable shipping services, the customers’ confidence in the brand grew, further expanding Mr. Binondo’s business abroad.

## THAILAND

Please see the OSMEP Annual Report 2021 for more detail

### Develop a support system and connections for the entrepreneurship: support SME to access the government procurement (SME-GP)

#### 1 Support SME to gain access to public procurement (SME - GP)



#### Creation of Awareness for Government Agencies and SME Entrepreneurs on a Local Level Across the Nation

- Organized meetings/training seminars 42 Times
  - Bangkok 23 times and any provinces 1 time
- The total number of participants was 8,385 cases
  - Government agencies 6,406 Cases (2,856 agencies)
  - SME entrepreneurs 1,979 Cases

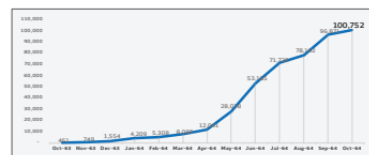
#### 3 Developing SME registration for government procurement

OSMEP collaborated with eight financial institutions to provide funding for SMEs. The goal was to develop financial institution credit in response to the needs of entrepreneurs who had registered SME for procurement with the Government Sector OSMEP (THAI SME-GP).

#### 2 Results of SME registration



#### Results of System for SME registration for government procurement (Unit of measurement: cases)



Size of business	Value of Procurement SME - GP		Number of
	(million Baht)	(%)	
Micro	31,401	5.70	512,611
Small	288,215	52.28	1,366,470
Medium	231,690	42.03	590,701
<b>Total</b>	<b>551,306</b>	<b>100.00</b>	<b>2,469,782</b>