



Terms of Reference

SMEs IN THE BORDERLESS ERA, SHAPING OPPORTUNITY IN THE GLOBAL VALUE CHAIN

Directorate General of International Trade Cooperation
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I. Background

1. Small Medium Enterprises (SMEs) in Southeast Asia have an important role for the process of economic integration in ASEAN and the wider region. According to ERIA, in the book of *ASEAN SME Policy Index 2014*, about 95%-99% of business units established in ASEAN are SMEs. This large number of SMEs makes involvement of SMEs in the process of economic integration into ASEAN Economic Community (AEC) 2015 becomes very important. Weak competitiveness of SMEs compared to large business unit in global value chain is a major challenge that must be resolved by governments. In this case, trade facilitation to realize internationalization of SMEs in the global value chain is a policy that is no longer an option but a necessity.
2. SMEs in Southeast Asia also play an important role for the economic growth of countries in the region. In accordance with the COMCEC study on "Promoting the SMEs Exports in the OIC Member Countries" (June 2013), SMEs in Indonesia reached 99% of the total companies in the country in 2009. This number is able to provide employment to more than 90%. Its contribution to the GDP of Indonesia has also exceeded 55% in 2008-2009. Meanwhile in Malaysia, the number of SMEs reached 97.3%, or approximately 645.137 SMEs units of the total 662.939 business units that run in the country in 2012. Contributions to the economy amounted to 32.5% of Malaysia's total GDP in 2011.
3. Those facts show the important contribution and role of SMEs in the economies of the Southeast Asia region. The success of SMEs in the global market can be a determining factor in creating a more integrated AEC 2015.
4. The points above led Indonesia to organise a COMCEC OIC sponsored workshop on internationalization of SMEs in the Global Value Chain. The workshop, on "SMEs in the Borderless Era, Shaping Opportunity in the Global Value Chain, was proposed by the Ministry of Trade, Republic of Indonesia on the Project No. 2013-INDTRADE-088 and was announced as final listed project under COMCEC Project Cycle Management.

II. Objective

1. Workshop on SME internationalization focuses on the development of regional trade through involvement and implementation of SMEs in Global Value Chain in the Southeast Asian region, particularly between Indonesia, Malaysia, and Brunei Darussalam.
2. The workshop is purposed to benefit OIC countries in the ASEAN region (Indonesia, Malaysia, and Brunei Darussalam), and other OIC members to enhance their understanding and awareness on the importance of SMEs internationalization and to share experience among the members regarding the challenges and obstacles on

establishing the policy and infrastructures to support SMEs internationalization in the global value chain.

III. Participants

Workshop, entitled "SMEs in the borderless era, shaping opportunity in the GVC", is expected to bring in participants comprising government, banking regulators, SMEs entrepreneurs, Academicians, Journalists, Foreign Representatives in Indonesia and other SMEs stakeholders, particularly from the three ASEAN countries of the OIC members, and other OIC countries.

IV. Activity

Ministry of Trade, Republic of Indonesia in cooperation with COMCEC Coordination Office and Development Bank of Turkey will organize the workshop on 1 – 2 October 2014 in Jakarta, Indonesia.

V. Workshop Sessions

The workshop will comprise 3 (three) sessions including:

1. Trade Facilitation: Essential of Entrepreneurial Facilitation; Strengthening SMEs Road to GVCs

The purpose of SMEs Facilitation is job creation, yet it should not be translated as merely provision of wages and tools. SMEs Facilitation must provide workforce; entrepreneurial basics, appropriate capacities and attitude as it, and the market for the jobs itself. Hence, it must start from soft skill education, technical training, business practices, and all the way to market entry, from local to global value chains (GVCs).

Many of facilitation's determining factors lies within the general prerequisites of a working economy; e.g. open and transparent business environment, infrastructure (transportation, IT, etc.), simple procedures from registration to custom clearance, and intellectually property matters. There is lack of capacity to internationalize and difficulty in identifying foreign business opportunities. It is a necessary to provide effective resources to educate SMEs about how to access global markets and actively identify business opportunities in other markets to encourage SMEs to export.

In this regards, facilitating SMEs trade will need to touch upon such issues as the use of internet for cross-border trade (e-commerce), streamlining regulators in order to create open and transparent business environment, transportation, infrastructure, and customs clearance.

SMEs facilitation towards GVCs should not be as business as usual. Through this session, the most essential elements to facilitate SMEs, which can withstand the challenges and take advantage of opportunities of GVCs, will be discussed and elaborated.

2. Trade Promotion: Reconstructing SMEs Promotion in the Era of Borderless

GVCs will mainly focus on market as trigger of any opportunities. They are not only pursuing the cheapest and the most efficient resource. Nowadays, global business players seek stronger attachments and affiliation with localities which will open the gates for SMEs promotion. Local natural, cultural, and even historical endowments of any nation will generate means of promotion and the rise of unique competitiveness as well. In the era of growing interconnection and interdependence among global players, SMEs promotion calls for reconstruction of ideas and actions. This will be the main agenda of this session.

3. Trade Financing: Synergizing SMEs Financing and Optimization of Indigenous Resources Richness

Financial access is a common problem faced by any businesses. SMEs financing often trapped between philanthropic policy and the need to shape strong business agents to enter the market. SMEs financing however could be an affirmative with certain exemptions, yet it should be innovative, intensively assisting, under exact Key Performance Indicators (KPIs), and within a certain period as well. Financing is not a standalone resource.

There are other non-financial assets such as abundance of indigenous local resources, including local creativeness, with all of its uniqueness and distinct qualities. If they synergized, financial strain could no longer be strained. This session is aimed to find the best combination of innovative financing and indigenous resource richness to shape the opportunity for goods and services to go beyond the matter of exchange.