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GLOBAL CONFERENCE ΟΟΣΑ-ΟΣΑΕ

REMOVING BARRIERS ΕΞΑΛΕΙΨΗ ΤΩΝ ΕΜΠΟΔΙΩΝ  
TO SME ACCESS ΠΡΟΣΒΑΣΗ ΤΩΝ ΜΜΕ  
TO INTERNATIONAL MARKETS ΣΤΙΣ ΔΙΕΘΝΕΙΣ ΑΓΟΡΕΣ

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**THE ATHENS ACTION PLAN  
FOR REMOVING BARRIERS  
TO SME ACCESS TO INTERNATIONAL MARKETS**

Adopted at the OECD-APEC Global Conference in Athens, on 8 November 2006

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## **BACKGROUND**

1. At the invitation of the Hellenic Government, the OECD-APEC Global Conference on *Removing Barriers to SME Access to International Markets* took place in Athens on 6-8 November 2006. Convened within the framework of the OECD Bologna Process on SME and Entrepreneurship Policies, the meeting brought together *members of the international business community (including SMEs), organisations involved in the facilitation of world trade, and senior government representatives from members of the OECD and APEC as well as non-member economies.*

2. Globalisation offers both opportunities and challenges for businesses. Increasingly, SMEs are seeing participation in international markets as critical to their survival, job creation and growth. Already SMEs<sup>1</sup> are significant contributors to the global economy accounting for approximately 50% of local and national GDP, 30% of export and 10% of FDI<sup>2</sup>. While it is not possible to accurately quantify the number of SMEs currently involved in international markets – it appears to be increasing, particularly for SMEs in the service sector. The opportunities for international business dealings<sup>3</sup> have grown dramatically as the traditional barriers associated with distance and cross-border transactions have been reduced through new technology and trade negotiations. But the development of a fast-changing and increasingly complex global marketplace has also placed considerable pressures on firms, particularly SMEs.

3. Operating successfully in international markets requires, amongst other things, learning to manage at a distance using a variety of informal and formal contractual business relationships, gaining familiarity with different business regulations, customs, cultures and languages, and developing appropriate solutions for all the markets in which the firm operates.

4. This poses challenges for the managers of those firms and requires them to use, or develop, a much larger range of managerial competencies than if they operated solely in their domestic market. It involves aligning the financial, human, marketing, technological and innovative capacity resources of the firm with the decision to internationalise. It also poses challenges for governments (and business associations and others who assist SMEs) in providing the right, targeted support programmes and other incentives to encourage SMEs to internationalise and to help them overcome the internal and external barriers they face in doing that.

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<sup>1</sup> There is no single agreed definition of a SME. A variety of definitions are applied among OECD and APEC economies, and employee number is not the sole defined criterion. SMEs are considered to be non-subsidary, independent firms which employ less than a given number of employees.

<sup>2</sup> This refers to firms in the formal sector only.

<sup>3</sup> In this Action Plan the international activities of SMEs include all forms of transferring goods and services across borders such as export activity, joint ventures, non-equity strategic alliances, licensing, establishment of subsidiaries or branches and franchising. Importing is also a form of internationalisation.

5. The Conference found that SMEs involved with, or wishing to enter, international markets face a number of common issues. A key conclusion of the Conference was that governments, international institutions and business associations could play a significantly greater role in assisting SMEs to meet the challenges of internationalisation of their businesses, particularly if they work co-operatively.

6. Therefore, building on the outcome of the first OECD Conference for Ministers responsible for SMEs on “*Enhancing the Competitiveness of SMEs in the Global Economy: Strategies and Policies*”, held in Bologna on 13-15 June 2000, the second on “*Promoting Entrepreneurship and Innovative SMEs in a Global Economy*” in Istanbul on 3-5 June 2004, which provided major opportunities to advance the global policy dialogue on enhancing *entrepreneurship and SME innovation*, and the *Hanoi Declaration on Strengthening SME Competitiveness for Trade and Investment* issued on 29 September 2006, **Participants endorsed this Action Plan.**

## **KEY CHALLENGES FACED BY SMEs IN INTERNATIONAL MARKETS**

7. SMEs appear to go through a learning process when they engage in international activities. This process can be shaped by the size and the industrial sector of the firm. Each step of this learning process presents special challenges for SMEs. The set of firms that are not yet active exporters often underestimate the barriers present in the external business environment, such as those associated with financial matters and access to markets. They may also lack awareness of how their capabilities match the challenges of operating in international markets and also the knowledge about how to evaluate their capabilities in this respect. However, when these firms become engaged in international trading activity, there is increased awareness that the key barriers relate to the business environment and their own management capabilities rather than finance and access.

### ***Identifying international business opportunities, locating and analysing suitable markets***

8. Because of the limits on the time, competency and financial resources available to SMEs, they often are not able to identify and pursue new international market opportunities. Even when they have identified a possible new market, they often experience real difficulties in accessing even the limited data available on which to assess expected profit and risk of doing business in that market. Often, when they are able to obtain data about the new market, it is frequently unreliable or outdated and so may open the business to additional risks if acted upon. Thus, identifying and accessing appropriate information, both from private and government sources, remains a key challenge for SMEs seeking to enter international markets. SMEs that are already established in international markets tend to have developed a greater competence, and the networks needed, to assess new markets.

### ***Contacting potential overseas customers***

9. Having identified an opportunity to internationalise SMEs face a variety of barriers, many of which are specific to their operations or industry. Those firms that are new to internationalising, in particular, lack knowledge on the best way to enter or to make the greatest use of a commercial engagement in that market. They also lack the ability to identify potential high-value customers in new markets. They may decide not to take-up the opportunity, or they may take an approach to the market which ends up being unsuccessful.

### ***Obtaining reliable foreign representation***

10. The ability to get access to the right customers is a problem for any businesses seeking to enter an unfamiliar market. Many firms need to engage agents to represent and advance their interests in a target market. Large firms leverage their existing international staff in order to access new markets, but this is often not an option for SMEs. The process of engaging suitable agents and then of effectively managing them at a distance is complex and places a heavy additional demand on an SME manager's time and capabilities. Agents are in high demand and an SME may be only one of the several clients whose interests the agent represents. There is also the risk that agents might also engage in business practices that are not supported by the SME, or deliberately promote their own interests over those of the SME. Distance means that the SME can often remain unaware of a problem for too long and getting remedies in a foreign jurisdiction may also prove problematic. In some cases, governments provide in-market support for their firms, but again the service provided and the time allocated to the interests of an individual SME by such agents may be limited. However, managing foreign representation is a skill that can be built up by the SME, with experience.

### ***Accessing finance for internationalisation***

11. Firms seeking to enter new markets can face shortages of working capital. This can be due to difficulties in obtaining finance, because funders have a higher perception of risks based on concerns about exchange rate volatility, differing regulatory environments in the target market, perceived cultural difficulties and, in some cases, political risks. Also, entering new markets places increased demands on the financial and management skills of a business, including understanding the use of more sophisticated financial instruments, the ability to assess risk and to grant credit to clients, the collection of payments and contract enforcement. In some economies, the problem may be the lack of financial institutions with the experience of funding internationalisation efforts. Access to finance appears to become less of a problem for SMEs after they have become active in international markets.

### ***Allocating managerial time to deal with internationalisation***

12. Time is probably the most limited resource available to any SME owner. The daily struggle to maintain the viability of the business often crowds-out new, future and forward thinking. The time and effort to gain entry into international markets therefore pose considerable risks to the viability of the business as a whole and the owner's risk aversion becomes a barrier to an SME seeking market access.

### ***Engaging specialist staff to assist with the management of international markets***

13. It is difficult and costly for any firm to enter and then establish itself in a new market. Even when it is necessary, SMEs often cannot afford to retain specialist staff (or engage external experts) to set-up and manage their international operations. Technical, legal, marketing, e-commerce and supply-chain management expertise are often required for the operations to be successful. These skills are in short supply worldwide and are often only available in large multinational enterprises.

### ***Meeting the costs of accessing markets***

14. Managing the costs over which the business has limited influence (e.g. in-market transportation and distribution costs) is often a problem, although the intensity of this problem will differ according to the market to which the SME wants to have access. The internationalising SME faces costs of travelling to or getting goods to the market that are not faced by local competitors.

### *Dealing with anti-competitive behaviour*

15. SMEs may face anti-competitive behaviour by local firms or governments (e.g. charging foreign firms fees that are not imposed on local producers, special licensing for foreign service providers) or by competing foreign firms (e.g. dumping).

### *Difficulties in accessing or identifying support from government*

16. In some economies there is little effective government support and assistance available to firms wishing to access international markets. In other economies there are programmes, but SMEs often do not know about them or how to access them. Where they do, the process of gaining support often appears complex, time-consuming and burdensome. Therefore, SMEs often choose not to use the support available, although the majority of those that take advantage of it judge the assistance to be useful. Similarly support is sometimes available to attract business to enter a new market - but usually that is only for larger firms or for select groups of smaller firms.

## **RECOMMENDATIONS FOR FUTURE GOVERNMENT SUPPORT FOR INTERNATIONALISING SMEs**

17. Participants considered that, where market failure arguments suggest that there may be an appropriate role for them, **governments can play an important role in helping SME internationalise** because of the positive overall effects for economic growth. However in doing this, governments must recognise that the needs of internationalising SMEs differ according to the age and experience of each firm and their sector and should focus their assistance accordingly.

18. *In order to open up greater opportunities for international trade and investment, governments should consider the following actions:*

- a) Concluding outstanding trade negotiations leading to open markets, reduced trade barriers and contributing to a stable and transparent business environment.
- b) Actively removing non-tariff barriers to international trade (e.g. through mutual recognition of product standards and business and occupational licensing, efficient legal systems, improved customs procedures, facilitating business travel).
- c) Promoting clear and accessible public consultation mechanisms to facilitate SME participation in the trade policy process.
- d) Encouraging regulatory co-operation among governments to reduce trade-related compliance costs.
- e) Providing a simplified, transparent and non-discriminatory domestic business regulatory environment (e.g allowing equal access to government contracts for both foreign and domestic suppliers in authorised sectors).
- f) Ensuring high quality policy frameworks for encouraging private investments are in place.

19. *Priority areas for proactive government support would be:*

- a) *Better support and facilitation for SMEs that are intent on entering international markets, for example:*
  - Informed and up-to-date advice on market opportunities;
  - Addressing the shortage of people with the skills to advise SMEs on accessing international markets; and
  - Specific training and advisory support, for example funding for the development of marketing plans, for access to market experts, for advice on supply-chain management and IP protection and for technical support in establishing franchises or joint ventures and creating cross-border alliances.
- a) Better, and better targeted, support for SMEs *already operating abroad*. This includes in-market facilitation and also facilitation by the government and government agencies of the SME's home economy, such as support for attending trade fairs, and provision of skilled and informed foreign representatives.
- b) The development of better data and statistical information both on international markets and on the population of SMEs that regularly access international markets.

20. In the provision of that support, governments should ensure the effective alignment, integration and efficient delivery of all policies and programmes, including trade policy, customs and security procedures, SME-targeted support and business regulation. The efficient integration of support services for SMEs is considered good practice, particularly when efforts have been made to ensure the information is accessible for SMEs.

21. *Policies and programmes that have been utilised successfully by governments wishing to assist SMEs to more effectively enter new international markets, have included:*

- a) Encouraging the formation of clusters of (and other forms of co-operation and collaborative action for) SMEs interested in sharing information among themselves on how better to pursue international opportunities in specific product areas or markets or in entering the same market or wishing to offer complementary products or services to international markets.
- b) Encouraging all forms of appropriate co-operation and networking amongst SMEs, or between SMEs and larger firms, so that the experience of firms already engaging with foreign markets can be shared by SMEs seeking to access to those markets. Depending on the circumstances, governments could consider providing incentives (amongst other things appropriate financial incentives) to initiatives that encourage greater co-operation between SMEs and multinational enterprises (MNEs).
- c) Disseminating information on initiatives to facilitate SME access to international markets, such as the Business and Industry Advisory Committee to the OECD (BIAC) Initiative. This initiative involves the creation of a SME web portal that provides access to publicly available information

about trade rules and market support in a variety of economies, and that identifies BIAC member multinational enterprises that are willing to co-operate with SMEs<sup>4</sup>.

- d) Supporting forums in which government officials (or other institutions, such as chambers of commerce or professional organisations) can diffuse, collate and publish best policy practice on:
- Assisting SMEs to be ready to access international markets.
  - Developing high quality, transparent and efficient business regulation.
  - Providing up-to-date information on markets to assist SMEs.
  - Encouraging and enforcing responsible international business conduct.
  - Providing support (e.g. legal documentation) that can be used to establish relationships with clients or partners in international markets.
  - Developing sufficient people with the expertise to advise and support SMEs wishing to enter international markets.
  - The development of diagnostic tools to assess the capabilities of firms wanting to enter new markets.
  - Supporting SMEs domestically and in-market to assist them to become established in new international markets.
  - Providing effective in-market government representation.
  - Assisting deserving SMEs to gain access to appropriate financial instruments for funding internationalisation.
  - The use of e-commerce as a tool for overcoming distance to markets, for reducing the cost of compliance with government regulations, and for encouraging the up-take of efficient business practices.
- e) Encouraging the development of websites that provide opportunities for SMEs, at minimal cost, to present the products or services that they wish to offer to international markets.
- f) Providing programmes to assist SMEs to access the finance needed to fund potentially successful entries into new markets and, where necessary, develop or create additional financial instruments, such as innovation funds, for financing the internationalisation of SMEs.
- g) Involving business and non-government organisations more effectively in the development and delivery of policy and programmes aimed at assisting SMEs to access international markets.

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<sup>4</sup> Nevertheless, it is not meant to serve as a platform for the exchange of confidential information: should companies recognise between them that there may be some additional business opportunities, this would be undertaken at their own discretion and not in the context of this BIAC-OECD initiative. In any case, it will not replace or override member countries existing similar initiatives.

- h) Utilising and communicating more effectively (including making better use of resources in the private sector such as business associations, chambers, trade associations, etc.) the full range of government and non-government support that is available for SMEs seeking to access international markets and ensure that the activities of the various government agencies supporting SMEs are fully integrated. For their part, the business international organisations have to play an active role in promoting simplified tools for SMEs, for example issuing letters of credit.

22. In devising such programmes, governments should take into account that a multifaceted approach targeted at the generic problem faced by SMEs entering international markets (e.g. business capability) may more quickly produce benefits for SMEs. They should also consider how barriers to internationalisation reinforce each other, so they can develop more effective support programmes.

23. Governments should establish evaluation frameworks for their programmes and keep constantly under review the support schemes they provide for SMEs about to or already engaged in internationalisation. The research carried out for this Conference suggests that in undertaking such reviews, governments could consider the following framework: **sustaining** current programmes addressing those barriers identified as important by both governments and SMEs; **reconsidering** those programmes aimed at addressing barriers which are reported as important by governments but of little importance by SMEs; and, **increasing** levels of support to address barriers reported as important by SMEs but of little importance by governments. Alternatively, governments could devise their own framework for programme evaluation.

## **RECOMMENDATIONS FOR FURTHER WORK BY OECD AND APEC**

*(in partnership with other international institutions)*

24. Participants called upon the OECD and APEC to continue their co-operation (in partnership with other international institutions), in order to further develop work on removing barriers to SME access to international markets and assist policy makers to promote SME internationalisation and competitiveness. Building on the valuable work of the *OECD Working Party on SMEs and Entrepreneurship* (in close co-operation with the *Working Party of the Trade Committee* and the *Investment Committee*) and the *APEC SME Working Group*, Participants invited the OECD and APEC to further develop the following areas (subject to the availability of resources):

- i. Collation and assessment of good practice in member economies for government support programmes to assist SMEs to internationalise, including a review of the evidence on the practices and experiences of SMEs who are internationalising successfully.
- ii. Collation and assessment of best practice in developing key performance indicators and other methodologies to evaluate and monitor the effectiveness of support programmes for the internationalisation of SMEs.
- iii. The improvement of the data and statistical information available for better understanding the issues faced by SMEs accessing international markets, and consequently, for factual and analytically-based policy development.
- iv. Continue the current work investigating the benefits accruing to SMEs involved in global supply chains.



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