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Removing Barriers to SME Access to International Markets



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The conference was organised jointly by OECD and APEC

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Foreword

In line with the OECD *Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs* (2004), the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) has carried out a study on *Removing Barriers to SME Access to International Markets* in co-operation with the APEC SME Working Group (SMEWG). The outcome of this joint work was presented at a global conference hosted by the Hellenic Government in Athens, on 6-8 November 2006.

Part I of this publication presents the analytical work undertaken in preparation for the conference. It contains the background report based on the results of two original surveys on the barriers to SME internationalisation: one addressed to SME policy makers in OECD and APEC Member Economies, and the other addressed to SMEs. The report sets out policy recommendations and suggests directions for future work.

Part II presents a synopsis of the selected speeches and presentations made by government agencies, international organisations and private sector representatives during the OECD-APEC Global Conference in Athens. Part II also contains the main outcome of the conference, “the Athens Action Plan on Removing Barriers to SME Access to International Markets”, which was endorsed by the conference participants, building on the lessons learned regarding both the barriers and policy responses.

This publication was prepared under the supervision of Mme Marie-Florence Estimé, Deputy Director of the OECD Centre on Entrepreneurship, SMEs and Local Development (CFE). The background report was prepared by Prof. Lester Lloyd-Reason, Prof. Terry Mughan and Mr. Andreas Reichhart, Research Assistant, Anglia Ruskin University, in collaboration with Mrs. Mariarosa Lunati, CFE SME and Entrepreneurship Division. Significant contributions were made by Mrs. Barbara Fliess, Mr. Anthony Kleitz and Mr. Carlos Busquets of the OECD Trade Directorate.

A Steering Group, co-chaired by Dr. Roger Wigglesworth, New Zealand and Mr. Efstathios Zafrantzis, Greece, guided the preparation of conference. The co-chairs along with the members of the Steering Group: Mr. Serge Boscher and Mr. Jean-Hugues Pierson, France; Mr. Naohiko Yokoshima, Japan; Mr. George Bramley and Ms. Heather Booth di Giovanni, United Kingdom; offered many valuable comments during the drafting and review of the background report and the Athens Action Plan.

Sincere appreciation is extended to the members of the Hellenic Government who graciously and successfully hosted the OECD-APEC Global Conference, in particular: Minister Dimitris Sioufas, Minister of Development, Minister Georgios Alogoskoufis, Minister of Economy and Finance and Spiros Papadopoulos, Secretary General of the Ministry of Development. Genuine thanks goes to Mr. Ioannis Patiris and Ms. Evangelia Solomou of the Ministry of Development. Our gratitude goes also to H.E. Mr. Anthony Courakis, Ambassador, Permanent Representative of Greece to the OECD, for his continued support of this project.

Acknowledgement is also extended to Ms. Brynn Deprey and Mr. Damian Garnys of the CFE SME and Entrepreneurship Division and to Ms. Lorraine Ruffing (consultant) who revised and collated the conference proceedings.

The conference proceedings are issued on the responsibility of the Secretary-General of the OECD. Views expressed are those of the authors (and not necessarily their institutions/associations) and do not necessarily reflect those of the Organisation or its member governments.

A handwritten signature in black ink, consisting of a large, stylized loop followed by a vertical stroke and a horizontal line.

Sergio Arzeni
Director, OECD Centre for Entrepreneurship
Head, OECD LEED Programme

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Executive Summary

This publication consolidates the results of the research and discussions on facilitating small and medium-sized enterprise (SME) internationalisation. In particular, it contains the background report prepared for the OECD-APEC global conference on *Removing Barriers to SME Access to International Markets* hosted by the Hellenic Government in Athens, on 6-8 November 2006. Although SMEs are a major source of growth and job creation, they appear to be under-represented in the international economy relative to their contribution to national and regional economies. A number of internal and external barriers prevent SMEs from competing in the global market. In response, almost all economies currently provide a package of support services and programmes designed to help firms to overcome these barriers.

Chapter 1 contains the background report, including the findings of two surveys: one for member economy policy makers and one for SMEs on their perceptions of the barriers to SME internationalisation. It also compares the results of the two surveys to indicate the mismatch in perceptions between governments and SMEs. Recommendation measures are given to help member economies ensure that their support programmes match the expectations and needs of SMEs seeking to internationalise. Impediments to internationalisation are identified and best practices in support programmes described. In conclusion, the report also develops policy recommendations for governments to address the impediments.

What emerged from *The Survey of SMEs' Perceptions of Barriers* was a picture of barriers to SME access to international markets which is dynamic and contingent. That is, the barriers reported by SMEs appear to “shift” according to their experience of exporting. When firms moved from “aspiring” to “active” in exporting activity, financial and access barriers decreased in importance and barriers concerned with the business environment and lack of capabilities emerged as stronger obstacles.

In contrast, policy makers considered the internal barriers facing SMEs to be the most important and not external barriers created by government policies. The top ten barriers¹ in the policy makers' survey relate almost exclusively to a lack of knowledge and internal resources, both financial resources and human resources. External barriers, especially those imposed by governments, scored relatively low.

Government support programmes placed a strong emphasis on exporting SMEs, with 72% focusing exclusively on supporting export activities and a further 20% including exporting as their focus alongside other activities. Just 6.9% of government support programmes did not have export support as their main focus. A wide range of government support programmes were reported, but just 33.8% of SMEs responding to the survey had made use of these programmes.

Chapter 1 reveals that SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business environment and their

own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets. Those firms new to international activity, value information about markets and opportunities which provide a foothold for them in their international venture. More experienced international SMEs need a different kind of intervention as their problems tend to be more specific to the business environment. These companies are less well-provided for by the majority of government support programmes.

Chapter 2 discusses trade barriers that SMEs are likely to encounter in export markets and available policy tools aimed at their reduction or elimination. Drawing on recent work by the OECD Trade Directorate and elsewhere, key types of barriers are identified based on a review of business surveys and other studies recently undertaken. Chapter 2 also explores how governments deal with trade barriers and how SME participation in the trade policy process can be facilitated.

As far as barriers in export markets are concerned, firms, large and small, continue to face import tariffs. Non-tariff barriers matter equally, if not more, with customs procedures and domestic regulations emerging as widely noted impediments to trade and less direct and visible procedural barriers also playing a role. Due to their size, SMEs are in a vulnerable position in relation to trade barrier impact.

Overcoming trade barriers requires significant investment both in time and resources, which can constrain SME participation in the trade policy process. National experiences with consultation schemes and other support programmes that help exporting SMEs diagnose trade barriers or present the opportunity to raise issues, related to trade barriers, directly with policy makers suggest ways for enhancing SME participation in the policy process. Business and trade associations also can give voice to SME interests with governments at home and abroad. Chapter 2 offers recommendations on how governments can take SME concerns into account and support the internationalisation of their business activities.

Chapter 3 contains a synopsis of the presentations made at the OECD-APEC global conference in Athens on 6-8 November 2006. *Workshop A* focused on identifying the internal barriers to SME internationalisation and the response of government policy makers in terms of providing the support to overcome these internal barriers. The participants were unanimous in identifying the lack of knowledge of overseas markets and contacts as the main internal barrier. Thus, most of the government programmes that were presented were geared to remedying this “information gap”. While internal barriers, such as lack of knowledge of markets and contacts, can initially constrain SMEs, once they have overcome these barriers a new set of external barriers appears. These were discussed in *Workshop B*. Often, government policies and programmes do not move beyond addressing the internal barriers to work on the external barriers. For example, SMEs are seldom consulted during bilateral or multilateral trade negotiations and consequently, these agreements are not structured in ways that diminish external barriers.

Overall the message emerging from the background report and the global conference is that barriers are not uniform and constant for all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers does the SME regard as important. Whilst the data and recommendations allow for barriers to be clustered and prioritised, on an aggregated level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience. This barrier shift, or rolling sequence of barrier identification,

appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

Given the low take-up rate by SMEs of government support programmes, governments should do more to publicise the wide range of support programmes available to SMEs and evaluate the usefulness of such programmes on a periodic basis. Finally, programmes to support internationalisation need to be integrated better with others that promote growth, competitiveness and innovation.

The outcome of the research and deliberations are presented in the *Athens Action Plan for Removing Barriers to SME Access to International Markets* which was adopted by the global conference (see Annex 3.2). The participants agreed that where market failures suggest that there may be an appropriate role for governments, carefully crafted policies and programmes can help SMEs internationalise. However, in doing this, governments must recognise that the needs of internationalising SMEs differ according to the age and experience of each enterprise and its sector and should tailor their assistance accordingly. The Athens Action Plan suggests specific actions for governments, identifies priority areas for support and recommends policies and programmes that have been utilised successfully by governments. It concludes with recommendations for further work by the OECD and APEC.

Notes

1. The top ten barriers as identified by the Member Economy Policymaker Survey are: (1) inadequate quantity of and/or untrained personnel for internationalisation; (2) shortage of working capital to finance exports; (3) limited information to locate/analyse markets; (4) identifying foreign business opportunities; (5) lack of managerial time to deal with internationalisation; (6) inability to contact potential overseas customers; (7) developing new products for foreign markets; (8) unfamiliar foreign business practices; (9) unfamiliar exporting procedures/paperwork; and (10) meeting export product quality/standards/ specifications.

Part I

Chapter 1. Background Report

Introduction

Although SMEs¹ are a major source of growth and job creation, SMEs appear to be under-represented in the international economy relative to their contribution in national and local economies. Many of the problems facing SMEs' efforts to internationalise are known, regarding information, finance, and management skills. Almost all economies currently provide a package of services and programmes designed to assist firms to internationalise. But these programmes are not necessarily aimed at, or geared to, smaller firms. The objectives of the OECD-APEC project were to gain a better understanding of the barriers to internationalising *defined as all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets* and to share knowledge of government interventions to reduce those barriers.

The chapter begins with a review of the literature in the field, and covers in particular: 1) the main issues in SME internationalisation; 2) the patterns of international business activities of SMEs; 3) an analytical approach to investigate the management of SMEs seeking to compete effectively in international markets; and 4) a review of studies of government policy aimed at supporting the international SME. The next section introduces the methodology of this study and presents the findings of the two surveys undertaken: the Member Economy Policymaker Survey and the SME Survey; the final subsection analyses the matches and mismatches of the perceptions of barriers between governments and SMEs. Finally, the last section contains the chapter's general conclusions, policy recommendations and suggestions for future research.

SMEs engaged in international activities: “the international SME”

Many issues emerge from the literature ...

The past 20 years have seen growing policy and academic interest in the role of SMEs within a global context. The OECD report on “Globalisation and Small and Medium Enterprises” (1997) noted that in general terms, SMEs contribute between 15% and 50% of exports, and between 20% and 80% of SMEs are active exporters. Although actual numbers may vary across countries, the report warns that the great bulk of SMEs are now subject to the pressures of globalisation even though they may not be internationally active in any way.

In part, the increased level of interest in this area of research has been stimulated by the growing debate on globalisation, its impact on the development of SMEs and the entrepreneurial response required by businesses to deal with increased competition (Ibeh, 2000). There has been much debate surrounding the negative impact of globalisation on

the international SME arising from increased competitive pressures. However, SMEs have long found opportunities in the global economy and as international trade has expanded so too have these opportunities.

Research has shown² that even the smallest of businesses are internationalising at an increasing rate (McDougall and Oviatt, 1999). In fact, start-ups in most of the trading economies of the world are increasingly being launched with cross-border business activities in mind — the “born-global” trend (Autio, Sapienza, and Almeida, 2000; Etemad and Wright, 2003). Entrepreneurs are focusing more on international business as global communications and transportation become more efficient and as trade agreements pry open national markets to foreign competition. Research indicates that size does not necessarily limit a firm’s international activity (Wolf and Pett, 2000; Verwaal and Donkers, 2002) and that SMEs often become global competitors to take advantage of their unique resources (Gomez-Casseres, 1997; Pope, 2002).

The numerous benefits to SMEs engaged in international trade are well documented, with a considerable body of evidence that international trading activity stimulates increased productivity growth by strengthening competition and innovation and increasing access to new ideas and technology (DTI, 2006a). International trading activity enables businesses to achieve growth and economies of scale which domestic markets alone would not provide. Exporters are consistently found to out-perform non-exporters using a variety of measures of success, including profitability, production, wages and sales volumes (Aw and Hwang, 1995; Bernard and Jensen, 1997; van Biesebroeck, 2003; Isgut, 2001). While it is likely that the most successful firms tend to enter international markets, there is considerable evidence to suggest that ongoing export activity results in further performance improvements (Baldwin and Gu, 2003). Furthermore, there are strong links between innovation, internationalisation and productivity growth (Harris, 2004; Harris and Li, 2005; Hughes, 2004). Internationalisation allows access to new markets, allows the absorption of excess production capacity or output, and improves resource utilisation and productivity. It exposes the SME to international best practice, knowledge and technology through greater experience of the competitive pressures of the international trading environment (MED, 2002). The emergence of transnational production systems enables the disaggregation of value chains and advances in information and communications technology (ICT) reduce barriers and costs associated with distance.

Despite these advantages, the SME share in the total value of international trade is often found to be markedly lower than their share in gross domestic product (GDP), evidence of the barriers facing SMEs seeking to access international markets. An OECD Trade Survey, “Looking Beyond Tariffs - The Role of Non-Tariff Barriers in World Trade” undertaken in 2005, reported that businesses feel that numerous non-tariff barriers affect their access to foreign markets with different surveys carried out in different parts of the world reporting similar kinds of obstacles. A recently published paper in the United Kingdom (DTI, 2006b) identified numerous barriers to SME internationalisation whilst a New Zealand study (Shaw and Darroch, 2004) found a range of barriers from financial and cost-based barriers to limited market knowledge. Barriers to internationalisation commonly reported by SMEs include lack of information, knowledge and experience in international markets, the high costs of establishing and maintaining foreign distribution and marketing networks and the difficulties involved in managing complex relationships at a distance.

In the light of such barriers, these firms have attracted the attention of policy makers, with the recognition on the part of government that these barriers have the effect of reducing the ability of high-growth firms to achieve their full potential from international markets. Furthermore, any barriers to international trade are likely to impinge disproportionately on international SMEs which are often the most productive, R&D intensive and most growth-orientated and thus potentially the strongest contributors to a dynamic national economy. It is not surprising, therefore, that a wide range of policy instruments aimed at supporting the international SME have emerged over recent years.

... but scarce data are available for the analysis of a complex and evolving phenomenon

There is often an underlying assumption that exporting and internationalisation for all practical purposes mean one and the same thing. In reality, the situation is far more complex and exporting is only one type of international activity undertaken by the international SME. However, when discussing the role of the “international SME” within the global economy it must be acknowledged that the empirical base for the analysis of “international SMEs” is poor. The *OECD SME and Entrepreneurship Outlook* (OECD, 2005) has noted that major deficiencies are apparent in terms of international comparability which prevent meaningful, high-quality empirical analysis. This highly problematic issue was recognised in the 2004 Istanbul Ministerial Declaration in which Ministers invited the OECD to develop a robust and comparable statistical base for SME analysis. Although national studies into the area of the international SME have been conducted, there are very few sources of data that allow meaningful comparisons. With these difficulties in mind, the analysis that now follows draws upon two significant studies into international SME behaviour, one from the European Union and one from the United States.

The first of these is *Small and Medium-sized Exporting Companies: A Statistical Handbook*,³ which was prepared by the Office of Trade and Economic Analysis at the International Trade Administration (ITA) in the United States. It is based on statistics generated by the US Commerce Department’s Exporter Data Base, which provides a snapshot of US exporting companies through a study of 238 284 exporting firms⁴ accounting for 85% of all measurable merchandise export value.

The second study, the *2003 Observatory of European SMEs: 2003/4 Internationalisation of SMEs* provides statistics on European SMEs. This report, funded by the European Commission, is extensive and offers uniform data on SMEs from 19 European countries (15 EU countries, plus the 4 member nations of the European Free Trade Area). The report is based on data from 7 745 SMEs, a sample that was stratified by industry, enterprise size, and country. Overrepresentation of certain countries, sectors, and size classes was corrected using appropriate weightings, and all reported percentages refer to weighted findings.

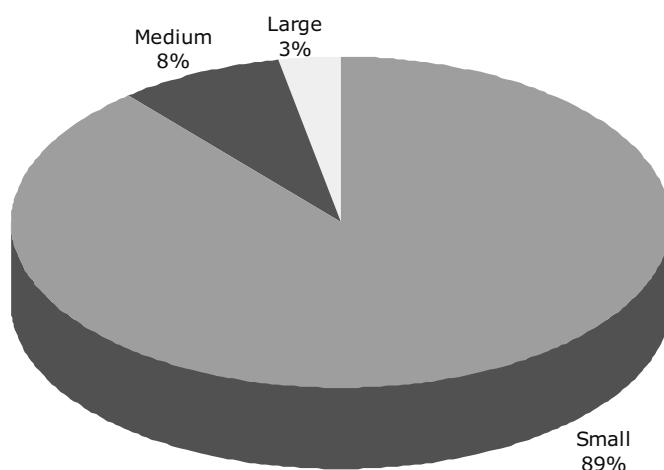
It is important to note that the EU report (ENSR) considered internationalisation in all its forms, whereas the US report focused on export activity alone, and then only on merchandise excluding services. The US report is also different in that it compared data representing ten years of export activity; the EU report focused on responses for one year. Finally, the two reports used different definitions for SME size categories. The US report defined small companies as those having fewer than 100 employees and medium-sized firms as having 100-499 employees. Large firms are those having 500 or more employees, while very small companies have fewer than 20 employees. In the EU report,

SMEs included firms with fewer than 250 employees broken down into micro enterprises (0-9 employees), small companies (10-49 employees), and medium-sized companies (50-249).

Data from the ITA report showed that the international business involvement of SMEs was rapidly accelerating. Between 1987 and 2001 the number of SMEs participating in exporting grew by 250% from 65,871 to 230,736. This latter number accounted for 97% of all US exporters (as indicated in Figure 1.1) and, relative to large firms, the number of SME exporters grew nearly twice as fast between 1992 to 2001. That is, exporting SMEs increased by 113.6% during this period (compared to 56.3% for large firms), and SME export revenues surged from USD 103 billion to USD 182 billion.

Figure 1.1. Size composition of US exporting companies, 2001

238 284 companies exported goods from the United States in 2001



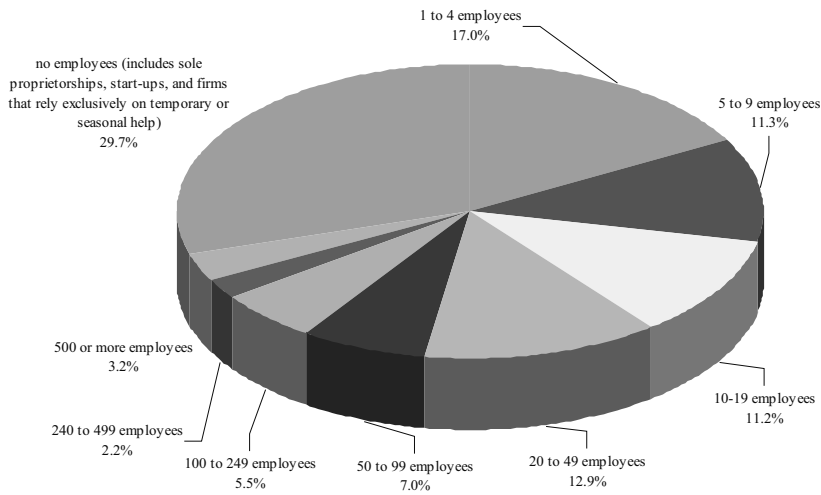
Note: Small = less than 100 employees; Medium = 100-499 employees; Large = 500 or more employees.

Source: US Department of Commerce, Exporter Data, 2001.

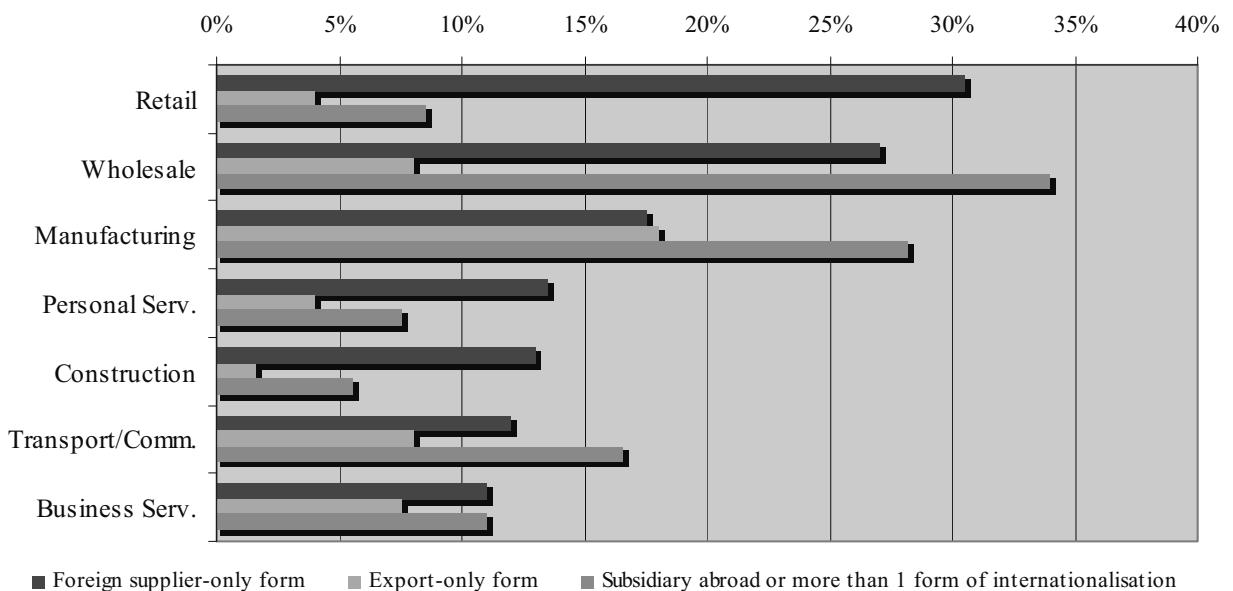
Most exporting SMEs were surprisingly small. More than two-thirds of all US exporters (69%) have fewer than 20 employees (for a detailed breakdown see Figure 1.2). This statistic is even more noteworthy when considering that the data were based on merchandise exporters only and do not include services, where smaller firms are more likely to predominate. Furthermore, this figure did not include importing, an activity in which the EU data suggested that smaller firms were even more apt to be involved. Thirty percent of international SMEs in the EU study engaged solely in importing versus 18% in exporting alone; however, export and import activity were more frequently found in combination, which seems to indicate that one promotes the other, an interpretation that is supported by a Dutch study (Elk and Overweel, 1991). This correlation is less consistent across industry sectors (see Figure 1.3), but these data underscore the main thrust of this section: SMEs appear to be far more internationalised than commonly thought.

Figure 1.2. Percent of US exporting firms in 2001 by number of employees

238 284 companies exported goods from the United States in 2001



Source: US Department of Commerce, Exporter Data, 2001.

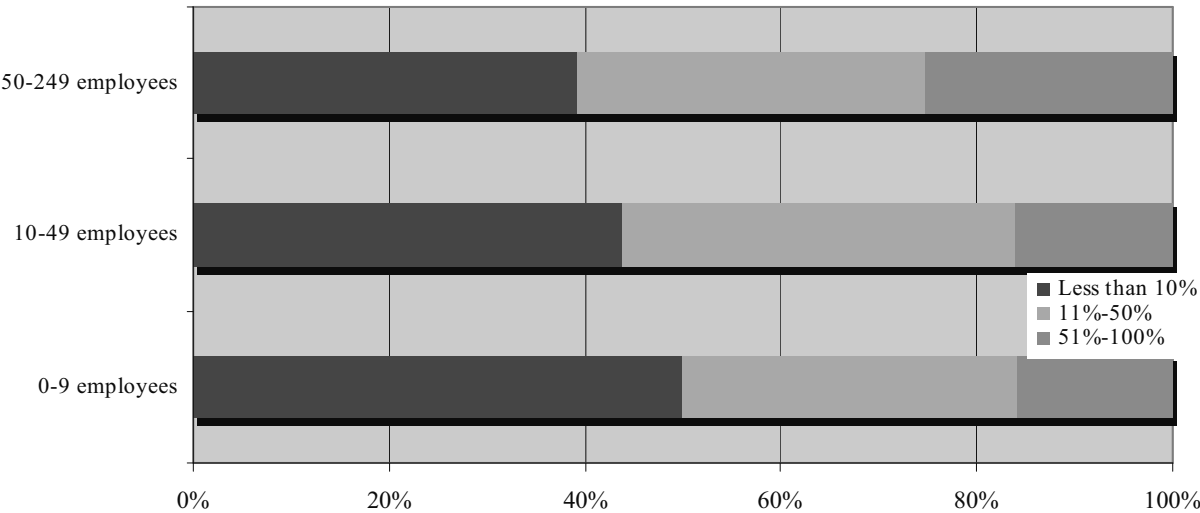
Figure 1.3. Internationalisation in different sectors

Source: ENSR Enterprise Survey, 2004.

The EU report revealed that only 17% of the micro enterprises (0-9 employees) in their sample had exports or exports in combination with other forms of international business. This number increased to 38% for small companies (10-49 employees) and 51% for medium-sized firms (50-249 employees). Thus, firm size seems to have a significant

impact on the internationalisation activity of European firms. Furthermore, export intensity (*i.e.* exports as a percentage of total sales) increased with firm size (see Figure 1.4) though these size-related differences were less striking than those related to internationalisation. Regarding similarities to US firms, though, caution is needed as it is difficult to make meaningful comparisons with the ITA data because the US study included only exporters and used different firm-size definitions.

Figure 1.4. Export intensity (export as% of total turnover) by size



Source: ENSR Enterprise Survey, 2004.

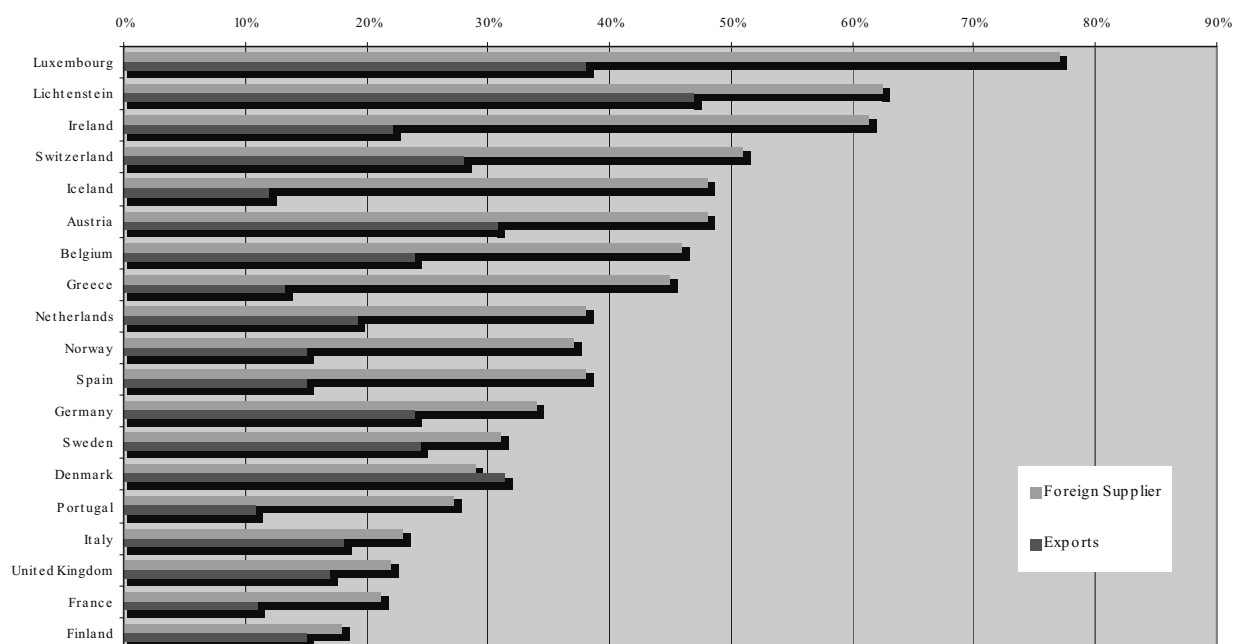
SMEs in the United States accounted for almost 30% of the country’s total exports, in US dollar terms. Thus, it is worth remembering that although large firms constituted only 3% of all exporters, they produced over 70% of the value in exporting. This is consistent with the global spread of large firm exports. In 2001, 63% of SME exporters traded with only one other country, while 54% of large firms exported goods to *five or more* foreign markets. Still, SME revenue from exporting rose by 77% from 1992 to 2001, and most of these SMEs (90%) achieved these results from a single location as opposed to setting up operations in multiple locations.

In all product groups, the majority of US exporters were SMEs; however, there were some notable differences between groups. For example, SMEs made up more than 90% of exporting firms in the manufacture of machinery, computers and electronic products, and transportation equipment. They also maintained a dominant share in sectors such as wood products, apparel manufacturing, and printing and related goods. It should also be noted that more than two-thirds of the SMEs were non-manufacturers, and these companies had 60% of total SME exports. SMEs also constituted 93% of high-tech exporters, which suggests that this category of firms is crucial to the commercialisation of cutting-edge products.

The response of SMEs to business opportunities around the globe has been robust, but the degree of that response varied substantially among the European countries. Using import and/or export activity to index internationalisation, the Observatory study revealed that this variable was linked to the size of the country in which the SME was domiciled

(see Figure 1.5). For example, more than 50% of the SMEs in Ireland, Liechtenstein, Luxembourg, and Switzerland did business with foreign suppliers, and of the nine most export-oriented countries (those with 20% or more SMEs that export), only Germany was large. This is consistent with national studies that have suggested that SMEs with specialised production quickly learn that the domestic market provides limited opportunity for expansion, which then forces these companies to look to international markets to support their business ambitions (Elk and Overweel, 1991; Braunerhjelm, 2000; O'Malley and O'Gorman, 2001).

Figure 1.5. Percentage of SMEs with foreign supplier or exports



Note: The categories are not mutually exclusive, since one SME may have both export and a foreign supplier.

Source: ENSR Enterprise Survey, 2004.

In the past, SMEs typically reached the world via exporting, and this continues to be an important mode of entry; however, during the past decade internationalisation has become a much more differentiated business activity. For example, Fletcher (2001) found that the majority of firms in his study were involved with both outward (*e.g.* exporting) and inward (*e.g.* importing or knowledge accessing) activities in their international dealings. Reflecting this trend, the Observatory study sorted SMEs into four groups: (1) importers only; (2) exporters only; (3) SMEs with subsidiaries, branches, or joint ventures abroad, or those engaged in multiple forms of internationalisation; and (4) non-internationalised SMEs. Obviously, companies falling into Group 3 engaged in more complex forms of internationalisation. Although the majority of responding SMEs were classified as non-internationalised, it is interesting to note that three times more SMEs import from foreign suppliers compared to the number of exporters, which is often considered the mainstay of SME internationalisation.

This growing tendency for SMEs to be engaged in multiple forms of internationalisation seems to be directly related to SME international competitiveness. For example, the 2004 ENSR survey found that 69% of SMEs with subsidiaries abroad or more than one form of internationalisation reported that internationalisation has improved their competitive strength, whereas this was reported to be the case for only 56% and 53% respectively of SMEs involved solely in exporting or solely in importing. The suggestion is that SMEs involved in more complex forms of internationalisation are exposed to, and develop competencies that eventually lead to better overall performance (European Commission, 2004). This conclusion is further supported by a number of other recent studies (Majocchi and Zucchella, 2003; Werner, 2003).

Managing the “international SME”: an example of analytical approach

Faced with this changing competitive environment, SMEs are in many instances struggling to professionalise their business activities, adopting more formal strategic planning procedures, changing decision-making systems, organisational structures, information technology, accounting systems and clarifying job descriptions. The literature, however, has clearly identified the paradox facing SMEs when attempting to internationalise their activities. Lindell and Karagozoglu (1997) argue that SMEs are characterised by qualities of entrepreneurship, flexibility and product development motivated by the need to generate growth and to challenge both existing markets and existing players. However, we also find informal structures, insufficiently developed administrative and accounting procedures and unsystematic, sometimes erratic, decision-making processes, compounded by the inability or unwillingness to delegate responsibility to more experienced managers. It is often the case that an entrepreneur with a good idea, experiencing fast growth in the initial stages, may not possess the business experience to sustain the company in the longer term.

Therein lays the dilemma for management practices within SMEs during the internationalisation process. Although their small size may provide some of the competitive advantages described above, the internationalisation process calls for efficient management at the corporate, business and functional levels (Lefebvre *et al.*, 1993). It also requires high levels of experience and expertise. Of course a major problem for SMEs at the international level, consequent upon their size, is a low resource base. The internationalisation process often requires the development of new information systems, new technology and new products, involving substantial resource inputs and close co-ordination over a lengthy time period. To attain a truly international position, given its resource constraints, Lindell and Karagozoglu (1997) argue that the SME needs to co-operate and to put considerable effort into networking.

Evidence from a 1 200 company survey of SMEs in the East of England, *Competing Effectively in International Markets* (CEIM) undertaken by Lloyd-Reason and Mughan, reveals that the feasibility of a strategy of internationalisation will depend on the skills and knowledge base of the firm in question. A typology of international SMEs was developed to establish the skills and knowledge needs of international SMEs at different stages in their experience of international trading activity as follows:

1. **The Curious** have considered international activity in the past. They have very low levels of self-analysis with little appreciation of the key problem areas. Many firms in this category were largely resigned to the fact that they are unlikely to be able to resolve any of the major challenges facing them in terms of international

activity. In terms of their product, they either feel that they probably don't have the right product, or suspect that there might be a market for them but are uncertain how to proceed.

Ex: We think there might be a market out there, but we are not sure really. (Manufacturing company)

2. **The Frustrated** have experience of international activity, but are currently inactive within the international business environment. They identify strategic planning, marketing skills, and product issues as their key challenges. For this group of firms, the whole planning process looks so complex and daunting that they do not know where to start. There is general awareness that international activity requires a different set of management skills and that their inability to successfully pursue international activity is probably due to their poorly developed skills in this area.

Ex: In the past we have never been able to get our costs right. Everyone wants to take a slice of the profit and there is never any left for us. (Chemicals manufacturer)

3. **The Tentative** have limited experience of international activity and have developed some skills but have major problems with no real solutions. They see market intelligence as the critical issue facing them. They generally feel that internally things are under control and the only real problem is in finding customers. Within this group a general inability to self-analyse with a tendency to look to service providers to solve their problems for them.

Ex: The most useful thing the support agencies could do for us would be to give us a list of potential overseas customers. (Software design company)

4. **The Enthusiastic** have considerable experience of international activity and are keen to grow this side of their business but are experiencing barriers to that growth. They identify management skills, finances and market intelligence as their key challenges. As their international activity grows, the increasing need for higher level management skills becomes apparent if they are to manage an increasingly complex environment effectively. Finance now becomes more of an issue both in terms of capital funding and cost management. Market intelligence remains a key issue, but less so than for the tentative SMEs representing an increased awareness that the key issues here are more internal to the firm than external.

Ex: We have had some real successes in the past, but we don't seem to be able to capitalise on them. We really should be more strategic and proactive, but we just don't seem to be able to find the time to sit down and talk things through. (Toiletries manufacturer)

5. **The Successful** have extensive experience of international activity with some major successes. They have very high skills and knowledge development, very aware of available support with a high degree of usage. They are often aware of their skills and knowledge gaps and very keen to improve effectiveness in international activity. They identify management skills as their key challenge, because many of these firms operate in a highly complex environment. Whilst they still may face problems related to finance or market intelligence, their

knowledge and learning ability have enabled them to regard these problems as secondary considerations.

Ex: We know our markets and our customers, the real problem facing us now is developing the skills to service our markets at a distance. (IT specialist company)

The key challenge to international trading activity reported by successful firms can be identified as the increasing complexity of the environment within which they are required to operate. Managing relationships at distance, understanding unfamiliar business customs, cultural and language complications and the need to develop different business solutions in different parts of the world all add up to a highly problematic set of circumstances. The point is consistently made that SMEs wishing to compete effectively in their international markets must learn to operate outside of their “comfort zone”. The challenge for managers of international SMEs is to develop skills-sets and strategies to overcome these barriers and challenges. These skills-sets which could be viewed as pre-requisites for any SME wishing to compete effectively in international markets can be broken down into the concepts of **planning**, **manning** and **scanning**.

1. **Planning** describes the way in which a company navigates its involvement in foreign markets. This comprises financial and legal matters as well as production, resources and logistics. Some companies (a minority) will undertake careful preparations and analysis of its own readiness and suitability for a particular international venture in a foreign market including the drafting of a business plan. Other companies (the majority) simply respond to an international opportunity with a view to generating revenue without too much thought as to the implications of this action or how to undertake it in a sustainable way.
2. **Manning** describes the management process by which a company organises or develops its resources to service foreign markets. These resources are usually both material and human. Some adaptation of products and manufacturing process may be needed to meet the needs of overseas clients. The need to communicate with those clients will generate a demand for skills such as foreign language competence. These may be met by recruitment, training or consultancies.
3. **Scanning** describes the way in which the business informs itself about those markets. Market information is one of the more obvious elements of international activity. More and more channels of communication requiring varying levels of skills and investment are now available. Many of these can be carried out at a distance but the most valuable form of knowledge, market intelligence, is usually obtained via personal relationships and visits to the market or other events such as trade fairs.

Associated with each of these three key components of the process, we can identify a set of implications related to skills, knowledge and attributes required if the firm is to effectively manage their international activity. These are identified in Table 1.1.

Table 1.1. Skills and knowledge breakdown

	Skills	Purposes (find answers)	Knowledge
Planning	• Markets • Financial • Legal • Production • Competition	• What are the reasons for going international? • Is the company ready to do it? • What will be the impact of this decision on the organisation?	• Do the responsible managers know how to build a strategy?
Manning	• Communication (foreign languages) • Sales • Logistics (inc. documentation) • Leadership	• Do we have the resources to support exporting? • Do we have the skills to meet the needs of overseas clients? • Are we prepared to build and develop relationships with key partners?	• Do the responsible managers know how to structure and skill up the company?
Scanning	• Market research • Identifying opportunities • Building the best channels to market • Building networks • Monitoring the competition	• Is there a market for our products and, if so, what do we need to know about it? • How do we find these things out? • How do we exploit these opportunities?	• Do the responsible managers know how business practice differs in other markets and how this might impact on the company?

Source: Lloyd-Reason, L. and T. Mughan, 2003.

The **planning** skill-set poses serious challenges to the typical SME. Most companies came into existence not as a deliberate, rational response to a set of market conditions but in response to an opportunity or a passion. To ask such an organisation to adopt a strategic planning approach to foreign markets is therefore asking them to do something alien. All of their personal and commercial history may even militate against the suggestion. They have built their persona around the value of being pragmatic, problem and sales-oriented and commercially astute. That is, at this point, strategy is driven by sales rather than the other way round. Indulging in abstract concepts and calculations about markets and competences seems to them to be the antithesis of business success. Even if they could see the case for it, it is usually not something they would see themselves as capable of.

With regard to **manning**, most of the companies interviewed have limited resources with which they can develop their international trade ambitions. Some, however, often as a result of sound strategic planning, develop a clear idea of how they need to develop their material and human resources to make their international activities more profitable. This often involves investing in skills which are not critical to domestic business success, such as foreign language skills.

It is important to note the key role played by the owner-manager in this context. This person has to provide the leadership and informed decision-making in this challenging environment. There is a strong body of literature that suggests that owner-managers with a strong international orientation tend to be more successful in the long term as they appreciate the need for new skills more quickly. The skills this person possesses are therefore the critical ones and they need to be in place before any of the others can be developed or effectively deployed. In this respect, manning follows on from planning, which, as a process, needs to identify skills shortages and devise a plan to redress them.

A great deal of support for the “international SME” has traditionally leapt straight to the process of **scanning**, bypassing the first two stages. Information about opportunities in a foreign market can be sufficient to create an exporting opportunity which a company

will seek to exploit. In a more competitive and strategic environment where the company first needs to assess its readiness and ability to export effectively and in a sustained manner, information about foreign markets needs to be aligned in a more structured way with the company's plans. Information is not just about one-off opportunities; it is about market conditions, national regulations and competition. The forms of information available in the global economy are multiple and accessible through multiple channels. Competing effectively at a distance is only possible if a company can maximise its understanding of the local environment and conditions. Market information (and its partner, intelligence) are therefore an ongoing and crucial tool to a company that wishes to grow in international markets.

Here once again, the process of scanning needs to be seen, not just as an activity in itself, but as a part of a strategic approach towards international trade. The issue is not the obtaining of information, but the decision as to what information to look for and where to look for it. Answers to these questions should emerge from a strategic business plan. This does not preclude the possibility of a fortuitous order coming through the letterbox and proving to be the start of a successful exporting venture. The strategic plan will ask of the company and the owner-manager questions that will help him/her devise the tools and skills to take advantage of such an opportunity, to develop it and to apply it to other markets. In this way, the firm continues to behave opportunistically or entrepreneurially, but within a more strategic framework so that international activity becomes targeted rather than *ad hoc*.

In this section the report has considered the managerial challenges for the “international SME” and has reviewed some of the key issues surrounding skills and knowledge development through an examination of the key role these play in building the ability to compete effectively in international markets. In order to summarise these complex issues, Box 1.1, Box 1.2 and Box 1.3 identify the skills and knowledge needs of “international SMEs” across the five categories.

In Box 1.4, the potential for government intervention is identified. It is argued that whilst all firms will benefit from government intervention, the category which would benefit most, and would deliver the best return from that intervention is the Enthusiastic. All firms require assistance with planning and it is argued that this should represent the key starting point for government assistance to firms seeking access to international markets.

Box 1.1. Skills and knowledge needs: the Curious and the Frustrated

Inactivity in international markets is largely due to the lack of perceived international market opportunities (no pull factor) and generally benign domestic conditions (no push factor).

Key questions facing these two groups

Planning: Do we really want to grow the business through international activity?

Manning: If so, do we have the skills and resources to achieve this objective? If not how do we fill the skills and resource gaps?

Scanning: How do we find out if there is a potential international market for our products?

Skills and knowledge needs

Planning

- how to build a business plan
- how to map course of actions and learn basic process
- how to anticipate the consequences of the decision to go international
- how to identify the actual costs associated with new market development
- how to evaluate company response to export opportunities

Manning

- how to assess strengths and weaknesses of internal resources
- how to obtain extra resources, where necessary
- how to approach support agencies
- how to manage doing business in a foreign language
- how to modify products to meet market needs better
- how to process orders
- how to plan market visits and trade fair strategy

Scanning

- how to find out about potential market opportunities
- how to assess competitive position in selected markets
- how to identify where and when problems with foreign languages occur
- how to identify potential partners
- how to triangulate market intelligence sources
- how to find out about market regulations that affect market development
- how to find the type of information and/or contacts to comply effectively
- how to identify and approach support agencies

Source : Lloyd-Reason, L and T. Mughan, 2003.

Box 1.2. Skills and knowledge needs: the Tentative and the Enthusiastic

The Tentative: Little ability to self analyse. Have discovered that international trading is complex and challenging and have lost their initial enthusiasm. Perceive problems to be largely external to the firm and expect support agencies to solve them on their behalf.

The Enthusiastic: Understand complexity of international trading environment and perceive the critical challenge to be (in) ability to compete effectively. That is, they understand the key problems are internal rather than external. Much more receptive to support agencies than the Tentative.

Key questions facing these two groups

Planning: Are we committed to international activity? Do we need to revisit our business objectives? Are we being strategic enough in the way we deal with our international markets and customers? How can we develop more established guidelines and procedures?

Manning: How do we identify our skills gaps? How do we acquire/develop dedicated resources? How do we find and assess appropriate support?

Scanning: How can we learn to understand the differences between markets and how to manage those differences? How do we evaluate market opportunities?

Skills and knowledge needs

Planning

- how to develop more established guidelines and procedures
- how to identify processes by which to evaluate current international activity

Manning

- how to affirm market operations and negotiate changes, if necessary
- how to identify the appropriate type of market presence
- how to undertake an audit of skills and resources
- how to move towards a geo centric HR strategy
- how to understand the differences between markets and how to manage them

Scanning

- how to service the needs of current international customers
- how to identify new market opportunities
- how to develop a framework for new market development
- how to find and assess the most appropriate type of support

Source: Lloyd-Reason, L and T. Mughan, 2003.

Box 1.3. Skills and knowledge needs: the Successful

Have a number of strengths: Internal – high level skills development; External strong products and well established markets. Understand the key to success is their ability to manage an increasingly complex and challenging international business environment.

Key questions facing these two groups

Planning: How do we control the new market development process? How do we influence key stakeholders? How do we manage/influence support?

Manning: How do we acquire dedicated resources for key markets? How do we develop specific higher level skills?

Scanning: How do we service customer needs at distance? How do we ensure appropriate local presence?

Skills and knowledge needs

Planning

- how to control the new market development process
- how to influence key stakeholders
- how to develop a strategic approach to effectively establishing a local presence
- how to manage/influence support

Manning

- how to identify and develop specific skills
- how to build a tighter international team
- how to acquire dedicated resources for key markets
- how to assess support in the new market development process

Scanning

- how to develop client relationship management systems, particularly the management of client relationships at distance
- how to use cultural differences to benefit the business

Source: Lloyd-Reason, L and T. Mughan, 2003.

Box 1.4. Lessons for government intervention

The *Curious*, *Frustrated* and *Tentative* need assistance with clarifying and understanding their problems. This could be achieved through, for example, the provision of “how to” guides, written/on line case studies and support from the *Successful* to provide assistance and “how to” knowledge in addressing initial problems and challenges.

The *Enthusiastic* and *Successful* need more direct intervention as their problems tend to be more specific to the business. This could be achieved through the delivery of specific services or brokerage to specialised sources of support.

The key group who would benefit most from government support – and who would provide the greatest return from that support are the *Enthusiastic*. That is, well established, high growth, mid scale enterprises with some degree of experience and success in their international trading activities. These firms are seeking to grow their business through international activity, are experiencing obstacles to that growth and are looking for anyone who might be able to help remove these obstacles so that they can achieve their international growth aspirations.

Planning should be the starting point for government intervention as all categories of firms require assistance with planning. That is, a critical assessment of why are we doing this and *why are we doing it in this way?* This assistance could be provided for example by specialist International Trade Advisers through relevant government support agencies.

Internal audits to identify skills and knowledge needs and gaps (*manning*) together with training in the strategic *scanning* of markets can be used to support the key issues emerging from the strategic review undertaken through the *planning* interventions.

Source : Lloyd-Reason, L and T. Mughan, 2003.

What do we know about government support for international SMEs?

This section presents several studies undertaken by government and international organisations which analyse and classify policies in support of SME internationalisation. Work in this field tends to take a single member economy focus while there are very few cross-national studies. These studies have to deal with the problem that each respondent country describes its policies within a unique framework of circumstances which infuses the responses, stretching the meaning of terms and making direct comparisons or aggregated results across countries somewhat precarious. These circumstances are both structural and perceptual. They include economic variance (stage of development, degree of state intervention); definitional variance (what is a SME and which ones are eligible for support?); contextual variance (membership of trading bloc and impact of this on national policy); governance variance (extent to which support agencies are independent of government and to which they are co-ordinated/unco-ordinated and centralised/decentralised); and policy variance (attitude towards different forms of internationalisation, e.g. exporting, importing, inward investment, and differentiation between industrial sectors).

This section takes as a point of departure the OECD 1997 study on *Globalisation and Small and Medium Enterprises (SMEs)*. It then identifies other work which may assist in the development of a suitable framework for classifying government support programmes.

OECD 1997 study on Globalisation and Small and Medium Enterprises (SMEs)

This study, based on national monographs focusing on 18 OECD member countries, was undertaken in order to gain a better understanding of the process of globalisation by analysing the effects of globalisation on the development of SMEs in member countries and selected non-member countries, as well as by exploring the patterns of globalisation of SMEs. A further goal was to examine the policy implications for government, both nationally and internationally.

The study proposed four functional categories of support:

1. **Finance** – *e.g.* programmes to overcome systemic inefficiencies in financial markets.
2. **Business environment** – *e.g.* programmes to improve the general business environment within which SMEs operate.
3. **Capability** – *e.g.* programmes to assist in human resource development and to help enhance the capability of SMEs to survive and compete.
4. **Access** – *e.g.* programmes to provide access to information and markets.

Most support programmes belong to the final category, access to information and markets. The report further observed that most programmes support exporting and programmes to encourage inward globalisation are rare. Examples of programmes from 18 economies are provided in Annex 1.2. Best practices should meet the following criteria:

- cost effective in delivery;
- designed to correct market failures or non-market failures;
- effective in encouraging mobility of resources;
- effective in helping SMEs contribute to the economy;
- designed to reflect the needs and capability of SMEs.

The study proposed policy recommendations and initiatives to governments to assist SMEs overcome the challenges and reap the opportunities and benefits of globalisation.

World Bank 1999 study on Fulfilling the Export Potential of Small and Medium Firms

The study, financed by the World Bank and Government of Japan, looked at support for SME exporters in four countries: Colombia, Indonesia, Japan, and the Republic of Korea. It asked the question, “How should public policy support the exporting activities of SMEs?” The authors described the issues, compared support systems across the four countries and drew implications for theory and policy. These support systems were divided into marketing, technology and finance.

Marketing support systems - the authors found that “private networks turn out to be the dominant means whereby SMEs enter into international markets.” These networks took different forms in different countries. In Japan subcontracting to large firms provided a point of entry while in Indonesia there was an ethnic connection, notably a Chinese connection. Where government support appeared to be useful, it was normally provided on a decentralised level by industry associations, local government or chambers

of commerce. If national organisations had a part to play it was in nurturing private networks and marketing the country.

Technology support systems — the authors found that technological capabilities were built mainly by private enterprise interactions but collective support was useful when complex technologies were involved. Governments can assist this process by facilitating the access to expatriate workers and consultants from abroad, by investing in human capital and nurturing the emergence of urban industrial districts.

Finance support systems - Directed credit and parastatal financial institutions have been important sources of SME finance in all four countries particularly when the smallest SMEs are not reached by the traditional financial institutions. The World Bank study recommended a proactive policy which simplifies procedures, lowers interest rates and introduces better repayment regimes.

This study, which focused on developing economies, is clear in its assessment of public support services. It favours **actions** which improve the environment for SMEs by giving the access to local, privately driven services and direct access to sources of expertise in the markets they are targeting. The role of government in helping provide access to finance, in competitive conditions, is viewed favourably but its role as a provider of centralised services meets with little approval from companies in the target locations.

The World Bank's system for the classification of support has much in common with the OECD study of 1997 but it placed more emphasis on technological capability as a factor closely associated with export activity. Given the increasing worldwide focus on a firm's ability to engage in continuous innovation, more consideration should be given to the relationship between support for internationalisation on the one hand and for innovation on the other.

A number of useful implications for policy emerged:

1. Some collective services are rated highly by SMEs like help with trade fairs, financial support and decentralised technological support.
2. The promotion of healthy clusters of SMEs and linkages between large and small enterprises helps build marketing and technological capabilities.
3. The nature of the service provider and services offered are very important: accessibility, suitability of services to user needs, and their constant adaptation to new needs.

Boston Consulting Group 2004 study on Export Development and Promotion: Lessons from Four Benchmark Countries

To assist in ongoing policy development, particularly in the area of export development and promotion, New Zealand's Ministry of Economic Development (MED) and the Ministry of Foreign Affairs and Trade (MFAT) jointly commissioned the Boston Consulting Group (BCG) to study the export development and promotion strategies and programmes employed in four selected countries. The key finding to emerge from the study was that governments were increasingly focusing on export market development rather than trade promotion. This stems from the need to respond to global demand rather than supply push, and to build the capacity of domestic firms to meet this demand.

The overall aims of the study were to:

1. identify a small number of countries whose experiences with the design, delivery and evaluation of export promotion programmes potentially offer useful policy insights for New Zealand;
2. provide details of these countries' export promotion programmes and supporting policies, with particular attention to “innovative” or cutting edge initiatives;
3. provide details of any publicly available evaluation of the programmes;
4. draw out any policy lessons that could be relevant for New Zealand.

This report focused on the design and management of public promotion programmes and tried to identify best practice on all levels. It took a very pragmatic, market-based approach to the issue, concentrating on the design and management of services provided directly to companies.

The following categories of services offered to export-oriented companies were identified: exporting know-how (for novice companies); desk information; customised market insight; contacts and sales leads and in-market activities. It proposed a series of considerations for the design of support infrastructure and best-practice solutions (Table 1.2).

Table 1.2. Critical decisions and observed best practice

Critical decisions	Observed best practice
Relationship to government	An external government agency with an independent Board drawn largely from the private sector. It should preferably have extensive international (at least export) experience.
Co-ordination of export promotion activities across government	A single agency with clear lead responsibility that also heads a whole-of-government committee.
Interaction of offshore and onshore activities	Integration of offshore and onshore activities through a single agency.
Provision of services at the central or local level	Delivery of services close to the user - but segmented according to the user needs.
Interaction between trade promotion organisations (TPOs) and the private sector	Formal mechanisms to allow frequent and close interaction between the private and public sectors.

Source: Boston Consulting Group, 2004.

A common theme raised in the research was that governments should reduce spending in many traditional areas of activity and focus their efforts on higher value programmes. The two areas typically singled out as needing attention were: customised support for entry and establishment in offshore markets, and the development of firms' internal capacities. The report endorsed the need for export promotion agencies to identify and focus on higher value export promotion activities.

United Nations Conference on Trade and Development (UNCTAD) 2005 study on Internationalisation of Developing-Country Enterprises through Outward Foreign Direct Investment

UNCTAD has undertaken a series of studies and expert meetings on measures to build the productive capacity of SMEs. Specifically, it has analysed how SMEs use internalisation including linkages, global value chains and outward foreign direct investment (OFDI) to enhance their competitiveness in global markets. In 2005 it

examined the internationalisation of SMEs through OFDI. The aim of the examination was to identify policies and programmes that contribute to enhancing OFDI for the benefit of SMEs.

OFDI from developing countries is about USD 1 trillion. OFDI is one form of internationalisation and it requires greater financial and managerial resources than does exporting. Asian and Latin American enterprises have dominated the move overseas and were driven abroad by “push” factors (*i.e.* saturated home markets, currency appreciation, limited land and labour, need to follow business partners). The study revealed that many firms go through a traditional and incremental process of first exporting, then building up an agency in the host country before moving local production, marketing and customer support abroad. Internationalisation is risky and requires well-thought out business plans and management skills.

The study identified a number of obstacles that SMEs face when investing abroad. The problems were both internal to the SMEs and external. Common internal obstacles were the lack of international experience and management skills. External obstacles included the host country legal system and FDI regulations. Since the majority of OFDI by SMEs took place in the form of joint ventures, it was important that host countries encouraged the development of their SME sector so that local enterprises had the capacity to form strategic alliances or joint ventures with investing SMEs from abroad.

Governments such as Brazil, China, India, Singapore and South Africa have adopted policies encouraging their SMEs to “go global”. Some governments have taken steps to liberalise and relax exchange controls and provide institutional support to SMEs by organising OFDI missions to target host countries, supporting feasibility studies, creating industrial parks abroad and providing financial and fiscal incentives. These findings were considered by an expert meeting convened by UNCTAD. The experts agreed that governments should support the internationalisation of SMEs and adopt appropriate policies. Government should engage in building the institutions which could facilitate market entry by providing market intelligence, by matching potential joint venture partners and by investing in industrial parks abroad.

European Union funded research project on National Corporate Cultures and International Competitiveness Strategies – The Challenge of Globalisation for European SMEs, 2005

This study of 153 European SMEs was undertaken to develop a handbook for European SMEs that intend to internationalise or are already in the process of doing so. The project found that for the firms studied, services explicitly orientated towards internationalisation were of little importance. In spite of the wide range of support available, just eleven of the firms declared that such services formed a real part of their internationalisation trajectory.

Above and beyond the question of efficiency, the project found a gap between what is requested by internationalising SMEs and what public bodies and associations offer – or could offer. Firms reported that the information they received was far too general and what they wanted was highly specific information plus follow-up. This indicates there could be a contradiction between what firms say they want and what they actually need.

Although most firms reported that they had constructed their international paths alone, behind this level of individual action lay a background of informal networks and local contacts essential for any successful strategy of internationalisation. In part these

networks were the result of personal contacts made at a previous stage of life which were mobilised for the firm's internationalisation plans. They also emerged from the network of relationships which formed part of the firms trading environment together with contacts met through trade associations, chambers of commerce and other representational and development bodies.

Department of Trade and Industry (DTI), DTI Economics Paper No. 18 on International Trade and Investment – The Economic Rationale for Government Support, July 2006

Building on previous DTI and HM Treasury analytical papers, this paper reviewed the economic case for government support for international trade and investment by looking at the evidence relating to three central pillars:

1. Evidence of potential benefits to UK prosperity from increased international trade and investment.
2. Evidence of market failure which creates barriers to trade and investment, and which would otherwise prevent the business community from fully realising these potential benefits; evidence that there are cost-effective actions which governments can take to address these failures, enabling business to generate sufficient additional benefit to justify the cost of the intervention and increase national prosperity.
3. Although the paper does not have the “international SME” as its primary focus, innovative, knowledge-intensive, overseas firms with the potential for high growth are very much at the centre of the key discussions.

The paper argued that young innovative and high-growth companies will not be able to fulfil their potential without the capabilities and access to networks which are necessary for successful internationalisation. There is clear evidence that market-entry barriers will affect disproportionately the most innovative, growing and high-productivity businesses which engage in international trade with adverse consequences for United Kingdom's competitive dynamism and economic performance.

Accordingly, the barriers facing the “international SME” and the potential impact of these barriers form a significant element of the paper. The key barriers facing the “international SME” were reported by the paper as follows: weaknesses in internationalisation skills are a significant barrier to exploiting overseas markets for many SMEs, including innovative firms whose structural characteristics, including R&D activity, are not distinguishable from those who do export successfully. Such skills deficiencies weaken the ability of young innovative firms to realise their potential. There is both quantitative and qualitative evidence suggesting that management attitudes can present a significant barrier to internationalisation in SMEs whose pre-export structural characteristics cannot be distinguished from those who go on to become successful exporters. Evidence suggest that those who may have achieved successful innovations, and would be thus most likely to benefit from exploiting overseas markets, will not necessarily have the requisite complimentary management capabilities to do so effectively.

Other barriers facing firms of all sizes were identified. Informal barriers were real and significant for individual firms. The incidence of these barriers across firms was not explained by firm size, but did fall when firms had been doing business overseas for

many years. Social-network barriers, associated with historical ties and common language, played a significant role and presented barriers for individual firms of all sizes and at a collective level. Fixed-cost barriers to selling overseas were highly important from the perspective of individual firms, but their incidence was not linked to firm size.

Considerations

Among the studies reviewed the classification developed by the OECD 1997 report on “Globalisation and SMEs” remains the most appropriate available analytical framework and it is therefore adopted for the analysis undertaken for this study. All the studies reviewed did however prompt reflections on the content and design of best-practice programmes that may help develop an instrument for evaluating government and institutional actions in the field. The usefulness of these studies is that they take the business environment and the realities of the firm as the starting point for their recommendations.

Important issues for discussion emerging from work done since the OECD 1997 report are:

1. The tendency for support programmes to target companies with high potential for international growth. This can be justified on the level of cost-effectiveness but is questioned by some as it implies processes of selectivity in the use of public funds.
2. The proposal to build linkages with MNEs. Larger corporations and the attraction of inward investment are becoming important considerations in government policy. Leveraging such investment for the benefit of SMEs may provide accelerated routes to internationalisation and growth but requires direct intervention by government.
3. The relationship between policies and instruments for internationalisation and those for innovation. In many respects, these are closely intertwined yet there appear to be few systematic linkages to ensure that support is coherent and that companies are supported continuously and effectively across different government funding units and programmes.

Perceptions of barriers to SME internationalisation: two surveys

Methodology

This study⁵ used two survey instruments. The Member Economy Policymaker Survey (see Annex 1.3) was completed by member economies of both the OECD and APEC to obtain insights into the barriers facing “international SMEs” as perceived by member economies and to gain a better understanding of the range of support programmes, their focus and effectiveness. The Survey of SMEs’ Perceptions of Barriers to Access to International Markets (see Annex 1.4) was completed by SMEs online.⁶ The survey not only identified the barriers from the point of view of the SMEs but also was used to identify mismatches between the barriers as perceived by member economies and those perceived by the SMEs themselves in order to make policy recommendations as to how gaps in the provision of support programmes could be remedied.

As mentioned in the previous section, the classification developed by the OECD 1997 report on “Globalisation and SMEs” was adopted for the analysis of the survey responses. The barriers to internationalisation identified in the survey were classified into four OECD categories: finance, business environment, firm capabilities and market access. This allowed for a second level of analysis or clustering of barriers which provided for a more comprehensive interpretation of the data than that which was possible when the barriers were merely ranked. The classification of barriers can be found in Annex 1.5.

The following section focuses on the evaluation of the barriers to SME access to international markets as perceived by member economies. The subsequent section will analyse the perceptions of “international SMEs” before presenting a comparison of the two responses.

Member Economy Policymaker Survey

This survey (see Annex 1.6) was completed by delegates to the OECD Working Party on SMEs and Entrepreneurship and to the APEC SME Working Group. The survey obtained details of government funded programmes designed to enable SMEs to overcome barriers to internationalising. The tool designed to obtain these data was distributed to the appropriate government agencies in 44 member countries/ economies.

This survey:

1. Gathered a list of central government-funded programmes designed to enable firms (and/or SMEs in particular) to overcome (either specifically or explicitly amongst other objectives) barriers to selling/trading goods or services to markets outside of their own economy (*NB*: where an economy considers that a regional, state or local programme – either public or private sector funded – significantly contributes to reducing barriers to SMEs internationalising, then information on that programme was provided).
2. Obtained from each member economy a description of the wider context in which its programmes for SMEs wishing to internationalise should be understood.
3. Gathered details of the parameters of the schemes, funds available, delivery mechanisms, types of assistance, direct or external delivery, charging, targeting and, where possible, data on the uptake of the programme by SMEs (as defined by that economy).
4. Obtained a description of the barriers facing firms (and especially SMEs) that the programme is designed to enable them to overcome and how it is expected to do that.
5. Gathered from each member economy, outcomes of programme evaluations in terms of demonstrated benefits, and, if possible, evidence of how SMEs in particular have been helped by the programme.

A total of 38 responses were received from member economies representing a response rate of 82.6%. The distribution of responses is shown in Table 1.3, whilst a complete list of responding member economies can be found in Annex 1.7.

Table 1.3. Member Economy Policymaker Survey responses by region

Region	Responses
Western Europe	14
Asia-Pacific	14
Eastern Europe	5
South America	2
North America	3
Total	38

Source: OECD Member Economy Policymaker Survey, 2006.

Confirming previous studies, the member economies reported that SMEs make up between 97% and 99.9% of all business within their respective economies, while the percentage of SMEs actively engaged in export activities varies significantly from a low of 1% (Republic of Korea) to a high of 51% (United States).

The question of perceived barriers was evaluated in two ways. First, the barriers were ranked according to the frequency with which that respective barrier was cited. Second, the first measure was weighted according to the respondents' own rankings (the respondents were asked to list and rank their top ten barriers; the barrier ranked first received a weighting of ten, while the barrier ranked tenth received a weighting of one). Table 1.4 shows the top ten barriers to SME access to international markets as reported by the member economies policy makers, with a column indicating the classification to which it has been allocated. Annex 1.8 provides a ranking of all barriers mentioned by member economies.

Table 1.4. Top ten barriers to SME access to international markets as reported by member economies

Rank – weighted factor	OECD 1997 classification	Description of barrier
1	Capabilities	Inadequate quantity of and/or untrained personnel for internationalisation
2	Finance	Shortage of working capital to finance exports
3	Access	Limited information to locate/analyse markets
4	Access	Identifying foreign business opportunities
5	Capabilities	Lack of managerial time to deal with internationalisation
6	Capabilities	Inability to contact potential overseas customers
7	Capabilities	Developing new products for foreign markets
8	Business environment	Unfamiliar foreign business practices
9	Capabilities	Meeting export product quality/standards/specifications
10	Access	Unfamiliar exporting procedures/paperwork

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Table 1.4 indicates that member economies consider problems which are internal to SMEs to be the main barriers to access to international markets rather than barriers within the external environment, with five out of the top ten cited barriers falling within the

capabilities category, and just one falling within the *business environment* category. This trend is further reinforced if the analysis is extended to the top twenty barriers reported, with seven *capability* and four *business environment* barriers respectively being identified by member economies.

A lack of knowledge and scarce internal resources, both financial resources and human resources feature within the top ten barriers as perceived by member economies. External barriers, especially those imposed by governments, score relatively low. “Unfavourable foreign rules and regulations” is ranked number 22 and “Unfavourable home rules and regulations” is ranked number 44. The above responses were provided by officials within the appropriate government departments which could lead to a bias towards a more favourable evaluation of government imposed rules and policies.

It can be seen that these findings are consistent with the conclusions drawn from other studies, as discussed in the previous sections. Knowledge barriers, a lack of capabilities as well as a lack of financial resources and management time and commitment seem to constitute more serious problems to SMEs trying to internationalise than government-imposed or more general regulatory barriers.

Government support programmes

Member economies reported a very wide range of support programmes, some of which were targeted specifically at SMEs, while others were open to all firms subject to specific conditions, such as those operating within certain sectors or those offering high growth potential. Furthermore, individual regions within individual member economies offered additional support programmes for firms from the specific region. A complete list of all government support programmes reported by policy makers can be found in Annex 1.2.

The survey provided a wealth of information on individual government support programmes that can be used to develop a comprehensive classification of support programmes in line with the questions this study aims to answer. As a starting point, the classification of the OECD 1997 report on “Globalisation and SMEs” was used, and this can now be modified and extended. These modifications to some extent reflect ongoing developments in international markets which have impacted on economies and government policy.

The new framework proposed here for the classification of government support programmes employs four dimensions. The first dimension is their **service** focus, for example, financial support versus market information. The second, the **mode of international activity**, that is the extent to which they support just exporting, or whether the focus embraces other modes of international trading activity such as importing and outsourcing. The third dimension is **their target group**, including regional differences, such as, whether the programmes are available to all firms within the member economy, or exclusively to SMEs within specific regions. The fourth is the **mechanism through which support is provided**, for example, is it provided through government agencies or third parties.

The survey revealed very different patterns of behaviour across the member economies when it came to the specific service or support offered to SMEs. The government support programmes can be divided into four main categories: finance, business environment, capabilities or access to markets. Programmes with a **financial** focus provided support to firms in the form of: export insurance, loan guarantees,

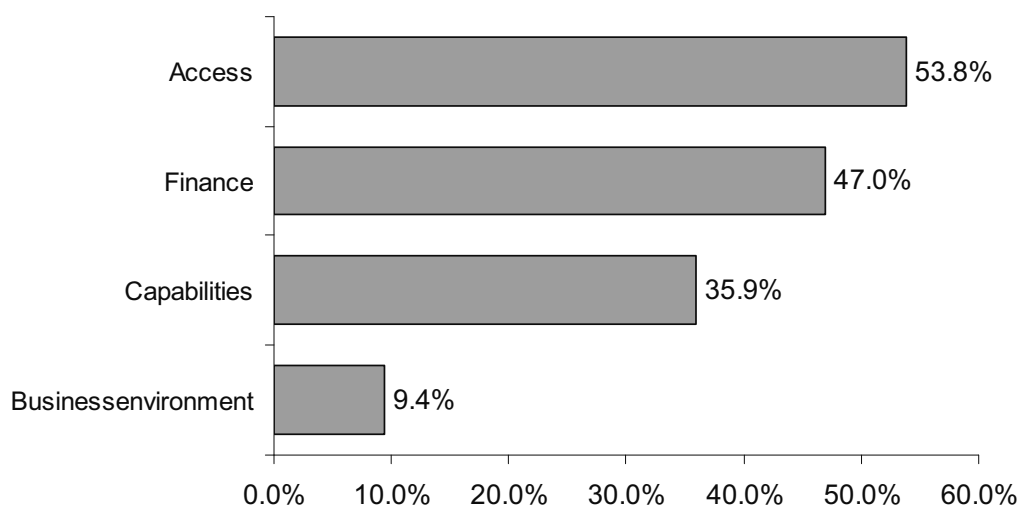
development finance, venture capital, direct financial support to cover costs of international activities otherwise not possible such as export promotion and visits to trade fairs.

Programmes with a focus on improving the general **business environment** tended to concentrate on the removal of international trade barriers and on improving the business environment in the home market to give firms a competitive edge, for example, through improvements in the domestic taxation system or through providing a positive environment for R&D activities. Here, sub-classifications cannot be developed easily due to the complexity of this area. Programmes included improvements in international trade, for example, between member economies; general improvements in the domestic business environment, for example, the legal framework; and specific improvements mainly targeted at providing exporting firms with a competitive edge, such as support of R&D collaboration between local firms, and industrial clusters.

Capabilities programmes focus on helping firms to develop internal capabilities which form a critical element of the internationalisation process. This type of programme generally aims at providing firms with the critical resources required for success within their international markets and can be understood theoretically as part of the resource-based view of the firm. Typically, the programmes reported seek to develop the capabilities of the firm and its employees in the following areas: business planning; marketing; training in the area of cultural differences in international markets; language capabilities and knowledge of export procedures. These programmes also support research into specific technologies, such as production processes, logistics and machinery, aimed at providing a competitive edge to the SME receiving the support.

With regard to **access to markets**, the focus of the support programmes was on gaining initial market access to individual markets, either for exporting, sourcing (importing) or local operations. This included the provision of general market information, specific market analysis, the organisation of trade fairs, off-shore assistance through the foreign consulates of the member economies, and business opportunities.

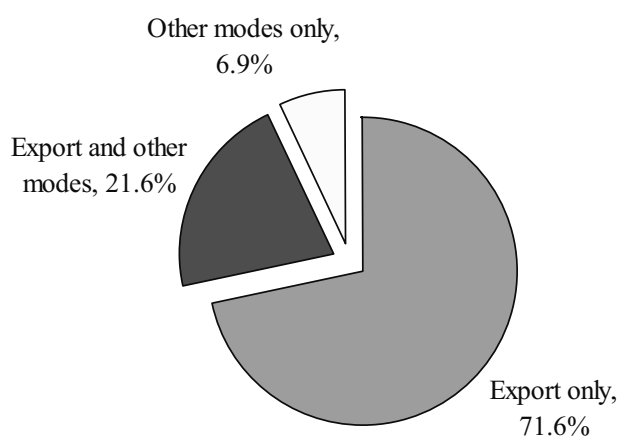
Figure 1.6 illustrates that 53.8% of government support programmes focused on barriers related to market access and 47.0% on financial support; 35.9% developed internal capabilities within international SMEs but only 9.4% addressed barriers within the external business environment.

Figure 1.6. Focus of government support programmes

Note: Percentage adds up to >100% because some support programmes focus on more than one area of support.

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

As already discussed, the trading operations of international SMEs now tend to be far more diverse than just exporting, and often comprise a complex mix of exporting, importing and/or establishing and maintaining foreign operations and collaborating with foreign partners. Despite this diversity, one often finds that the predominant government perception of internationalisation is that it consists mainly of exporting activities, perhaps motivated by a belief that this is where most economic benefit from international activity can be derived. This perception was reinforced by the information on support programmes gathered by the Member Economy Policymaker Survey. Although the survey was not designed to provide a comprehensive review of support programmes it did, nevertheless, provide some insights into government priorities. Only a small number of programmes appeared to take a holistic approach by providing support for internationalisation in the form of foreign direct investment or importing. The majority of programmes continued to place a strong emphasis on supporting those SMEs involved in exporting. Figure 1.7 illustrates that 71.6% of the programmes focused exclusively on supporting export activities. A further 21.6% include exporting as their focus along with importing and/or other international engagements. With regard to support for SMEs involved in importing, 20.7% of support programmes cite importing as a supported activity. Alternatively, just 6.9% of the government support programmes do not have export support as their main focus.

Figure 1.7. Mode of international activity supported by government support programmes

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

There were a number of models of government support systems, each targeting particular firms and delivering services in different ways. For example, there were regional versus nation-wide programmes. This may reflect differing political structures, such as federal, centralised or devolved authority. Often there was a unique relationship between central and regional authorities whereby responsibility for government support for business was clearly owned by one or shared between them. A second alternative was focussing on SMEs or similar segments versus programmes open to all firms irrespective of size. Whilst SMEs tended to be the focus of much support, larger companies also received help from government in areas such as training and foreign direct investment. A third alternative was supporting specific sectors versus programmes open to all firms irrespective of sector. Contemporary competitive pressures have led to considerable investment in innovative hi-tech and R&D companies in many member economies. Conversely, sectors such as agriculture remained equally important for political and economic well-being and also attracted special support in some member economies. In areas such as these, there may be overlap between general internationalisation support and sector-specific actions by government.

There were three distinct ways in which member economies delivered support: the staff of government agencies provided direct support; third parties provided support such as government-owned banks or public service providers and private institutions; and in some cases, firms were also allowed to choose independent service providers with part of the cost paid by government agencies.

The four dimensions discussed above may be configured in a number of ways to arrive at a particular government support structure. The framework shown in Table 1.5 provides a basis for analysing government support structures.

Table 1.5. Structure of government support programmes

Service focus • <i>Access</i> ○ General market information ○ Specific market analysis ○ Trade fairs and trade missions ○ Direct support through foreign representation ○ Inwards market access • <i>Financial</i> ○ Export insurance and loan guarantees ○ Development finance and venture finance ○ Direct financial support • <i>Capabilities</i> ○ Capabilities linked to human capital ○ Capabilities linked to process and product technologies ○ Capabilities linked to logistics and IT • <i>Business environment</i> ○ International trade conditions ○ Home market conditions ○ Regulatory developments	Mode of international activity • Exporting • Importing • Foreign operations and collaborations
	Target group • Regional vs. national • All SMEs vs. specific segments • Specific sectors vs. all sectors
	Provision of support • Government agencies • Affiliated service providers • Public institutions • Private firms • Independent service providers

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Summary of findings from the Member Economy Policymaker Survey

The analysis of the Member Economy Policymaker Survey found that member economies considered problems which are internal to “international SMEs” to be the main barriers to accessing international markets rather than barriers arising from the external environment, with particular emphasis on lack of knowledge and scarce internal financial and human resources.

The focus of reported support programmes for each category of barrier is as follows: access 53.8%; finance 47.0%; capabilities 35.9%; and business environment 9.4%. Support programmes place a strong emphasis on exporting SMEs, with 71.6% focussing exclusively on supporting export activities and a further 21.6% including exporting as their focus alongside other activities. Further, 20.7% of support programmes support importing. Just 6.9% of government support programmes do not have export support as their main focus.

Survey of SMEs' Perception of Barriers to Access to International Markets

This second survey was issued (see Annex 1.4) to obtain from SMEs in each economy their perceptions of the most significant barriers to exporting/internationalising. The survey lists a number of known barriers and invites SMEs either to rank the barriers according to the SMEs perception of which are the most or least significant factors they face in internationalisation, or seek their views using a Likert scale (*i.e.* “*extremely significant, very significant, significant, somewhat significant, not significant*”) to obtain their response.

SME participants were also asked whether or not the central government programmes currently in place to enable SMEs to overcome barriers to internationalisation were *working effectively and which ones had proved to be the most useful* to the SMEs.

The total number of responses⁷ to any question varied, reflecting the number of useable responses. A total of 978 usable responses resulted from the SME Survey with a high degree of concentration within seven member economies: Canada (217), Greece (128), Switzerland (118), Turkey (77), Japan (74), Spain (60) and New Zealand (52). The remaining responses were spread over 40 member economies, with no individual response rate above 4% of the overall total. A full list of responses by OECD member countries and APEC member economies can be found in Annex 1.9.

Profile of SME respondents

From the survey, as can be seen from Table 1.6, the typical responding SME has been in operation for 23 years, and has been exporting for 14 years, 63 are employed within the firm, with 54.5% involved in products, 22.3% in services and 23.2% involved in both.

Table 1.6. Characteristics of SME respondents

Characteristics	Average	Standard deviation
Year of foundation	1983	26
Started exporting	1992	17
Number of employees	63	350
Produces products	54.5%	N/A
Delivers services	22.3%	N/A
Does both	23.2%	N/A

Note: Standard deviation: Statistical measure indicating the extent to which the responses centre around the mean value.

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

When looking at responses by sector, “advanced engineering”, “agriculture and food”, and “finance and business” were the top three sectors present in this sample. Table 1.7 lists the distribution of responses across the 11 sectors used for this classification (only 682 of the respondents provided sector information).

Table 1.7. SME responses by sector

Sector	Frequency	Percent
Advanced engineering (incl. automotive)	163	23.9%
Agriculture and food	142	20.8%
Finance and business	102	15.0%
ICT	57	8.4%
Healthcare and biotechnology	48	7.0%
Tourism, leisure and heritage	45	6.6%
Aerospace, airports and transport	32	4.7%
Education and training	32	4.7%
Environment	23	3.4%
Energy	21	3.1%
Creative industries	17	2.5%
Total	682	100.0%

Note: Only 682 respondents provided sector information.

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

With regard to exporting behaviour, Table 1.8 illustrates that just over one third of all active exporters generate less than 20% of their total revenue from exports. This perhaps reinforces the findings from the United States reported in Section 2 that although the actual percentage of exports generated by SMEs within a specific member economy may be high (97% in the United States), the proportion of total exports of that economy generated by those SMEs is likely to be significantly lower (<30% in the United States). This would be consistent with the global spread of large firm exports. At the other end of the scale however, an impressive 12% (115 respondents) generate in excess of 80% of their revenues from exporting activity. It is important to note here that cross analysis applied to these 115 SMEs by sector, size, geographical location, target market and so on reveals no discernable pattern as to the characteristics of these firms. That is, these firms vary in a random manner with regard to sector, size, location, target markets and so on.

Table 1.8. Percentage of total revenue generated through SME exporting

Percentage of revenue from exporting	Responses	Percentage
None	230	24.0%
>0-20%	324	33.9%
21-40%	134	14.0%
41-60%	80	8.4%
61-80%	72	7.5%
81-100%	115	12.0%
Total	955	100.0%

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

The majority of respondents to the survey were active exporters. The entire sample has been broken down into three categories: inactive, aspiring and active exporters in Table 1.9.

Table 1.9. Overview of SME export status

Export experience	Frequency	Percent
Inactive	57	6.00%
Aspiring	261	27.47%
Active	632	66.53%
Total	950	100.00%

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

The lack of support programmes within member economies for SMEs engaged in importing was noted in the previous section. Table 1.10 illustrates that importing is in fact used as a mode of internationalisation by a significant number of “international SMEs”. Of all SME respondents who reported the status of both their exporting and importing activities, 68.1% (489 out of 718) are involved in exporting whilst 54.6% (392 out of 718) have some involvement in importing. Although the survey reveals that importing is actually less important for service firms, of which only 25% import products or services directly, of those “international SMEs” offering either products, or services and products in combination, 62.2% and 62.6% import products or services respectively. These findings have clear implications for government support programmes as clearly exporting is not the only economically beneficial mode for building internationally competitive firms as other modes of international activity such as joint ventures, licensing, establishment of subsidiaries or branches, franchising and importing also provide insights and opportunities for SMEs seeking to access international markets.

Table 1.10. Mode of activity for international SMEs

	Importing			Totals for exporting SMEs
	Not active	Aspiring	Active	
Exporting – Not active	23	1	7	31 (4.3%)
Exporting - Aspiring	54	88	56	198 (27.6%)
Exporting - Active	119	41	329	489 (68.1%)
Totals for importing SMEs	196 (27.3%)	130 (18.1%)	392 (54.6%)	718

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

To conclude the analysis of the characteristics of respondents to the SME survey, Table 1.11 provides an indication of the primary five target markets for “international SMEs” from the six member economies with the highest number of responses. In the table, these member economies appear along the top row in the order of the total number of responses received. Reinforcing the global trend to seek international opportunities within the high-growth emerging markets, China and India are cited as key target markets for many of the respondents. Not surprisingly, given the scale of the domestic market together with the attractive growth opportunities within the ICT sector, the United States also appears as a desirable target market. With the exception of these three member

economies, the respondents' priorities in general tend to reflect their geographical location and cultural commonalities such as language.

Table 1.11. Main target markets by SME respondents' home market

Rank	Canada	Greece	Switzerland	Turkey	Japan	New Zealand
1	United States	Germany	Germany	Germany	China	Australia
2	China	Bulgaria	United States	Russia	United States	United States
3	France	China	China	United States	Korea	United Kingdom
4	India	Russia	India	China	Vietnam	China
5	Mexico	United States	France	Bulgaria	India	Japan

Note: The table contains only six member economies with the highest number of responses.

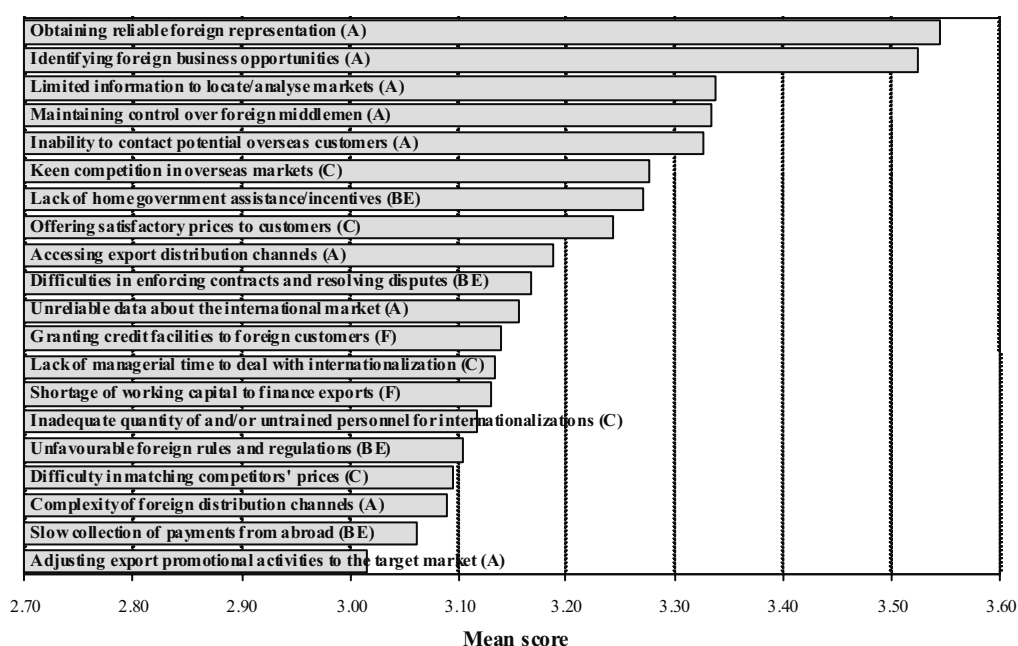
Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Barriers to access to international markets as perceived by SMEs

The survey used two different methods to identify the barriers as perceived by the SMEs responding to the survey. First, the respondents were asked to assess the importance of each of the 47 barriers (see Annex 1.5 for the full list and classification of barriers) using a five-point Likert scale, ranging from “extremely significant” (5) to “not significant” (1). Second, the respondents were then asked to rank their top ten most detrimental barriers to accessing international markets. This second method is the same as that used in the Member Economy Policymaker Survey.

Figure 1.8 presents the top 20 barriers as perceived by “international SMEs” when they were asked to rate the full list of barriers according to the Likert scale. The barriers were ranked using the average response rate. The results from the Likert-scale ranking are found in Annex 1.10, including the standard deviation which can be interpreted as the measure of agreement amongst SMEs on a particular barrier. The relatively small and rather constant standard deviation (in the range of 1.22 to 1.45 amongst the top 20) indicates that there was consensus amongst SMEs as to the ranking of respective barriers. From Figure 1.8 using the Likert-scale ranking method, SMEs perceived lack of access to markets as the most significant barrier with 10 out of 20 barriers concerning market access. Internal capabilities and the business environment also were identified as important barriers.

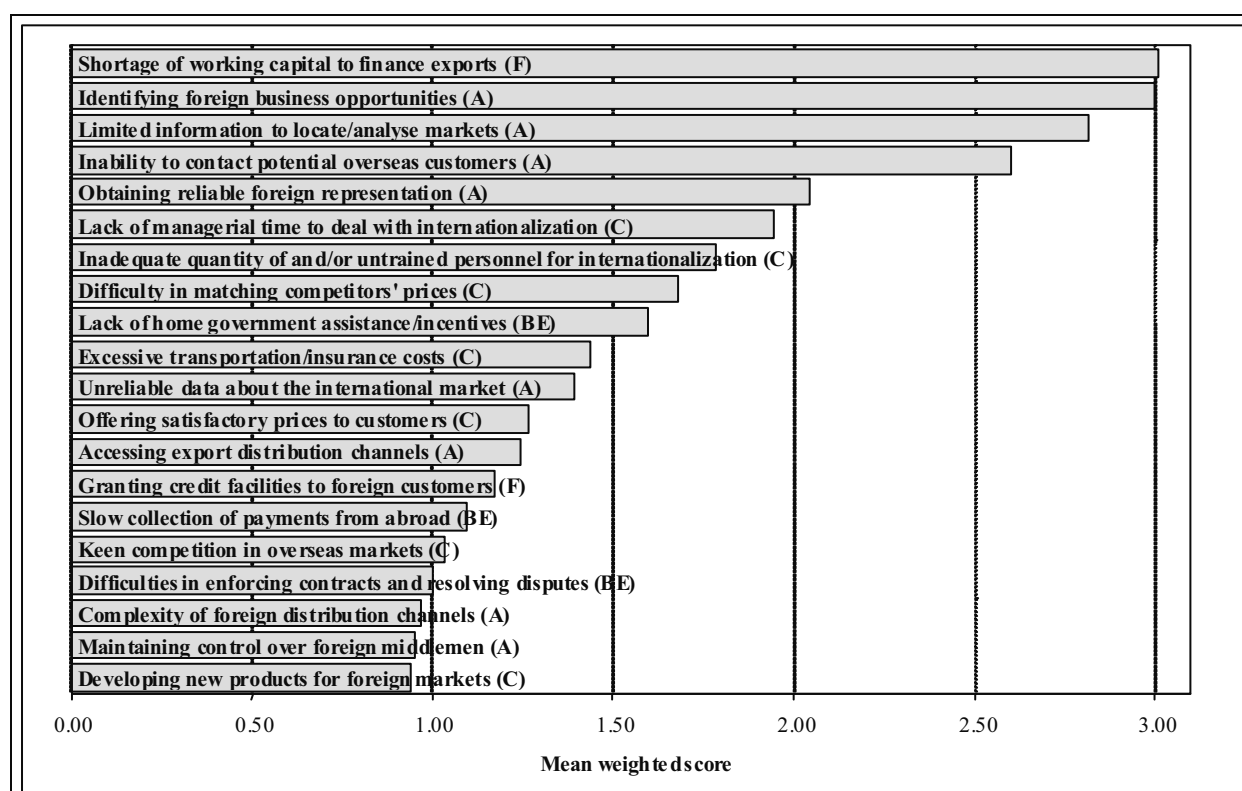
Figure 1.8. Barriers ranked by SMEs from 5 (very significant) to 1 (not significant)



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Figure 1.9 presents the top 20 barriers as perceived by “international SMEs” when they were asked to rank the ten most serious barriers⁸ to access to international markets out of the list of 49 (a complete ranking of all barriers using this method can be found in Annex 1.11). This method of ranking barriers according to the ten most serious was also used in the Member Economy Policymaker Survey. For the purpose of evaluating the responses using this method, each time a barrier was mentioned; it received a score depending on its importance to the respondent. The score ranged from ten (for being the most important barrier) to one (for being the tenth most important barrier). Whenever a barrier was not mentioned at all, it did not receive a score. Finally, the averages were computed for all barriers. Figure 1.9 shows that SMEs responding to the survey perceive barriers concerned with internal *capabilities* and *access* to be the most important with barriers in the *business environment* of less importance. However (see Table 1.13) that these barriers tend to “shift” according to the international experiences of the SME. That is, when firms move from “aspiring” to “active” in exporting activity, financial and access barriers decrease in importance and barriers concerned with the business environment and capabilities emerging as stronger obstacles.

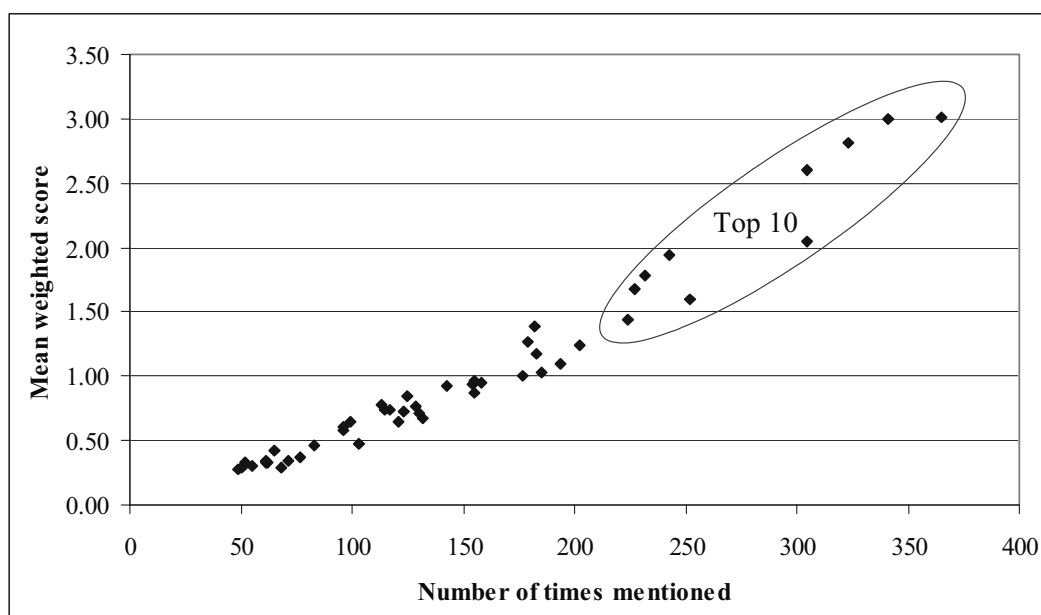
Figure 1.9. Barriers ranked by SMEs using the top ten ranking method



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

There is a considerable degree of consistency in the ranking of barriers when this method is used. That is, there is clear agreement amongst SMEs across member economies responding to the survey as to the top ten most important barriers to access to international markets. This can be illustrated in Figure 1.10, which shows a high correlation between the average score and the number of times a barrier was mentioned. In particular, we can see that the top ten barriers can clearly be separated from the other barriers, indicating particularly strong agreement amongst the respondents across all the respective member economies.

Although Figure 1.9 has *shortage of working capital to finance exports* in first position, we can see from Figure 1.10 that there is little statistical significance between this barrier and *identifying foreign business opportunities*. In fact both Figure 1.9 and Figure 1.10 clearly demonstrate that the top four barriers are very close in terms of the rating given to them by the SMEs responding to the survey and that furthermore, these top four barriers are rated as by far the most serious by the SMEs both in terms of their average weighting and the number of times they are mentioned.

Figure 1.10. Average score for each barrier by number of times mentioned using the top ten ranking method

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Care must be taken when interpreting the barrier *shortage of working capital to finance exports*. Rather than a reference to the general issue of “access to finance”, this would appear to be more concerned with cash flow considerations. When we cluster the barriers (see Table 1.12), we find that SMEs who consider this to be a serious barrier, also have difficulties with *granting credit facilities to foreign customers*, *slow collection of payments from abroad* and *difficulties in enforcing contracts and resolving disputes*. In reality therefore, this barrier would appear to be a mix of the internal (high-level financial management skills) and the external (business environment considerations and political risk) rather than an issue for the financial sector.

Figures 1.8 and 1.9 show that there are certain differences in the importance of the reported barriers when the SMEs are asked to rate their significance to when they are simply asked to identify their top ten barriers. These differences are not surprising, but rather are to be expected. They are explained by two main factors. First, a five-point Likert-Scale evaluation of 49 barriers offers by definition less granularity compared with a forced top ten ranking method. Using the five-point Likert-Scale method, a respondent can only group barriers into five distinct categories (following the five points of the Likert-Scale) but not rank them within each category. Second, a forced prioritisation of the top ten barriers degrades barriers of general importance rather than specific importance. For example, a barrier such as *keen competition in overseas markets* scores highly on the Likert-Scale, because such a barrier is of universal applicability and thus many SMEs are likely to rate it highly. However, when forced to select only the top ten, such barriers are likely to be left out in favour of more specific barriers, especially when a number of possible responses are similar, such as with the barrier *difficulty in matching competitors' prices*.

The Member Economy Policymaker Survey used the top ten ranking method, so for the purposes of mapping the responses made by the member economies against those made by the SMEs, the top ten ranking method will be used for the SME results in all further analysis.

ANOVA⁹ analysis was used to assess whether there were any significant differences between sample sub-groupings with regards to the perceived barriers. Four subgroups were identified for analysis as follows: differences in the perception of barriers by activity (products versus services); differences in the perception of barriers by sector; differences in the perception of barriers by home member economy (possible only for the seven member economies providing the highest response rate); and differences in the perception of barriers by primary target market.

The analysis of barriers by subgroups did not identify any significant differences with regard to the perception of barriers.

SMEs involved in the delivery of services indicate greater difficulties with issues such as identifying foreign business opportunities and information to analyse markets, while those involved with products cite competitor prices and competitive pressures as their main barriers to international markets. In addition, SMEs in the area of services reported a much stronger lack of government support.

Very few differences were reported amongst the different sectors, with just one or two showing significant differences between sectors. Perhaps some of these differences could be useful as a guide to support programmes. For example, the ICT sector reported shortage of working capital as a very significant barrier (probably due to high R&D costs and long lead-in times) and accessing distribution channels appears to most difficult for the tourism, leisure and heritage sector.

The analysis by home member economies was limited to the seven member economies identified above. Perhaps the respective differences identified could be used as a proxy to help governments decide on which areas to focus support on. For example, SMEs within Canada report considerable difficulties obtaining working capital to finance exports, while SMEs in Japan appear to have no difficulty in identifying foreign business opportunities. Not surprisingly, SMEs in faraway New Zealand complain of excessive transportation and insurance costs.

Only a few barriers are significantly different by primary target market. While some of these differences cannot be explained easily, others confirm the prevailing perceptions about certain markets. For example China, although being the second most important target market, still presents significantly higher obstacles regarding aspects such as intellectual property rights, differences in culture, business practices and language and concerns about political instability. See Annex 1.12 for a full analysis of each subgroup.

Analysis of barrier clusters

Through an analysis of the Likert-scale ranking of barriers, a Wards cluster-analysis¹⁰ was undertaken to detect any natural grouping of barriers. (The Likert-scale ranking was used here as the top ten ranking method is unsuitable for cluster analysis because respondents do not rank all barriers but tend to select only a few of the barriers from each potential cluster to represent that particular cluster in its entirety.) The cluster analysis indicated a natural grouping of the reported barriers into 11 clusters. These are presented in Table 1.12.

Table 1.12. Barriers cluster

Cluster	Barriers related to	Barriers included	1997 classification
1	Financing and payment collection	Shortage of working capital to finance exports (B8) Granting credit facilities to foreign customers (B16) Slow collection of payments from abroad (B27) Difficulties in enforcing contracts and resolving disputes (B28)	Finance, Business environment
2	Tariffs and regulations	Unfavourable foreign rules and regulations (B31) High tariff barriers (B41) Strict foreign rules and regulations (B42) Inadequate property rights protection (e.g. intellectual property) (B43) Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements) (B44) Arbitrary tariff classification and reclassification (B45) Unfavourable quotas and/or embargoes (B46) High costs of Customs administration (B47)	Business environment
3	Risk and infrastructure	Poor/deteriorating economic conditions abroad (B34) Foreign currency exchange risks (B35) Inadequacy of infrastructure for e-commerce (B39) Political instability in foreign markets (B40)	Business environment
4	Home government support and home environment	Lack of home government assistance/incentives (B29) Unfavourable home rules and regulations (B30)	Business environment
5	Resources	Lack of managerial time to deal with internationalisation (B5) Inadequate quantity of and/or untrained personnel for internationalisation (B6)	Capabilities
6	Product development and support	Developing new products for foreign markets (B9) Adapting export product design/style (B10) Meeting export product quality/standards/specifications (B11) Meeting export packaging/labelling requirements (B12) Offering technical/after-sales service (B13)	Capabilities
7	Capabilities in production and logistics	Lack of excess production capacity for exports (B7) Difficulty in supplying inventory abroad (B21) Unavailability of warehousing facilities abroad (B22) Excessive transportation/insurance costs (B23)	Capabilities
8	Competition in target market	Offering satisfactory prices to customers (B14) Difficulty in matching competitors' prices (B15) Keen competition in overseas markets (B33)	Capabilities
9	Communication	Difficulties in communicating with overseas customers (B26) Different foreign customer habits/attitudes (B32) Unfamiliar foreign business practices (B36) Different socio-cultural traits (B37) Verbal/nonverbal language differences (B38)	Capabilities
10	Information	Limited information to locate/analyse markets (B1) Unreliable data about the international market (B2) Identifying foreign business opportunities (B3) Inability to contact potential overseas customers (B4)	Access
11	Distribution of products in target market	Complexity of foreign distribution channels (B17) Accessing export distribution channels (B18) Obtaining reliable foreign representation (B19) Maintaining control over foreign middlemen (B20) Adjusting export promotional activities to the target market (B24) Unfamiliar exporting procedures/paperwork (B25)	Access

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

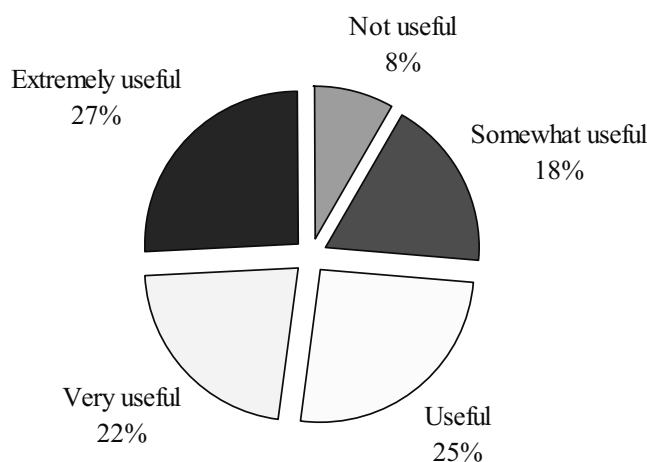
The results from the cluster analysis as illustrated in Table 1.12 maps well onto the 1997 OECD classification of barriers to access to international markets. The value in undertaking a cluster analysis is that it suggests ways to bundle government support. That is, the 11 clusters identified represent groupings of barriers that firms will tend to face simultaneously. For example, within Cluster 3, we can see that “international SMEs” experiencing difficulties with regard to poor/deteriorating economic conditions abroad (B34) are also likely to face difficulties in respect of foreign currency risks (B35),

inadequacy of infrastructure for e-commerce (B39) and political instability (B40). Alternatively, Cluster 10 tells us that firms facing limited information to localise/analyse markets (B1) as a barrier are also likely to be experiencing problems with unreliable data about markets (B2), identifying foreign business opportunities (B3) and an inability to contact potential overseas customers (B4). This helps to inform support programmes as any government action aimed at addressing one of these barriers is also likely to help address the other three barriers. Additionally, governments may seek to develop support programmes aimed at addressing all four barriers simultaneously, with the likelihood of achieving significant impact on the performance of SMEs facing those barriers as they seek to access international markets.

How do SMEs perceive the usefulness of government programmes?

Of the 978 SMEs responding to the survey, a total of 33.8% have used government support programmes. Using a Likert scale to rank the usefulness of these programmes, where 1 represents “not useful” and 5 represents “extremely useful”, the overall rating of the assistance received by the respondents was ranked at 3.39 (standard deviation 1.27). That is, between “useful” and “very useful”. Figure 1.11 illustrates the range of responses received.

Figure 1.11. Usefulness of government support programmes as perceived by SMEs



Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Annex 1.13 provides a comprehensive list of all comments received on the usefulness of support programmes offered by each member economy. The open-ended nature of the question asked in the survey makes analysis rather difficult, but it would appear however that the perception of the usefulness of the support on the part of the SME is largely contingent upon the firm’s specific circumstances. The list of comments provided in Annex 1.13 could be used by member economies to explore the appropriateness of their support programmes within their specific context. Based on the current study, future research could investigate the effectiveness of support programmes using the updated classification developed in this report.

Government support and barrier shift

In order to develop policy recommendations which influence government support programmes, a higher-level analysis by cross-barrier comparison is presented in Table 1.13. The left-hand column contains the four broad classifications of barriers. The middle column shows data about companies which have received government support. The right-hand column presents the corresponding data for companies which have not received government support. Both groups of companies are further divided up according to their export status. For both sets of companies the business environment presents more obstacles, as they become more active exporters. Along the same experience trajectory, access to information and markets becomes less of a barrier. The ANOVA analysis at specific barriers in Annex 1.14 reinforces this message. Inactive exporters see barriers in identifying foreign customers, markets and opportunities. Active exporters see barriers on tariffs, currency, regulation and competition. Companies which have received government support tend to be more aware of their own (lack of) capabilities and finance as barriers.

Table 1.13. High level comparison of average top ten scores by SME by subgroups and by export status

Average score of top ten ranking	Government support			No government support		
	Inactive exporters	Aspiring exporters	Active exporters	Inactive exporters	Aspiring exporters	Active exporters
Base	14	80	217	39	173	400
Finance	2.423	2.603	2.075	1.652	2.660	1.708
Business environment	0.317	0.418	0.753	0.542	0.575	0.776
Capabilities	1.279	0.826	0.926	0.858	0.799	0.845
Access	1.800	1.888	1.472	2.094	1.926	1.438

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

There appears to be a strong enough correlation between this data and findings of previous studies to justify further discussion here. What appears to be emerging is a picture of barriers to SME access to international markets which is dynamic and contingent. That is, the barriers reported by SMEs appear to “shift” according to their experience of exporting. When firms move from “aspiring” to “active” in exporting activity, financial and access barriers decrease in importance and barriers concerned with the business environment and capabilities emerging as stronger obstacles. When returning to the analysis presented earlier in this report as a way of making sense of these observations, the findings suggests a number of important implications for policy development.

SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business environment and their own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets. This is consistent with the findings of the large CEIM study discussed earlier. That is, firms inexperienced in international markets typically report such thoughts as “we think there might be a market for us but we don’t really know how to find out.” Similarly, inexperienced firms are often found to be poor at self-analysis, regarding their own capabilities as beyond question and believing that the

major barriers lay outside the firm in the external environment. They often berate government support programmes and other agencies for failing to find them overseas customers (helping them to deal with the huge barriers associated with access to markets), but feel that should they locate those foreign customers their internal capabilities will mean that they will easily overcome any barriers in the external environment. They also criticise support agencies for failing to provide them with sufficient funding to develop their exporting activities (financial barriers). Thus SMEs without experience of exporting tend to overstate barriers associated with finance and access to markets whilst underestimating the need for highly developed internal capabilities to be able to overcome the barriers in the external environment.

As the SME becomes more experienced in international activity, two things then tend to happen. Firstly they build up their customer base and develop better ways of selling and supporting those customers, that is, they resolve some of the barriers associated with access which becomes less of a problem, but they now experience stronger barriers with regard to the business environment as they encounter more complex forms of international activity in more demanding markets, such as emerging markets with their less developed infrastructure. Secondly the SME learns that the key barriers are not external to the firm, but rather internal as they appreciate the higher skills levels required to compete effectively in an unfamiliar, highly complex international trading environment. As successful international SMEs report that “we must learn to operate outside of our comfort zone.” That is, for the experienced exporting SME, barriers associated with access recede and those associated with the business environment and capabilities become more problematic.

There are likely to be two explanations why for SMEs who have received government support, barriers relating to the business environment are relatively less important and barriers associated with financial matters and internal capabilities are relatively more important compared to those SMEs that have not received government support. SMEs responding to the survey will have been aware that the aim of the project is to develop policy recommendations to governments. Those SMEs who have engaged with government support programmes and who chose to respond to the survey are probably more likely to mention areas where they see their national governments as being in a position to do something to assist them directly. This would probably be true in respect of both internal capabilities and financial barriers. (In fact the difference between both sets of active exporters – B1 and B2 – is marginal, reflecting the issues raised in the point regarding the increased awareness of business environment barriers for such firms.) The second reason is that internal barriers often hide external barriers from the awareness of businesses. Many of the firms in receipt of government support are likely to be concerned with internal barriers and once these internal issues are addressed and removed, the next layer, that is, external barriers will move to the front of their concerns.

Overall the message emerging from the study is that barriers are not uniform and constant to all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers they regard as important. Whilst the data and recommendations this report presents allow for barriers to be clustered and prioritised, on a macro-level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience that conditions these perceptions. This barrier shift, or rolling sequence of barrier identification, appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

Summary of findings from the Survey of SMEs' Perception of Barriers to Access to International Markets

The main findings are the following:

- Of the 718 “international SMEs” responding to the survey, 54.6% report importing as part of their international activities, compared to 68.1% involved in exporting. This is a significant number, particularly given the emphasis placed on export support by government support programmes.
- When asked to rank the ten most significant barriers to access to international markets out of the complete list of 49, SMEs responding to the survey perceive barriers concerned with internal capabilities and access to be the most important with barriers in the business environment of less importance.
- “International SMEs” in the service sector report a much stronger lack of government support.
- A cluster analysis of barriers revealed 11 clusters which map well onto the 1997 OECD classification of barriers (finance, business environment, capabilities, access). These clusters may be valuable in suggesting ways in which to bundle government support programmes, as the clusters clearly represent groupings of barriers that SMEs will face simultaneously.
- Of the 978 SME respondents to the survey, 33.8% have been in receipt of government support, of which 74 % reported that it had ranged from useful to extremely useful. The analysis on the impact of government support revealed that there seems to be a shift in barriers when SMEs start to engage in export activities. For the SME yet to engage in exporting, the strongest barriers are perceived to be finance and access to markets, but as the SME becomes involved in exporting activity, these barriers recede in importance and the business environment and internal capabilities emerge as stronger barriers. Second, SMEs that have received government support appear to think that barriers relating to the business environment are less important and barriers associated with financial matters and internal capabilities are more important than those SMEs that have not been in receipt of government support.

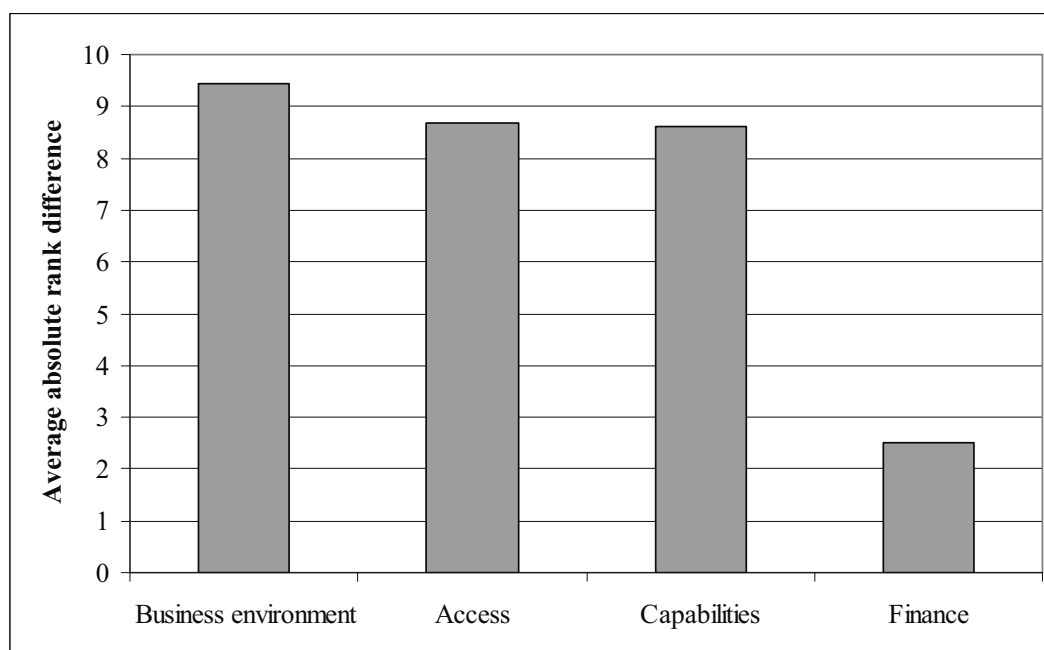
Matches and mismatches in perceptions of barriers

In general, there seems to be a close match between those barriers perceived as important by the Member Economy Policymaker Survey and those that are perceived as important by the SMEs, even though governments tend to perceive barriers from a systemic level while firms tend to look at them from a localised, domestic level. Importantly, there is close agreement between policy makers and SMEs as to the key barriers holding back SMEs from entering international markets. For example, **both** policy makers and SMEs identified the following four barriers amongst the six most serious impediments to SME access to international markets: *shortage of working capital to finance export; identifying foreign business opportunities; limited information to locate/analyse markets; and inability to contact potential overseas customers.*

There do however appear to be some mismatches in the perception of barriers to accessing international markets which fall into two categories, notably *business environment* and *access to markets*. Figure 1.12 categorises these mismatches using the

1997 OECD classification used elsewhere in this report. The figure thereby shows the average rank difference (SME rank minus government rank) of the barriers included in each cluster.

Figure 1.12. Average absolute rank difference



Note: Average Absolute Rank Difference: A measure for measuring the average match of barrier perception within certain groups of barriers. Calculation of the “average absolute rank difference”: the absolute rank differences of all barriers within a group are added and divided by the number of barriers in each group. The absolute rank difference of each barrier is calculated by taking the absolute difference between the rank given to the respective barrier by SMEs and the rank of the same barrier given by governments. For example below:

Group	Barrier	Rank SME	Rank GOV	Rank difference (SME – GOV)	Absolute rank difference
X	B1	10	15	-5	5
X	B2	9	7	2	2
Y	B3	12	1	11	11
Y	B4	2	4	-2	2
Y	B5	8	5	3	3

Note: Average absolute rank difference group X: $(5 + 2) / 2 = 3.50$.

Average absolute rank difference group Y: $(11 + 2 + 3) / 3 = 5.33$.

Meaning: The average difference between SME and government perception within barrier group X is 3.50 ranks.

The average difference between SME and government perception within barrier group Y is 5.33 ranks.

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Policy options: reconsider, sustain, increase

Table 1.14 presents a map of the ranking of barriers by respondents to the Member Economy Policymaker Survey against the ranking by SMEs (a full list of this ranking can be found in Annex 1.15). This highlights both the matches and the mismatches using a 3x3 grid, in which each barrier is assigned to a category based on its perception by governments and SMEs. Three categories of policy response, **reconsider**, **sustain** and **increase** have been developed to form the basis for recommendations as to where the governments should concentrate their resources. In order to devise policy recommendations, the governments' perceptions of individual barriers were used as a proxy for their focus regarding government support. In Table 1.14, those barriers falling within the top 25% are those regarded as most serious impediments to SMEs as they seek to access international markets, and so the table maps those barriers identified as important through to unimportant by the respondents to the Member Economy Policymaker Survey against those identified as the most important impediments by the SMEs themselves.

Table 1.14. Mapping of barriers as perceived by the member economy policy makers and SMEs

Government Ranking	<i>Top 25%</i>	B44	B9, B11, B18, B25, B36	B1, B3, B4, B5, B6, B8
	<i>Mid 50%</i>	B12, B32, B37, B38, B39	B7, B10, B13, B16, B17, B26, B27, B31, B33, B35, B41, B42, B43	B2, B14, B15, B19, B23, B29
	<i>Bottom 25%</i>	B21, B22, B34, B40, B45, B46	B20, B24, B28, B30, B47	
Reconsider		<i>Bottom 25%</i>	<i>Mid 50%</i>	<i>Top 25%</i>
Sustain		SME Ranking		
Increase				

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Reconsider: These barriers have been reported as being of higher significance by the member economies than by the SMEs. That is, although the respondents to the Member Economy Policymaker Survey attach a high level of significance to programmes aimed at addressing this group of barriers, the SMEs themselves do not rate these as highly as impediments to their ability to access international markets. Those governments allocating substantial resources to support programmes aimed at addressing these barriers are therefore encouraged to review the rationale for such programmes. It is important to note however, that many of the barriers identified in Table 1.15 are not addressed by traditional SME government support programmes. More specifically, even when SMEs

have the internal capacity to internationalise, they will not be able to access international markets if other barriers (such as, access to distribution channels, technical standards, regulations and so on) are not simultaneously.

Table 1.15. Barriers of higher importance to governments than to SMEs

Importance to SMEs	Category	Barrier	Description
Low	BE	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
Low	C	B12	Meeting export packaging/labelling requirements
Low	C	B32	Different foreign customer habits/attitudes
Low	C	B37	Different socio-cultural traits
Low	C	B38	Verbal/nonverbal language differences
Low	BE	B39	Inadequacy of infrastructure for e-commerce
Medium	C	B9	Developing new products for foreign markets
Medium	C	B11	Meeting export product quality/standards/specifications
Medium	A	B18	Accessing export distribution channels
Medium	A	B25	Unfamiliar exporting procedures/paperwork
Medium	BE	B36	Unfamiliar foreign business practices

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Sustain: Barriers falling within this category are regarded as equally important or unimportant by both governments and SMEs. That is, they both agree on the relative seriousness of that particular barrier. The appropriate policy response to this category of barriers is therefore to sustain the current level and range of support programmes aimed at addressing the group of barriers identified in Table 1.16. For example, governments perceive *limited information to locate/analyse markets* (B1) as an important barrier. This assessment is shared by the SMEs and thus governments should at least sustain their programmes of support to address this barrier. On the other hand the *unavailability of warehousing facilities abroad* (B22) is neither considered important by governments nor by SMEs. Accordingly there does not appear to be any evidence to support the view that governments should allocate further resources to programmes addressing this issue.

Increase: These barriers are ranked as more serious impediments by the SMEs than by the respondents to the Member Economy Policymaker Survey. Support programmes aimed at these barriers are likely to have more impact on SMEs seeking to access international markets and so those governments not currently offering support programmes aimed at addressing this group of barriers may wish to investigate SME needs within their respective economy. Those who are already offering such programmes may wish to investigate the need for even further investment and support in these areas. That is, support for the barriers identified in Table 1.17 should be increased, unless there is clear evidence that these barriers are of little importance within the local economy.

Table 1.16. Barriers of equal importance to governments and SMEs

Shared importance	Category	Barrier	Description
High	A	B1	Limited information to locate/analyse markets
High	A	B3	Identifying foreign business opportunities
High	A	B4	Inability to contact potential overseas customers
High	C	B5	Lack of managerial time to deal with internationalisation
High	C	B6	Inadequate quantity of and/or untrained personnel for internationalisation
High	F	B8	Shortage of working capital to finance exports
Medium	C	B7	Lack of excess production capacity for exports
Medium	C	B10	Adapting export product design/style
Medium	C	B13	Offering technical/after-sales service
Medium	F	B16	Granting credit facilities to foreign customers
Medium	A	B17	Complexity of foreign distribution channels
Medium	C	B26	Difficulties in communicating with overseas customers
Medium	BE	B27	Slow collection of payments from abroad
Medium	BE	B31	Unfavourable foreign rules and regulations
Medium	C	B33	Keen competition in overseas markets
Medium	BE	B35	Foreign currency exchange risks
Medium	BE	B41	High tariff barriers
Medium	BE	B42	Strict foreign rules and regulations
Medium	BE	B43	Inadequate property rights protection (e.g. intellectual property)
Low	C	B21	Difficulty in supplying inventory abroad
Low	C	B22	Unavailability of warehousing facilities abroad
Low	BE	B34	Poor/deteriorating economic conditions abroad
Low	BE	B40	Political instability in foreign markets
Low	BE	B45	Arbitrary tariff classification and reclassification
Low	BE	B46	Unfavourable quotas and/or embargoes

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

Table 1.17. Barriers of higher importance to SMEs than to governments

Importance to SMEs	Category	Barrier	Description
High	A	B2	Unreliable data about the international market
High	C	B14	Offering satisfactory prices to customers
High	C	B15	Difficulty in matching competitors' prices
High	A	B19	Obtaining reliable foreign representation
High	C	B23	Excessive transportation/insurance costs
High	BE	B29	Lack of home government assistance/incentives
Medium	A	B20	Maintaining control over foreign middlemen
Medium	A	B24	Adjusting export promotional activities to the target market
Medium	BE	B28	Difficulties in enforcing contracts and resolving disputes
Medium	BE	B30	Unfavourable home rules and regulations
Medium	BE	B47	High costs of customs administration

Source: OECD Member Economy Policymaker Survey and SME Survey, 2006.

The analysis of differences in perceptions of barriers by SMEs and governments provides useful insights for policy makers when considering refocusing of policies aimed at internationalisation. However, policy makers will still wish to consider market failures, and how they manifest in their own context, when deciding to reconsider, sustain, or increase levels of support provided by their programmes. Given that many governments develop their policies on the basis of market failures, especially information failures, it is not surprising that the barriers by which these failures manifest themselves are often given greater significance by policy officials than other barriers that are more immediate to the SMEs, but are not necessarily suggestive of market failures such as competition.

General conclusions and policy recommendations

General conclusions

Barriers

In general there is close agreement between policy makers and SMEs as to the key barriers holding back SMEs from entering international markets. For example, **both** policy makers and SMEs identified the following four barriers amongst the six most serious impediments to SME access to international markets: *shortage of working capital to finance exports*; *identifying foreign business opportunities*; *limited information to locate/analyse markets*; and *inability to contact potential overseas customers*. However there are some mismatches in perception between member economies and SMEs with regard to barriers. Member economies appear to underestimate the barriers that SMEs face in the internationalisation process due to the political, legal and fiscal environment in which they must operate. There is also a difference in perception to be found within the access to markets category of barriers.

SMEs responding to the survey perceive the barriers to have the most detrimental impact on their ability to access international markets as those concerned with internal *capabilities* and *access to markets* with barriers in the *business environment* of less importance.

Although SMEs report *shortage of working capital to finance exports* to be one of the most serious barriers care must be taken when interpreting this. Rather than a reference to the general issue of “access to finance”, this would appear to be more concerned with cash-flow considerations. When the barriers are clustered (see Table 1.12), we find that SMEs who consider *shortage of working capital to finance* to be a serious barrier, also have difficulties with *granting credit facilities to foreign customers*, *slow collection of payments from abroad* and *difficulties in enforcing contracts and resolving disputes*. In reality therefore, this barrier would appear to be a mix of the internal (high-level financial management skills) and the external (business environment considerations and political risk) rather than an issue for the financial sector.

Results from a cluster analysis map well onto the 1997 OECD classification of barriers to access to international markets to identify 11 coherent clusters of barriers. That is, the 11 clusters identified represent groupings of barriers that firms will tend to face simultaneously. For example, within a particular cluster we find that firms facing limited information to localise/analyse markets as a significant detrimental barrier are also likely to be experiencing problems with unreliable data about markets, identifying foreign

business opportunities and an inability to contact potential overseas customers. This helps to inform support programmes as any government action aimed at addressing one of these barriers is also likely to help address the other three barriers. Additionally, governments may seek to develop support programmes aimed at addressing all four barriers simultaneously, with the likelihood of achieving significant impact on the performance of SMEs facing those barriers as they seek to access international markets.

The focus of reported support programmes for each category of barrier is as follows: access 53.8%; finance 47.0%; capabilities 35.9%; and business environment 9.4 %.

SMEs

SMEs appear to go through a learning process when they engage in international activities. Firms that are not yet active exporters seem to underestimate both the barriers present in the external business environment and their own shortcomings in terms of their internal capabilities whilst overstating the barriers associated with financial matters and with regard to access to markets.

As the SME becomes more experienced in international activity, they appear to resolve some of the barriers associated with access which becomes less of a problem, but they now experience stronger barriers with regard to the business environment as they encounter more complex forms of international activity in more demanding markets, such as emerging markets with their less developed infrastructure. Secondly, the SME learns that the key barriers are not external to the firm, but rather internal as they appreciate the higher skills levels required to compete effectively in an unfamiliar, highly complex international trading environment. Accordingly access to finance becomes less of an issue and internal financial management skills and financial risk in the external business environment increase in importance.

Those firms new to international activity need assistance with clarifying and understanding their problems. More experienced “international SMEs” need more direct intervention as their problems tend to be more specific to the business.

Of the 978 SME respondents to the survey, just 33.8% have been in receipt of government support. The survey instruments did not allow for a detailed investigation of the reasons for the relatively low take-up rates of support programmes and this is an area which could be fruitfully explored in future work in the area. Where the SME does engage with government support however, levels of satisfaction are high, with 74% reporting that the support offered had ranged from “useful” to “extremely useful”.

Governments and policy

Support programmes place a strong emphasis on exporting SMEs, with 71.6% focussing exclusively on supporting export activities and a further 21.6% including exporting as their focus alongside other activities. Further, 20.7% of support programmes support importing. Just 6.9% of government support programmes do not have export support as their main focus.

Of the 718 “international SMEs” responding to the survey, 54.6% report importing as part of their international activities, compared to 68.1% involved in exporting. This is a significant number, particularly given the emphasis placed on export support by government support programmes.

Mapping perceptions of the importance of the respective barriers by respondents to the Member Economy Policymaker Survey against the ranking by SMEs highlights overlap and mismatch in these perceptions. Using the findings three categories of policy response, **reconsider**, **sustain** and **increase** have been developed to form the basis for recommendations as to where the governments should concentrate their resources.

The relationship between policies and instruments for internationalisation and those for innovation: in many respects, these are closely intertwined yet there appear to be few systematic linkages to ensure that support is coherent and that companies are supported continuously and effectively across different government funding units and programmes.

When assessing the policy recommendations below, it should be noted that the objective of the study is to provide a general understanding of the key themes related to barriers to access to international markets for SMEs across a wide range of economies rather than a detailed understanding of the underlying issues within specific economies. Accordingly the policy recommendations that follow are at a high level and it is recommended that governments should gather more specific data for themselves before embarking on policy mechanisms designed to achieve the outcomes described in this report.

Policy recommendations

Member economies can play an important role in helping internationalise the SME sector. In doing so they may wish to review the provision of assistance they provide for SMEs about to or already engaged in internationalisation, taking into consideration:

1. *That a multifaceted approach to a generic problem* faced by SMEs entering international markets (e.g. business capability) may more quickly produce benefits for the SME. There is a need to review existing provisions for SMEs using three potential responses to the mismatch in barriers which have been identified by SMEs and policy makers: **sustain** current programmes addressing those barriers identified as important by both governments and SMEs; **reconsider** those programmes aimed at addressing barriers which are reported as important by governments but of little importance by SMEs; and, consider **increasing** levels of support to address barriers reported as important by SMEs but of little importance by governments, where market failure arguments suggest that there may be an appropriate role for government. Policy makers may wish to take into consideration how barriers cluster together to develop support programmes that enable SMEs to overcome barriers that seem to occur simultaneously.
2. *The dynamic, contingent nature of those barriers* as they manifest themselves in the experience of the SME. Governments can do more than they do presently to prepare companies for the challenges posed by the national and global business environment.
3. *Exporting is not the only economically beneficial mode* for building internationally competitive firms. Joint ventures, licensing, establishment of subsidiaries or branches, franchising and importing also provide insights and opportunities for SMEs seeking to access international markets.

Governments need to “segment” support they offer on the basis of the experience of the SME seeking support for internationalisation:

Overall the message emerging from the study is that barriers are not uniform and constant to all SMEs. To remove them, therefore, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers they regard as important. Whilst the data and recommendations this report presents allow for barriers to be clustered and prioritised, on a macro-level, it is simultaneously critical for the enterprise to be located within a sequence of learning and experience that conditions these perceptions. This barrier shift, or rolling sequence of barrier identification, appears to be more or less uniform across SMEs and will strongly influence the level of participation in and success of programmes designed to help them.

1. *Firms new to international activity require “how-to” guides*, written/on-line case studies and support from experienced international SMEs to provide assistance and “how to” knowledge in addressing initial problems and challenges (*e.g.* how to anticipate the consequences of going international, how to plan market visits and trade-fair strategies or how to identify potential international partners).
2. *More experienced international SMEs* are more likely to be assisted effectively through the delivery of specific services (*e.g.* introductions to potential clients) or grants to allow them to engage specialised sources of support.
3. *Medium-sized international SMEs seeking to grow their businesses* may benefit most from specialised training and support to help develop their higher level skills in the areas of gathering and elaborating information on international markets.

Governments need to increase the awareness of existing programmes for assisting with SME internationalisation:

1. *Governments should do more to publicise* the wide range of support programmes available to SMEs seeking to access international markets as, on the whole those programmes are regarded as useful by enterprises that use them.
2. *Programmes to support internationalisation* need to be integrated better with others that promote growth, competitiveness and innovation.
3. *Government support programmes* ought also to partner with those being offered by non-governmental organisations (NGOs) and private sector providers. Wherever possible the interface between support programmes of member economies and between those programmes and NGO and private sector programmes could be developed to secure maximum accessibility and benefit.

Recommendations for further work

The OECD and APEC should continue to co-operate closely, and also partner with other international institutions, to assist governments in removing the barriers to SME access to international markets and promoting SME internationalisation. Further work could be developed in the following directions:

1. Collate and assess best practice in member economies for government support programmes to assist SMEs to internationalise. The identification of key performance indicators and other methodologies could be used to evaluate and monitor the effectiveness of support programmes for SMEs (this work would be carried out in co-ordination with the OECD Entrepreneurship Policy Indicators Project).
2. Improve the availability of data and statistical information relating to SME internationalisation.
3. Improve knowledge of SMEs activities in the field of international investment and implications for policy (this work would be carried out by the OECD Investment Committee in co-operation with the OECD Working Party on SMEs and Entrepreneurship).
4. Extend the current OECD Working Party on SMEs and Entrepreneurship work investigating the benefits accruing to SMEs involved in global supply chain networks to analyse also the beneficial linkages between SMEs and multinational enterprises who operate in the same external markets.

Notes

1. See Annex 1.1 for the definition of SMEs.
2. For more detailed analysis, see Palitch, L.E. and D.R. Bagby (2006), “Trade Trends in Transatlantica”, in *Trading Places: SMEs in the Global Economy*, forthcoming.
3. See www.ita.doc.gov/td/industry/otea/docs/SMEstat-hbk2001.pdf Please note the report has now been replaced by a later version.
4. These were mostly US-domiciled firms, but the study also indicates data from US affiliates of foreign firms that export goods from the United States.
5. The study draws largely on work by Leonidou (2004) who reviewed some 40 international studies and ranked the barriers to SME internationalisation.
6. The existence of the survey, and encouragement to complete it, was communicated through appropriate channels (e.g. Chambers of Commerce, business associations, government networks) in each economy by the OECD and APEC Working Party delegates. It is acknowledged that the responses are not from a representative sample of SMEs across OECD and APEC economies and consequently the results need to be interpreted with care.
7. The actual number of responses used for different types of analyses may vary, because not all of the valid responses were complete. For example, of the 978 usable responses, only 682 indicated their sector (Table 1.7), 950 indicated their export status (Table 1.8) whilst only 718 indicated the status of both their exporting and importing activity (Table 1.9).
8. Top ten ranking method: a method, by which respondents are forced to rank the top ten of a list of variables in order.
9. ANOVA: Analysis of variances; a statistical analysis techniques designed to detect statistically significant differences in the means of a number of subgroups.
10. Ward’s method, also known as minimum variance method, is a “procedure for forming hierarchical groups of mutually exclusive subsets, each of which has members that are maximally similar with respect to specified characteristics.” It is based on group variance assessment to enable clustering. Cluster membership is assessed by calculating the total sum of squared deviations from the mean of a cluster. See Ward, Jr., Joe H. (1963) “Hierarchical Grouping to Optimize an Objective Function”, *Journal of the American Statistical Association*, Vol. 58, No. 301, pp. 236-244 for further information.

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Chapter 2. The Role of Trade Barriers in SME Internationalisation

Introduction

Building on the results of the “Perceptions of SME Survey” (see Annex 1.6) and drawing on work that the OECD Trade Directorate has undertaken in recent years, this chapter provides a deeper analysis of *trade policy related barriers* faced by SMEs in foreign markets. While barriers related to finance, access, and internal capabilities are detrimental to SME development and internationalisation, tariff and non-tariff trade barriers can be particularly damaging for SMEs since these barriers are generally outside of their direct control and are difficult to overcome. And while trade barriers do not only affect SMEs nor generally do they necessarily target SMEs, as usually they are faced by both large and small firms, it is SMEs who are especially vulnerable and need an open and transparent environment in which to operate.

This chapter will review what available data from business surveys around the world and other relevant studies reveal about the types of trade barriers faced by exporting firms, with a focus on SME vulnerability to these barriers and the potential loss of competitiveness they represent. Furthermore, the chapter explores how governments deal with trade barriers and how SMEs can influence the trade policy process. Towards this end, the public consultation processes utilised in a sample of countries is reviewed and several governmental and other international assistance programmes analysed that can assist SMEs overcome trade barriers.

Trade barriers faced by SMEs: more evidence

A key conclusion in the OECD-APEC joint project was that a majority of SMEs rated barriers related to internal capabilities and access as being more significant obstacles to internationalisation than those related to business environment. Specifically, when asked to rate a list of 47 barriers according to the degree to which they acted as an impediment to their ability to access international markets, SMEs participating in the survey considered problems “internal” to the firm to be more important barriers to access to international markets than barriers stemming from the home and foreign/host environment within which firms operate, including policy barriers (tariffs and regulations). None of the trade barriers covered in the survey figures among the top ten barriers ranked by SMEs.

However, there appears to be a distinction between firms in terms of export activity. Non-active exporters tend to be more concerned with financial and access barriers, whereas firms that are already exporting prioritised issues related to overall business environment, including trade barriers (see Chapter 1). This distinction between inexperienced and experienced exporters is also present in other studies which indicate

that firms with experience with foreign markets tend to pay more attention to barriers outside their control (Moini, 1997).

These results suggest that SMEs undergo a learning process as they internationalise. Once firms overcome internal constraints they become more aware of other challenges in their business environment, including tariffs and other trade regulation (as discussed in Chapter 1).

What types of barriers have SMEs encountered?

In relative terms, although the overall response results of the OECD-APEC survey of SMEs did not rank trade barriers as high as internal barriers, some of the trade barriers received more attention from respondents than others. For example, **unfavourable foreign rules and regulations**, **high tariff barriers** (mainly restrictions related to national security) and **inadequate property rights protection** were ranked higher relative to such items as arbitrary tariff classification and unfavourable quotas and/or embargos. High costs of **customs administration** and **restrictive health, safety and technical standards** fell in between (for relative ranks, see Annex 1.15 at the end of Chapter 1). These are broad categories of regulation at or behind the border which the survey report does not analyse further.

A better understanding of the specific types of trade barriers that exporting firms encounter is desirable since the relative significance of these types of barriers increases with the level of international experience of SMEs. Towards that end, the findings of other available business surveys focusing on trade barriers were reviewed.

Often carried out on behalf of public authorities, these surveys typically ask exporting firms to describe trade barriers which they encounter in foreign markets. Very few of these studies focus exclusively on SMEs and others do not report and analyse findings separately for SMEs, in part because the incidence of trade policy barriers normally is equal for small and large companies, even though the constraint that this poses for selling products competitively abroad is likely to be more severe for smaller producers.

The findings from available surveys and some other studies focusing on trade barriers lend support to three propositions:

1. Import tariffs still matter to exporting, in many sectors and markets

Many business surveys on trade barriers draw attention to the fact that import tariffs continue to cause problems for companies that wish to access foreign markets. Consider the following:

- 37% of small US manufacturing exporters participating in a 2004 poll by the National Federation of Independent Business reported that tariffs limited their ability to increase export sales (NFIB, 2004). Other surveys conducted in other countries and regions (*e.g.* Sweden, MENA, APEC¹) confirm that tariff rates, although significantly lower than a few decades ago, remain an issue for exporting firms.
- Based on OECD work on tariffs affecting merchandise trade, developing-country SMEs seeking to export to other developing countries are likely to face a tariff rate that is almost three times higher (11%) than those encountered in developed

country markets by either developing-country or developed-country exporters (5% and 4.4% respectively) (OECD, 2006).

- The practice of tariff escalation² is of importance to SMEs, who often sell processed goods rather than semi-processed or raw materials.
- Tariff rates differ across individual sectors and countries, in at times unexpected patterns. For example, a study mapped the level of protection resulting from tariffs that East Asian countries applied in 2002 to goods traded within their region. It found not only that the level of protection was uneven and very significant for certain countries and some sectors (especially agriculture, light industry and food and beverages), but perhaps most surprisingly, that in many sectors East Asian exporters faced higher tariffs in East Asian markets than in the markets of EU and NAFTA (Freudenberg and Paulmier, 2004).³

2. Non-tariff barriers (NTBs) matter equally if not more than import tariffs, with customs procedures and domestic regulation being widely noted impediments

- For non-agricultural products, as tariffs have been lowered over time, non-tariff barriers to trade have become more prominent, both in terms of business perceptions and international trade policy discussions. This is reflected in the last few rounds of multilateral trade negotiations of GATT/WTO, which have resulted in enhanced disciplines in this area. Efforts to remove or discipline measures that negatively impact on trade have been taken at bilateral and regional levels as well. Despite this, surveys of exporting firms of all sizes underline that companies remain concerned about a range of policies or measures other than import tariffs. Annex 2.1 reports results from a number of surveys of businesses operating in different regions of the world.
- In the perception of many businesses and governments, nowadays it is less import restrictions applied at the border than domestic regulations and other internal (behind-the-border) policies that pose problems for firms seeking to sell abroad. Domestic regulation can become a barrier to trade and discriminate against imports either incidentally, when regulations aim at other objectives (such as the health, safety, sanitation, environment, consumer information) or intentionally, when they are deliberately designed to discriminate against imports in favour of domestic firms. The kinds of special product requirements or requirements for testing or certification of a product that businesses often encounter are illustrated in Box 2.1.
- A comparative analysis carried out by OECD of 12 business surveys around the world capturing perceptions about trade barriers, in particular NTBs, found that **technical measures (including health and phytosanitary regulation) and customs rules and procedures** are areas of shared concern for the companies participating in the surveys. Other broad categories of NTBs reported relatively consistently across surveys are **internal taxes or charges** and **competition-related restrictions on market access (i.e. monopolistic trade measures, such as state trading, distribution restrictions as well as restrictive business practices)** (OECD, 2005a).
- Certain trade barriers mentioned in the OECD-APEC survey more frequently than others show up only moderately in other surveys investigating business

perceptions. For example, concerns about **protection of intellectual property** focus usually on specific markets, most often developing and transition economies where insufficient measures are taken to assure the protection of designs and models (Russia and China are mentioned in OECD-APEC survey). IPR issues often arise where legislation is in conformity with the TRIPS Agreement but enforcement is weak. There is also some evidence that foreign-owned firms that seek to obtain patents in foreign markets face greater administrative delays than domestic firms, and that additional administrative delays differ across countries (Regibeau and Rockett, 2006).

Box 2.1. Certification requirements in EU market perceived as costly and burdensome

A manufacturer of meat products located in an EU country reports having difficulty exporting meat products. Authorities in the export market, which is also a member of EU, do not accept the certificates of fulfilment of sanitary regulations for food products obtained in the home country of the exporting firm. As a consequence, the firm is required to utilise the inspection service in the host country, which is annual and costs about EUR 1 200 plus additional charges. Also, the authorities in the export market require a label in only one language, although the company labels in four.

A SME that manufactures sound instruments exports 80-85% of its product to Europe and the United States. According to the firm, despite the fact that European Directives cover all products manufactured by this firm these have to undergo different national certification procedures. The tests are mandatory and each costs about EUR 14 000-EUR 18 000 for every new product, plus yearly inspection fees.

More generally, an interview-based survey of some 200 mostly manufacturing companies, two thirds of which had less than 250 employees, asked, *inter alia*, what types of barriers these firms continued to meet in their daily business in the single market:

1. 11 companies reported they had to meet mandatory national requirements that resulted in product changes.
2. 92 reported they had to meet requirements for extra national testing/certification of products.
3. 34 reported meeting other requirements, such as extra or different documentation.

Overall, 65 of the 200 companies felt that the Internal Market had led to more regulation, due to detailed documentation requirements, national requirements remaining and increasing in parallel with EU regulations, different interpretation of regulation and new EU regulation in areas not previously regulated (*e.g.* environment).

Source: “It’s the Internal Market, stupid! A company survey on trade barriers in the European Union”, UNICE 2004.

3. Less direct and visible “procedural” barriers can, by themselves, influence market access significantly

Because they are less direct and often not visible, **procedural barriers** to trade are difficult to document and to remove. They can take many different forms, depending on the area of trade policy. It can be policy implementation procedures, the attitudes and behaviour of regulatory authorities and public officials, poor administrative practices promoting corruption and discrimination, or weak domestic institutions (*e.g.* legal and judicial systems).

A business survey on trade barriers carried out in 1997/98 of 19 economies belonging to the Pacific Basin Economic Council (PBEC), found that many of the barriers reported by the participating exporting firms were **implicit in nature** and took the form of administrative procedures (*e.g.* excessive documentation) or problems arising from

interpreting or implementing government regulations (*e.g.* lack of transparency in the application of government regulations). Half of the top ten most frequently reported NTBs were procedural barriers embedded in the lack of due diligence or the discretion of government officials in implementing trade regulations. When respondents were asked to indicate the degree of difficulty in overcoming the NTBs encountered, the two most difficult items mentioned related to transparency and implementation issues (inconsistency or confusion in regulation, and inconsistency or confusion in implementation) (Chingt, Wong and Zhang, 2004). Similarly, the position taken by EuroCommerce, which represents the retail, wholesale and international trade sectors in Europe, on what the DDA negotiations should achieve in the area of trade facilitation highlights a host of procedural problems, including simpler customs and international payment procedures, simpler export/import documentation, increased transparency and predictability of regulations, and easier access for all to information on customs requirements (Bernert, 2003).

Other more recent surveys confirm the incidence of procedural barriers, for example in the areas of customs administration and technical measures (see Box 2.2). Slow or complex/cumbersome administrative processes and practices are frequent business complaints. Where implementation of regulations is the issue, this often is linked to the question of whether a country has sufficient well-trained staff and adequate implementation and enforcement infrastructure.

Heightened vulnerability of SMEs to trade barriers

For several reasons, SMEs are more vulnerable to the effects of trade barriers than larger companies. Large companies possess the resources to leverage internationalisation risks in various ways; by diversifying operations, possessing in-house trade or international departments, creating economies of scale, and strongly lobby for favourable laws and regulations. SMEs tend to have limited resources and a lower threshold to absorb risks, especially when operating in intensely competitive markets (Etemad, 2004; Goh, 2002). When faced with trade barriers, SMEs:

- may have to bypass a market completely, forgoing an opportunity to grow their business, hence becoming more susceptible to increasing import pressure in their home market;
- have limited capabilities to influence the trade policy process;
- may find it difficult to make production changes in response to fixed-cost barriers;
- incur additional variable costs that could impair their competitiveness (Requena-Silvente, 2005);
- may be unable to benefit from participating in global value chains.

Globalisation and increasing liberalisation have added to the competitive pressure some SMEs face in their home market, creating incentives to export. At the same time it should be noted that an often understated aspect of trade barriers for firms, including SMEs, is the inflated costs of imports due to protective measures in their home markets.

Historically in some markets, SMEs, (for example in sectors like textiles, footwear and agriculture) have responded to import pressure by demanding, from their home government, protection against foreign competition often through tariffs or non-tariff measures. However, with increasing integration of global value chains and time-sensitive

or “just in time” manufacturing, firms including SMEs are increasingly turning to imported components or raw materials to produce and remain competitive. This creates a need to have reliable and affordable access to imports. Imports are often overlooked in government support programmes for SMEs, which tend to have an export focus, and are not at all addressed in business surveys.⁴

Box 2.2. Procedural barriers to trade reported in business surveys

In the area of customs classification and clearance:¹

- | | |
|--|---|
| <i>Swedish survey in respect to select export markets outside EU (2001)</i> | - Too much documentation required
- Lack of predictability of rules and procedures |
| <i>New Zealand survey of global market (2001)</i> | - Arbitrary enforcement of rules
- Data or documentation requirements
- Insufficient information about requirements
- Irregular additional payments expected to obtain customs clearance |
| <i>ABAC/APEC survey of 21 APEC export markets (2000)</i> | - Complex customs regulations
- Lack of information on customs laws, regulations, administrative guidelines and rulings
- Problems with mechanism for appealing customs decisions |
| <i>Morocco survey of 56 export markets of Organisation of the Islamic Conference (OIC)(2001)</i> | - Arbitrary customs valuation, not based on invoice
- Subjective interpretations and arbitrary decisions of clearing goods through customs |

In the area of standards and other technical barriers to trade:²

- | | |
|---|---|
| <i>Australia survey of markets of Indian Ocean Rim Region, (2000)</i> | - Non transparent / inconsistent of technical requirements
- Delays in testing procedures
- Non transparent / inconsistent quarantine services |
| <i>CEEI business survey of Canadian market (2002)</i> | - Lack of transparency of standards at provincial level and hence difficulty to know about them
- Insufficient information on the procedures to obtain required phytosanitary certificates
- Delays and burdensome procedures for obtaining certain veterinary certificates |

Notes:

1. The surveys are: Bergloef, Kerstin (20001), “Trade Barriers Faced by Swedish Firms on the Single Market and in Third Countries”, National Board of Trade (Kommerskollegium), Stockholm, April; ACNielsen consultants on behalf of Standards New Zealand, the Ministry of Foreign Affairs and Trade, the Ministry of Economic Development, the Ministry of Agriculture and Forestry, and Trade NZ (2001), “Assessing the Presence and Impact of Non-tariff Trade Barriers on Exporters”, Wellington, New Zealand, June; Asia Pacific Foundation of Canada for the APEC Business Advisory Council (ABAC) (2000), “Survey of Customs, Standards and Business Mobility in the APEC Region”, September; Association Marocain des Exportateurs (2001), “Les exportateurs marocains face aux barrières non-tarifaires dans le cadre inter-islamique”, Casablanca, June.

2. Australia South Asia Research Centre (RSPAS) at the Australian National University (2000), “Enhancing the Trade and Investment Environment in the Indian Ocean Rim”, December; Centre d’Etudes Economiques et Institutionnelles (CEEI) (2002), “Business Survey on Conditions to Access to the Canadian Market”, final report, Brussels, 2 December.

Options for addressing trade barriers

When facing trade barriers, SMEs can choose from multiple options. They can attempt to deal with a barrier themselves, *e.g.* by meeting the specific product standard of the export market. When measures or regulations are judged to be unjustified, discriminatory or unusually burdensome, firms can either approach the host country authorities to seek change,⁵ seek assistance from home-country government, or industry associations.

How can home governments address barriers in export markets?

Governments can utilise various methods to remove or reduce trade barriers for their exporters. Some of the primary tools are active engagement in multilateral and bilateral negotiations, recourse to international legal proceedings to resolve disputes, and aggressive trade advocacy.

International negotiations: Governments can address trade barriers by organising and participating in multilateral (WTO), regional or bilateral trade negotiations. Governments in consultations with private sector representatives identify key objectives and subsequently enter into negotiations with trading partners to seek compromises that reduce or eliminate trade barriers. In addition, governments may attempt to negotiate specific agreements to reduce tariffs sectorally (such as the *WTO Information Technology Agreement*) or enter into co-operative regulatory relationships to reduce excessive compliance costs (such as the *US-EU Regulatory Cooperation Agreement*).

Legal proceedings: Governments may raise perceived foreign-country trade barriers or other issues considered to be inconsistent with international obligations before the WTO Dispute Settlement Body (DSB) or similar regional or bilateral forums. Such steps are usually taken after diplomacy has failed to resolve the issue. In general, these proceedings concern major trade policy issues and involve complex, legal questions that may be too costly and time-consuming for individual SMEs to become involved.

Trade advocacy: Governments also pursue trade policy advocacy as a means to remove trade barriers. Many governments catalogue trade barriers cited by their exporters in foreign markets and periodically issue reports (such as the *US National Trade Estimate Report* or the *Report on the WTO Inconsistency of Trade Policies by Major Trading Partners* issued by the Japanese Ministry of Economy, Trade and Industry). Moreover, home-country governments can play an active role in assisting exporters overcome trade barriers by directly interceding on exporters' behalf with foreign government officials. This can entail various actions including active in-market representation by consular staff, meetings by high-level government officials or discussion in multilateral forums.

These are just some of the key components of a government's toolkit for dealing with trade barriers. However, before directly addressing barriers, governments usually develop their strategy in close consultation with various national actors, offering an opportunity for firms, including SMEs, to actively influence priorities and objectives.

How can SMEs influence the trade policy process?

Business interests and firms (both SMEs and large firms) try to influence the development of a country's overall trade policy agenda by actively advocating their interests on specific trade issues. This is an important activity for any firm but **even more critical for SMEs** due to their vulnerabilities and the potential negative effects of trade barriers.

Governments set trade policy priorities in consultation and negotiation with various domestic interests, including business, labour/trade unions, civil society and in consideration of a country's economic performance and development. It is a complex process involving many actors and subject to continuous pressure.

Firms invest financial resources and managerial expertise into lobbying activities and often take proactive positions in international negotiations. Various strategies can be pursued but generally involve:

- monitoring policy developments abroad;
- building a case in favour of an interest and presenting it to policy makers;
- assisting government negotiators by providing technical support and information;
- building relationships with key policy makers;
- evaluating the benefits obtained in negotiations and promoting them domestically (ITC, 2002).

A SME may feel relatively weak in its ability to influence trade policy and decide it is not worth the additional time and investment required (Whyte, 2005). Overcoming tariffs and other trade barriers **requires significant investment both in time and resources** and there are various reasons why SMEs may be reluctant to engage:

- Financial constraints – given their limited resources, SMEs will allocate funds to areas where they can get a quick return, generally not the case for trade policy.
- Human resource constraints – trade and regulatory issues often are extremely technical and require expertise. SMEs would have to allocate scarce human resources to constantly monitor and review proposed regulations or legislation at home and abroad.
- Lack of interest – SMEs may consider trade policy to be biased towards larger firms and become apathetic.
- Lack of advocacy expertise – SMEs do not have the experience to develop sophisticated advocacy strategies and may be financially reluctant to hire outside counsel.

Recently, the rise and participation of new actors such as environmental groups and NGOs has added greater complexity (ITC, 2002). Moreover, trade policymaking encroaches on important domestic policy matters that raise sensitive questions of sovereignty, health policy, labour issues, and environmental concerns. All these factors make the process often politically difficult and can also discourage participation by SMEs.

SME constraints can be overcome through a **framework that facilitates SME integration into the trade policy process**. This is not to imply the need for direct government intervention singling out SME trade policy issues, but rather the creation of a more co-operative and facilitating relationship. This relationship must comprise two elements of government-private sector interactions: 1) SME participation in governmental mechanisms for public consultation; and 2) programmes that assist firms to understand and overcome trade barriers. A common SME concern is that their views are not always fully represented within these processes.

1. Public consultation process

Governmental public consultation models vary and are closely tied to a country's history, economic system, growth and other variables. There are various models but generally include both formal and informal consultative mechanisms and are usually a reflection of the role of the state in a particular country. For example, centralised states tend to be less open to business advocacy while those that place more emphasis on open markets or export growth tend to accept higher levels of business input (ITC, 2002).

OECD countries in general have more formalised and extensive consultative mechanisms involving business interests in both overall policy discussions and technical matters. Some governments provide for formal SME groups to solicit specific trade policy advice, such as the Industry Trade Advisory Committee on Small and Minority Business (ITAC 11) in the United States. Other examples are the SME Envoy in the European Union and the Canadian SME Advisory Board, whose mandate is to promote SME needs and perspectives in government policies, including on trade issues. Such groups provide a voice for SMEs, enabling them to engage in a formal and systematic dialogue with government.

In contrast, the public consultation mechanisms of many developing countries tend to suffer from resource constraints that limit private sector participation and often translate into defensive positions in relation to globalisation and import competition. Even here, however, international trade negotiations at the multilateral and regional level have helped focus attention on the need to develop and open, balanced consultative process for trade policy. As nations adopt more open trading regimes, business input becomes more important. This dynamic can be seen in Latin America, where various countries have developed more robust government-private sector consultative mechanisms. Box 2.3 provides illustrations of national consultative mechanisms.

Greater involvement in the process would give SMEs a greater stake in policy outcomes that favour trade liberalisation and consequently greater opportunities for participation in the global marketplace, even if these processes may involve many national actors that could dilute SME positions. Moreover, the ability of trade officials to seek solutions to trade barriers depends crucially on identification and documentation of such barriers, which hinges on input coming from exporting firms, including SMEs.

Box 2.3. National experiences with consultative mechanisms

Argentina – appears to have what can be characterised as a more informal approach to trade policymaking. Most input is provided on an ad hoc basis and business interests intervene via informal channels (Bouzas and Avogadro, 2002). The MERCOSUR and FTAA processes have helped to structure and focus attention on the development the consultative processes (Bouzas and Avogadro, 2002).

Canada – has developed a mix of formal and informal consultative mechanisms. There are several formal consultative committees at varying political levels as well as advisory committees comprised of private sector groups that provide input on trade policy and technical issues. There are also informal mechanisms that seek input from all actors including private citizens. The system is considered to work well, although some non business actors opposed to overall trade liberalisation have been critical (Dawson and Symond, 2002).

Mexico – much of the structure was established as a result of the North American Free Trade Agreement (NAFTA) negotiations and was generally considered to be very effective in bringing private sector views and advice to government negotiators (Alba and Vega, 2002). However several aspects of the consultative process were later criticised by SME associations, (though these tended to represent defensive positions) for not taking their views into account.

Nigeria – lacks resources to fully develop public consultation within its policymaking structure. While formal structures exist, governmental trade policy resources are limited. Private sector consultation also is limited, tends to be informal, is based on personal relationships and mostly defensive in nature (Jerome, 2005).

European Union – although results vary, due to differing consultative procedures in the 25 Member States a 2004 European Commission study found that consultations had significantly improved in recent years but that the level of business involvement into law and policy making differs from country to country and is relatively weak in some members. The main issue that business organisations faced during the consultation process was not enough time to prepare a contribution, not enough human resources, and not enough technical expertise, with several of the new member states less satisfied than the EU 15 (European Commission, 2005).

2. Programmes to assist SMEs overcome trade barriers

Government programmes

In addition to the export promotion programmes identified by the OECD-APEC survey focusing on internal barriers and financing, some governments have programmes that assist exporters to diagnose and overcome trade barriers.

Many of these programmes, some of which Box 2.4 illustrates, are in OECD countries and often are linked to negotiating objectives in multilateral and bilateral agreements aimed at reducing trade barriers. They can provide an active element allowing firms to raise issues or problems directly with their home-country governments who (subject to review) will intercede with foreign governments or provide an option for legal proceedings when appropriate.

Some programmes may not necessarily be intertwined with export promotion programmes and export promotion officials may not be as familiar with trade policy barriers as opposed to finance and access barriers.

Box 2.4. Select support programmes

China – The Chinese government publishes annually the “Foreign Market Access Report” detailing the “trading regimes and practices of trading partners”. The report compiles information from government, the private sector and other sources and can be used by consular staff in discussions with foreign governments.

New Zealand – The Trade Access Support Programme (TASP) funds efforts to remove trade barriers faced by exporters. TASP objectives include international negotiations but also research and funding of government efforts to promote exports including multilateral negotiations, participation in international conferences, funding technical issues, research studies, and technical co-operation.

United States – The Office of the US Trade Representative (USTR) co-ordinates US monitoring of trade agreements along with other government agencies (e.g. Department of Commerce, State, and Agriculture). USTR can initiate WTO Dispute Settlement Cases (DSB), invoke US trade law (e.g. Section 301), utilise trade agreement provisions, and other measures to assist US firms overcome trade barriers. The Department of Commerce’s Trade Compliance Centre (TCC) runs a programme as part of the overall US trade enforcement strategy that presents firms with the opportunity to report trade barriers, consult US trade agreements, receive updates on foreign technical regulations, and market information. Like the EU MAD, the TCC offers the opportunity to approach foreign government officials on behalf of US industry regarding a trade barrier.

European Union – Trade Barriers Regulation (TBR) is a legal instrument that gives rights to European Union firms, association, industries and member states to lodge complaints with the European Commission. It is aimed at opening third-country markets by eliminating obstacles to trade for EU exporters. In addition to the TBR, the EU maintains the Market Access Database (MAD) which collects data on trade barriers in third countries. Firms and business groups have the possibility to enter data on export conditions and report trade barriers. European Commission staff examines complaints and can engage trading partners to remove them.

Source: http://ec.europa.eu/trade/issues/respectrules/tbr/index_en.htm; <http://tcc.export.gov>; www.ustr.gov; www.mfat.govt.nz/trade-and-economic-relations/trade-and-economic-analysis/0-trade-access-support.php

International organisation programmes

Multilateral programmes can be useful, particularly for developing country exporters, but are primarily informational. They provide assistance in capacity-building and help encourage SMEs towards internationalisation by building relationships with policy makers, academia and other international actors. A good example is the *World Tr@de Net* administered by the International Trade Centre UNCTAD/WTO in Geneva. *World Tr@de Net* is an online portal helping firms understand complex trade issues. It brings together national networks of government and business interests, facilitates government-private sector exchanges and organises research and practical capacity-enhancement seminars on various trade issues.

Business or trade associations

Business and/or trade associations give voice to SME interests in various forms. SMEs can opt to pursue several strategies, for example via closer co-operation with large firms or in SME-only organisations. There are variances to these strategies that can affect SME participation.

Co-operating or grouping with large firms can provide greater visibility and clout for SME policy positions. Examples include MEDEF, UNICE, AMCHAM, US Chamber of Commerce, Japan Chamber of Commerce, etc. However weighted representation may

favour large firms and association staff may give greater consideration to the views of larger members (Teufelsbauer, 2005).

SME-only organisations on the other hand can suffer from too narrow or parochial views on trade issues, especially if they are sector-based. Moreover, they are subject to internal pressures among members, particularly if they include competitors, which may delay action on specific issues. But their concerns and positions would convey SME-focused viewpoints. Trade associations that cater to SMEs include the Small Business Exporter Association in the United States, the Federation of Independent Business in Canada, the National Federation of Small Business Association in Japan, and the European Association of Craft, Small and Medium-Sized Enterprises in the European Union. In addition, several groupings operate at the global level, such as the International Council of Small Business, and the International Network for SMEs.

Conclusions

SMEs are fast-paced, entrepreneurial, research and design intensive firms, making it probable that those which survive the business initialisation process and seek to internationalise are highly capable and well suited to perform in a competitive global marketplace. However the traits that are vital to their growth also make them especially vulnerable to the effects of trade barriers. This creates an opportunity for governments to assist SMEs in overcoming trade barriers.

Government-business consultations on trade policy should be open, balanced, and transparent, providing a clear channel for SME participation. Governments should review best practices to find the models that are most clearly aligned with their domestic political system and create mechanisms that encourage and facilitate SMEs to become active participants in the trade policy process.

In terms of programmes, governments should try and assist exporting SMEs to diagnose and understand the operating business environment they face in host countries, including trade barriers. Also governments or trade associations should explore avenues to enhance SMEs technical capabilities that would allow them to actively participate in the consultative and regulatory development processes.

SMEs on their part should work closely with their home governments, to identify trade barriers that can then be acted upon. Trade policy makers rely on private sector trade barrier identification as input into the trade policy process.

Governments should continue to negotiate and successfully conclude ongoing multilateral trade negotiations, thus opening markets, reducing trade barriers and promoting a stable and transparent trading environment. This includes not only large-scale negotiations like those at the WTO, but also the development of regulatory co-operation agreements among governments to reduce trade-related compliance costs.

When drafting and implementing regulations governments should keep the constraints of SMEs in mind. In particular, governments should collect the views of all stakeholders, including SMEs, and provide mechanisms for transparency about regulations and how they are implemented. Reference tools available include the *OECD Guiding Principles for Regulatory Quality and Performance* (OECD, 2005b).

International organisations and national governments should co-operate to provide support for developing country exporters (primarily SMEs) whose home government may lack available means and resources to fully understand trade policy issues and practices.

Notes

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2. Tariff escalation refers to the situation where import tariffs are absent or low on primary products and then increase (or escalate) as the product undergoes processing.
3. Level of tariff protection was calculated taking into account ad valorem duties, specific duties and tariff quotas.
4. See Chapter 1. In one of its regularly conducted National Small Business Polls, US-based National Federation of Independent Business (NFIB) points out that governments support programmes usually aim to encourage small businesses to institute or expand foreign sales but often discourage importing activities (National Small Business Poll, Volume 4, Issue I, 2004, p. 2.)
5. Often times firms, particularly SMEs, are wary approaching host country government agencies with complaints for fear of reprisal.

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Part II

**ABRIDGED PROCEEDINGS
OF THE OECD-APEC GLOBAL CONFERENCE
ON REMOVING BARRIERS TO SME ACCESS TO
INTERNATIONAL MARKETS,
HELD IN ATHENS, GREECE ON 6-8 NOVEMBER 2006**

Chapter 3. Synopsis of Selected Speeches, Presentations and Conclusions on Internal and External Barriers

This chapter contains a synopsis of selected speeches, presentations and conclusions reached during the plenary sessions and in each workshop (Annex 3.1 contains the full conference programme). Given the large number of participants it was necessary to summarise their main messages rather than reproducing entire presentations.

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Official Opening: Key Remarks from Speeches

Mr. Dimitris Sioufas, Minister of Development, Greece

The global character of economy has taken on new dimensions since 2000 through the use of information and communication technologies, the gradual liberalisation of international trade, the dynamic entry of China, India and other emerging economies in international trade. These developments create new challenges but also new opportunities and possibilities for all enterprises. SMEs, however, are less equipped and less prepared, compared to large ones, to take advantage of these opportunities and conquer the international markets.

Many researches have shown that the contribution of the SMEs in international activities is disproportionately smaller compared to their contribution to the overall economic activities. At a global level it has been estimated that they contribute by approximately 50% to the GDP, 30% to exports and 10% to foreign direct investment.

The purpose of this global conference is to contribute to the removal of the barriers to SME access to international markets. And this purpose is of particular importance for SMEs, because their perspectives are great. It is estimated that if they could achieve their full potential for exporting, they would achieve a volume of exports equal to big enterprises.

For many SMEs, especially those which are innovative and offer competitive products, foreign markets constitute the solution for the enhancement of their competitiveness and their viability. The advantages are indisputable for export-oriented SMEs:

- Foreign markets offer new profitable fields of action and very often more appropriate target groups.
- Exports usually mean immediate payment of the value of the product, guaranteeing better liquidity.
- Exports as well as contact with foreign markets open new avenues of knowledge and information for SMEs.

For these reasons, the Ministry of Development in co-operation with the Ministry of Economy and Finance of Greece undertook, along with New Zealand, concrete initiatives, within the framework of the OECD, to remove barriers to SME access to international markets.

I suggested the creation of a mechanism of information exchange and co-operation between the multinational enterprises and SMEs, in order to facilitate SME access to international markets. My proposal has been accepted and the OECD Secretariat

co-operated with the Business and Industry Advisory Committee to the OECD (BIAC) for the creation of such a mechanism.

In their efforts to internationalise, SMEs face important barriers and risks. The OECD background report classified the barriers into two major categories.

1. **Internal barriers**, *e.g.* those that are located within the enterprise itself;
2. **External barriers**, *e.g.* those that are located in the outside environment.

This classification facilitates the identification of the responsibility for the removal of barriers in the enterprises, ministries, and business chambers, banks and international organisations. However, this classification is not always clear, since, for certain barriers the responsibility may as well lie, at the same time, at the enterprise level and in the business environment. This is the reason why we need an integrated policy to improve the business environment, as well as to enhance the competitiveness and the ability of SMEs to expand in international markets.

According to the OECD Background Report (*Chapter 1*), the main challenges faced by the SMEs in the international markets include:

- access to the necessary financing for their international activity,
- identification of international entrepreneurial opportunities,
- access to information on foreign markets,
- contact with potential customers abroad and reliable representation abroad,
- allocation of the necessary time for the planning and recruitment of specialised personnel,
- difficulties of access to programmes and incentives for internationalisation,
- difficulty of offering competitive prices compared to local competitors (mainly because of the increased cost of transport).

The barriers of international character stem mainly from the complex and different legal and administrative systems of the business environments between states, as well as from the tariff and non-tariff barriers. In order to reduce these barriers there is a need for the formulation of international rules, as well as for international harmonisation in fields such as: the standardisation of products, the custom processes, and the certification of enterprises' solvency, the protection of the intellectual property, the fight against piracy and financial markets.

Allow me at this point to say that the Greek Government already implements coherent policies for the enhancement of competitiveness and the internationalisation of Greek enterprises. Despite the increasing challenges from the globalised market, this policy has led to positive results. Our exports are increasing, with rapid pace, surpassing the nominal increase of GDP. In 2005, we had an increase of exports by 13.1% compared to the previous year. During the first semester of 2006, this increase reached 22.2% compared to the respective semester a year before.

SMEs constitute, without doubt, the foundations of our economic and social life. Our strategic purpose is the liberation of SMEs' huge potential for the improvement of their competitiveness, the strengthening of employment, economic development, and social cohesion.

Greece implements a series of measures for the establishment and development of SMEs including:

- the creation of a favourable environment for entrepreneurship, free of unnecessary red tape,
- modernisation of SMEs with the adoption of innovation and the use of new technologies as well as the qualitative upgrading of products and services,
- promotion of e-entrepreneurship and new investments,
- increased and simplified participation of SMEs in various programmes and incentives,
- easier access to financing, with the support of credit guarantee fund of small and very small enterprises, and the provision of subsidies of the interest rate of the loan,
- systematic consultation with SMEs through the national council of SMEs,
- simplification of licensing procedures,
- codification of market laws and the intensification of controls for the protection from “black market”,
- systematic information of regional enterprises on the financing opportunities,
- enforcement of the guiding principles of the European Charter for Small Enterprises,
- creation of an environment of robust competitiveness among enterprises of all sizes and the normal operation of the market.

In the new Operational Programme for Competitiveness, planned by our Ministry for the next programming period 2007-2013, we designed a more specific strategy for the enhancement of SME competitiveness and the encouragement of SME internationalisation, giving emphasis to the adoption of innovation, new technologies, and the knowledge society.

The various actions of this Operational Programme aim at strengthening the enterprise itself, so that it can make effective use of all the opportunities that are present in the international markets. For the enterprise, this will become possible through better organisation and, especially, through:

- the adoption of innovations and new technology, aiming at the increase of productivity and quality;
- improvement of its financial structure;
- upgrading of the human capital;
- realisation of effective investments;
- co-operation and networking with agents and enterprises at national and international levels.

Governments and international organisations need to examine closely the following:

- provision of incentives (financial, tax and other incentives) for the promotion of co-operation between the SMEs and the multinational enterprises, facilitating SME access to international markets;
- solution to the financing problem, possibly with the creation of a special International Fund for this purpose;
- creation of a unified organisation to address problems faced by the SMEs, within the framework of an integrated policy;
- creation of an **innovation fund** in order to cover the specialised technological needs of SMEs;
- simplification of the regulatory environment covering the procedures of internationalisation of the enterprises.

SMEs that constitute the foundations of economic and social life of the global economy deserve to take full advantage of the opportunities created by the global character of markets. This will result in multiple benefits for the society as a whole, with the increase in employment, the improvement of all citizens' well being and the enhancement of local development. It is a duty and responsibility of all governments, bodies of the public and private sector, of all international organisations to contribute decisively to the achievement of this important objective.

**Mr. Nobuo Tanaka,
OECD Director for Science, Technology and Industry**

From the creation of the OECD Working Party on SMEs and Entrepreneurship in 1993, Greece has been an active participant in and a strong supporter of the Working Party's activities. Let me just recall at least two important milestones of this constructive support: firstly, in April 1998, Greece invited the Working Party to hold its Tenth Session – and it was here in this same hotel ... and secondly, at the Second OECD Ministerial Conference on SMEs held in Istanbul in June 2004, Minister Sioufas gave a keynote address on facilitating SME access to international markets. And subsequently, Greece has taken a leading role in the OECD-APEC Project on Removing Barriers to SME Internationalisation, including hosting this conference.

This exceptional co-operation with the OECD Working Party has been one strand of Greek-OECD co-operation this year; Greece is playing a leading role in other activities of the OECD. Last May, Prime Minister Costas Karamanlis chaired the OECD Forum and attended the OECD Ministerial Conference in Paris. Also, I cannot forget Ambassador Anthony Courakis for his superior intellectual leadership at the OECD Council. All this represents an extraordinary contribution by Greece to the work of the OECD, who seeks to analyse and monitor globalisation aiming to ensure that globalisation benefits all: not just some countries or some parts of the population and not just large multinational firms but also, small and medium-sized firms. Recently, our new Secretary-General Angel Gurría, reconfirmed the OECD's mission as the "secretariat of globalisation", as he calls it.

These days, globalisation as well as a "knowledge-based economy," are rapid and it is becoming more important for economies to adapt to them appropriately. Globalisation and knowledge-based economy raise policy challenges in many areas. OECD has worked towards addressing these issues broadly. This includes work on developing and spreading international best practice on a transparent international investment environment, global standards for good corporate governance, developing public sector integrity and combating corruption. OECD also has an ongoing activity on the impacts of globalisation on the productivity of labour markets, striving to come up with fact-based assessment of actual or potential job losses and economic gains due to globalisation. We also analyse important features of IAVC or innovation in the globalisation challenge. As for the WPSMEE, we do work on removing barriers to SMEs' access to international markets. We are also working on a project on "Enhancing the Role of SMEs in Global Value Chains".

From the stand point of SMEs, generally speaking, SMEs are under-represented in the globalised economy, though their innovative contribution in national and local economies is well understood. This is a matter of concern to the extent that internationalisation is a key factor of economic growth; it provides business with more opportunities to achieve growth and economies of scales. It also increases business exposure to new ideas, technology and practices through the vast use of new ICT. However, accessing international markets is still not easy for many SMEs.

Many of the problems facing SMEs in their efforts to internationalise or expand their international activities are the high costs of getting quality information about the markets, difficulties in obtaining finance, protectionist and stringent regulatory frameworks, lack

of managerial experience, difficulties in finding trustworthy partners, heightened uncertainty, corruption, etc.

Almost all governments currently provide a package of services and programmes designed to assist firms to internationalise effectively. However, it appears that little is known about whether these programmes are effective in promoting SME's internationalisation.

As you know, we are here today at this conference to examine this very issue and take a first step to provide more information on the barriers to SME internationalisation and government programmes aimed at facilitating this access.

This event is a milestone in the “*OECD Bologna Process on SME and Entrepreneurship Policies*” whereby the OECD set up a dynamic dialogue aimed at bringing the SME agenda to the international level and putting new and small firms at the heart of strategies for job creation, innovation, economic growth and social cohesion both in OECD and non-OECD economies.

This conference will address the present extent and forms of SME internationalisation, the obstacles small firms face when expanding abroad, and the best practice policies to support SME internationalisation through discussion among the main stakeholders, namely, SMEs, multi-national enterprises and governments.

Specifically, the conference seeks to achieve:

- a better understanding of the barriers to internationalisation that inhibit SMEs from reaching their full potential in international markets;
- the review of best practice policies and programmes for SMEs at both national and local levels;
- the identification of policy recommendations aiming at removing barriers for SMEs; and
- highlighting cost effective mechanisms for removing the impediments at an international, national and local level.

As a first step to work towards these important objectives, the OECD and APEC, in co-operation with a steering group of key experts, co-chaired by Greece and New Zealand, wrote a background report (*Chapter 1*) that you all received when you registered for this conference.

The main findings of the comprehensive report are the following:

1. Policy makers consider problems which are internal to SMEs to be the main barriers, rather than barriers with the external environment.
2. The top ten barriers are related to lack of knowledge and internal resources, including both financial and human resources.
3. External barriers, especially those imposed by governments are not as important as originally thought to be, however:
 - There is a rationale for government support for SMEs engaging in international activity.
 - Governments can do more to prepare SMEs for the challenges posed by the global business environment.

OECD is a place to compare the economic performance of its members. Amongst OECD member countries, relatively smaller economies have performed better in recent years. Why? Because they are open – open to foreign knowledge and innovation, and human mobility. So, I can say that “small is beautiful”. This is also true for enterprises. But is it enough? OECD is working on this key concept of open innovation.

I am sure that all themes interest you and hope that there will be active discussion during the next days and that this will lead to fruitful results to be included in the “Action Plan”, which will comprise the main conclusions and recommendations of the conference to be adopted during the final plenary session.

**Mr. Ali Coskun,
Minister of Industry and Trade, Turkey**

With the globalisation process, our world is shrinking in all respects, and the economic and commercial impediments and custom protections are being abolished rapidly. While the world trade is expanding with speed as the result of the globalised economy, opening to international markets, increased competition and technological developments, we also witness another development. This is the change occurring in the quality of the traded goods. International trade not only grows in volume but also with respect to the production and sale of goods in accordance with the technical standards and labelling where quality considerations take precedence.

As governments, our responsibility is to generate policies ensuring our SMEs survive and grow in the globalisation process, which would be a positive benefit for our economies, by increasing their competitive power.

I believe that the esteemed ministers of the countries, the bureaucrats, the representatives of the private sector, who are present here, have already initiated programmes for the SMEs to overcome this process in the best way.

We, in Turkey, are open to every good will initiative to enable SMEs' access to the international market.

I would like to mention a few points about SME access to international markets. I believe that the following points will be useful in our discussions and in achieving the desired results for SMEs:

- to give more importance to the WTO studies;
- closely monitor the developments at the EU;
- to make necessary regulations by abolishing bureaucratic obstacles in the fiscal, legal and custom legislations;
- to improve the transportation, communication and banking services;
- to make manageable the indispensable institutions for open competitive free market economy such as standards, competition authority, accreditation, to secure the industrial property rights, and to adopt the international arbitration, which will prevent the delays at the national jurisdiction;
- to develop international SMEs twinning studies;
- to organise international fair and conference and to promote the convening of the representatives of private sector institutions like chambers of trade and industry, and councils of business;
- to take urgent measures by organising intergovernmental mixed economic meetings at the level of ministries and to develop policies;
- to consider the OECD Bologna Process, Istanbul Declaration and Brasilia Action Statement, to apply and assess the resolutions of these and similar meetings and to participate to the REMTECH studies which are a R&D project on the interactive area and especially formed by the Istanbul resolutions.

Concluding my remarks, I would like to reiterate my belief that this conference which is hosted by our neighbour country, Greece, will contribute to the future of the participant countries and to SMEs operating in these countries and I also would like to extend my warmest greetings.

**Mr. Truong Van Doan,
Vice Minister, Ministry for Planning and Investment, Vietnam**

On behalf of the Minister for Planning and Investment of Vietnam, His Excellency Mr. Vo Hong Phuc, who is the chair of the 13th APEC SME Ministerial Meeting, I would like to express my warmest regards and my best wishes to all of you.

As we all know, SMEs have an increasingly positive role in the fast and effective growth of both developed and developing economies. This is because the sector is particularly helpful in utilising available resources, generating jobs and income, promoting exports and supplying products and services for large enterprises.

Globalisation is creating a new international environment for SMEs world wide including those in Vietnam. The accession of Vietnam into WTO, which is expected to take place in 2006, will provide our SMEs with better opportunities to access new technologies, management skills, capital sources, and large international markets. However, it is estimated that only 5-10% of Vietnamese SMEs benefit from this process, particularly through market expansion and exports. The rest may have not yet recognised the potentialities brought about as the country integrates further into regional and international markets. Many market barriers cannot be removed by enterprises themselves. Without timely lifting of such barriers, SMEs would fail to compete internationally once the domestic markets are opened.

I am convinced that this high-level conference on “Removing Barriers for SMEs to Access to International Markets” will contribute to the early removal of obstacles to world markets, to the improvement of the business environment for SMEs to effectively trade and invest, and further to the creation of jobs and income.

**Mr. Manuel Rosales,
Associate Administrator, Office of International Trade,
US Small Business Administration**

In my remarks today, I will try to bring some of the specific trade issues for small businesses that we have identified in the United States and that you have also identified as important around the world. And I will speak about some of the strategies for dealing with them, and hopefully we can share these best practices so we can eliminate some of these barriers.

International trade issues can be divided into two different headings: trade policy issues and business opportunities and challenges.

Trade policy issues

In trade policy issues, small businesses often have similar sets of issues as large businesses, in terms of tariff and non-tariff barriers. However, small businesses have a unique problem that should be addressed and some of the major issues include *protection of intellectual property*.

Small and medium enterprises are often in the forefront of innovation and dynamic growth in high technology sectors like telecommunications, software design, programming, computer components, systems integration and biotechnology.

In the United States, small businesses produce 13-14 times more patents per employee than large firms and more than 55% of all new technological innovation. The Small Business Administration (SBA) has a long history of success stories in supporting those types of innovations. Some of our champions have been small business that came to us in their infancy and asked for our assistance. Intel, AOL, Apple, Compaq Computer, which are all now success stories, had come to the SBA and are now worldwide employers.

It is well documented that the international protection of intellectual copyrights is extraordinarily difficult and costly. A recent US report on small business international patents illustrates that it can be prohibitively costly for a small business to register patents in other countries.

The study indicates that extending a relatively simple patent to nine other countries, which could be a typical small business foreign patent strategy could cost between USD 160 000 and USD 300 000. Now that is very costly.

And there is another intellectual property that we sometimes forget. We call it a “trademark” but for developing countries that may not be in the hi-tech area; it could be in handicrafts or designer clothing. SMEs are even afraid to trade across borders. Why? Because their innovation would be stolen.

Small business must frequently accept the theft of their intellectual properties because they lack the time, the skill and the resources to protect their property. To address this problem, APEC with the support of the United States is sponsoring a special conference in May in Bangkok on small business and IPR protection.

Secondly, *dispute settlement procedures*. Small businesses groups tell us all the time that international dispute settlement procedures are slow, remote and costly. Alternative

dispute resolution mechanisms including Internet-based, need to be considered as a low cost alternative.

E-commerce. Small business is one of the largest benefactors of e-commerce, reducing many of the costs of marketing and minimizing the risk of non-payment.

Many countries however, do not have effective access to the Internet, especially to broadband or electronic transfer of funds. This limits the ability for small businesses to take advantage of e-commerce.

Government procurement. Consciously consider an effort to increase transparency with respect to contracting opportunities. To facilitate SME participation in government contracting world wide, it would be appropriate to strengthen the provisions to unbundle major procurements to increase the opportunities for small business participation.

In the United States, the SBA ensures that 23% of all US government contracts go to SMEs. Last year alone, 60 billion prime contracts were issued to small businesses, another 40 billion were issued to sub-contractors. And that is because we have this provision in the law.

Transparency. We should urge more transparency international trade, tax and finance rules to insure that information is accessible to SMEs, it should be disseminated in a standardised manner, using the Internet.

Technical certification and services. Small businesses cite standards and technical certifications as the largest non- tariff barriers. Small businesses tell us all the time they hinder them from establishing operations in foreign markets. Small businesses in engineering, accounting, finance, legal services complain about the lack of transparency concerning the rules for foreign licensing and joint ventures involving in the delivery of professional services.

The bad word, tariffs. Tariffs are added taxes on exports and imports, driving up the cost of products and narrowing profit margins. Tariffs as well as non-tariff barriers affect all businesses, but proportionately more for small businesses, as small businesses do not benefit from the economies at scale that might help them lessen the burden of these tariffs.

Operational challenges

If this is not enough to overcome, the small businesses must also face the business operational challenges. In addition to policy issues affecting the international trade environment, there are everyday challenges affecting the ability of the smaller businesses to participate domestically, now internationally. The emotional, psychological and the operational barriers that need to be addressed include apprehension, language and cultural differences, foreign laws and regulations. I had that experience in Mexico. It was very different - different accounting rules, different laws. It was hard to know where to begin the process.

Complacency. The size of the domestic market can be sufficient. So most of the small businesses never feel the need to go to other markets or other countries. In the United States we import more than we export. Just look at our trade deficit. This is a big challenge, because we have such a large deficit. A recent study, by one of the largest US SMEs trade associations, the National Federation of Independent Businesses, found that SMEs are not concerned about exporting. They are often discouraged by the cost and

time to develop new markets, while simultaneously running their own business and although international trade can cushion business from domestic downturn in the economy.

Technical expertise. Customs regulations. Payment mechanisms. Logistics. Technical standards. Many pieces of the international trade puzzle are not encountered in domestic business operations. Small businesses generally lack knowledge about how to export or trade. Opportunity cost. SMEs are still focused on the day to day responsibility of running their own business and they can't explore or pursue foreign markets. I was a small business owner before I joined this administration and I had to make payroll every Friday. So that was my number one priority.

There is a considerable learning curve involved in fully embracing the international marketplace. Cost and profitability are key factors, including upfront cost and initial investments, to develop foreign markets that may not lead to a profit. Without international departments, or relevant expertise, small business owners generally lack sufficient time to make a commitment to pursue international opportunities.

Financing. If it's not the three f's, family, fools and friends. Multinational banks do not want to do small deals because they do not make a profit. Banks are there to make a profit. Small banks typically do not have international expertise. They do not have the faintest idea of what to do with an international deal. Access to capital to support small domestic business operations is challenging enough, now international trade financing is even more so.

Contacts. Small businesses cannot count on a network of affiliated distributors. They do not know who to trust or how they can reach the markets. This brings me to a story.

I had a friend in California who wanted to do business in Mexico. So he wanted to manufacture some furniture to take advantage of an opportunity. So he asked me to introduce him to a joint venture partner. So I did. I introduced him to a joint venture partner in Mexico who happened to be the President of the Chamber of Commerce in Mexico City. So I put them together. My friend in the United States, Manny Lopez, third generation Mexican American, didn't have a clue what Mexico was all about. He couldn't speak the language and did not know the culture. I introduced him to Mr. Luiz. And my friend, unfortunately, the typical American, was talking about the know-how, the ability to produce, the ability to sell, the system that he had in place, all the things that he could do. Once he got through talking, my friend in Mexico rolled his eyes and said, "Mr. Lopez, in America you got the know-how, in Mexico I got the know-who." Contacts are crucial.

Government action

So, what do we do in the United States to address these policy issues? These business challenges? First of all, the Congress of the United States created the Small Business Administration in 1953 to specifically deal with small business issues. It is not under some agency, but it is autonomous. It has four major challenges: access to capital, access to government contracting, technical assistance and advocacy. Congress didn't stand still.

In 1984, Congress added to SBA international trading, creating our programme. They recognised the fact they had to have the same types of programmes and services for small businesses who wanted to go international. They didn't stop there, in 1992, they created

the US Export Assistance Centers, one-stop shops, so small businesses can have access to all the government products and services that are available to them.

So, with respect to apprehension, complacency, technical expertise and opportunity cost, the Small Business Administration provides these kinds of services:

1. A network of a trade assistance programme, throughout the United States with 120 offices to deal strictly with international trade and most importantly to assist small businesses.
2. Created an international network of senior commercial officers in the Department of Commerce to assist businesses in other countries where they have the know-how and the know-who. So they can connect these small businesses with potential joint venture partners.
3. The US Chamber of Commerce has created Am-Chams, American Chambers abroad, again, another network, another know-who, to allow in all countries to be able to do joint ventures.

In the United States, we also have group called the District Export Council. These are exporters who are appointed by the Secretary of Commerce who are there to provide guidance, assistance and some mentorship to small businesses who want to get into the international trade arena. They are all over the United States, they are volunteers.

State and local governments and export promotion officers are also part of that network.

So what does the small business administration do? We have 72 offices throughout the United States, every office has an international trade officer to assist small businesses who want to do trade. We also have 90 officers located in the Commerce Department to provide technical assistance and particularly, finance. And we have created a network of small business development centres, 1 200 of them with universities to provide technical assistance to small businesses on how to do business and how to export. Thirty-five of those centres are ITCs, International Trade Centres.

We've created an environment for small businesses, where they can have a one-stop shop and hopefully all they need to be able to get out of the rut of apprehension, complacency, lack of technical expertise and operational cost. In respect to financing, the SBA is one of the four agencies of the government to provide financing for export working capital. Again, the banks don't want to do the deal. So we provide a 90% guarantee so they would get involved. SBA also works very closely with Export-Import Bank, another last stop resort for exporters, in the United States. We even have a full guarantee programme that allows us to use our guarantees together, maximise the opportunities for small businesses exporting and they have created a small business unit within Export-Import Bank, to be sure that they address small business issues because they are different than the large exporters.

OPIC. Overseas Private Investment Corporation. Again, in agreement with the SBA, and they have created small business units to help small businesses on how to do the same kind of deals. They provide joint venture capital, structured financing, and risk insurance. Again, trying to minimise some areas of complacency and fear.

With respect to contacts, we partner with foreign commercial officers in the Commerce Department, in developing the international Chambers of Commerce. When I was at the Chamber of Commerce in California, and we knew that NAFTA was going to

be a reality, we also knew that big business was the first one that was going to take advantage of it. So we created something called Sanchez to Smith, which was very simple. We did joint ventures with the Chambers of Commerce in Mexico and we said that “You Sanchez buy from me Smith” and vice versa. Smith to Sanchez.

Now why is that important? The United States is growing; 100 million people over the last 40 years and 50% of those are immigrants. And those who are trading partners are from all over the world. In the United States there is an internal market; it’s called the Hispanic Market. Fifty million Latinos in the United States make over USD 900 billion in purchases. A market for Latin America. So, contacts. We knew that we had the foreign commercial offices, we knew that we had all these contacts in the United States but there is a step further.

My experience in dealing with NAFTA taught me a valuable lesson that you can’t wait for government, sometimes government doesn’t have the answer. Remember, government is just there to create the environment, so we created the environment and we call it the SME Congress of the Americas.

And what does that do? Well, it’s a hemispheric network to promote more business and trade. We connected small business agencies and governments together throughout the Americas so we can share best practices so we can promote free trade, so we could have a network for our small businesses when these trade agreements come into effect.

What is it? It is public-private organisation which promotes trade, sharing of best practices, and SME matchmaking so we can facilitate doing the deal, making it happen.

In conclusion, as we enter this most important dialogue on small business barriers and trade, there are three thoughts related to our collaboration that I think are worth considering. First, before we come to the end of our two-day conference on barriers on SME trade we need to recognise the central importance of strengthening our respective domestic small business sectors. It is only then, that we can fully address the international trade barriers. We need to recognise the value of investing in our own small business sectors. As small businesses in our countries are strengthened through the greater commitment from national governments, we can find more and better trading partners for our own small businesses.

This in turn helps them grow and prosper and puts them on a solid footing, so they can enter into the export marketplace. At the SBA we like to call this “export ready”, when you are ready to export.

Second, we at the SBA have experience with the SME Congress I just mentioned. It includes small business as a feature of the high-level trade development forums. We succeeded in doing so in the western hemisphere at the most recent Summit of the Americas attended by the presidents of every country in the region.

The Summit Declaration included the recognition and the importance of facilitating the participation of small business in the international trade. The commitment was made by heads of governments to small business development and trade opening doors to create solutions to reduce barriers to small businesses in the Americas. *When it comes from the top it gets done by the bottom.*

Now we are in the early stages of developing the same type of forum for Africa. This brings me to my third and final point, how do we really know what effect we are having on reducing trade barriers to small-business trade?

In the United States we have a well-regarded system of business and economic statistics but we still lack the adequate data on small business exports in many industries, particularly in the services sector. Or tracking the sub-contractors and partners in the export marketplace. Most developing countries come nowhere near the ability of the OECD countries to track small business exports.

So, as I say to my staff all the time, I have good news and I have bad news. The good news is enthusiasm and the excitement for small business trade around the world is on the rise. More and more countries recognise that small business growth through trade is an effective path to broad economic growth.

The bad news is we still cannot accurately track the full extent of small business participation in trade. And without that information it makes it very difficult to accurately judge the effectiveness of our efforts.

That means that I am still a true believer that we can and are making a difference by raising the profile of small business in the international marketplace. For a long time in the United States and other countries small business and international trade were rarely mentioned in the same sentence, so we have come a long way.

Entrepreneurs and SME policy makers around the world are embracing the global economy and we are talking about how we can make them more effective and more involved.

Thank you again for inviting me to open this important conference. I look forward to a lively, interesting and informative discussion that will help us all to be more effective in serving our respective small business communities.

Synthesis: Plenary Keynote Session

Introduction of the background report of the conference

The opening plenary session introduced the findings of the OECD-APEC Study on Removing Barriers to SME Access to International Markets (see Chapter 1). The presentation, by the lead consultant, **Professor Lester Lloyd-Reason**, Anglia Ruskin University, United Kingdom, was followed by a panel discussion which provided the additional perspectives of the SMEs, MNEs, business and trade associations and governments.

Before the findings were introduced by the lead consultant, the Deputy Director of the OECD Centre for Entrepreneurship, SMEs and Local Development, **Mme Marie-Florence Estimé**, outlined the background for the OECD-APEC study. In the *Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs*, Ministers had committed to “working co-operatively to achieve progress in reducing barriers to SMEs’ access to international markets” and invited the OECD to “identify ways in which unnecessary barriers to SMEs’ access to international markets can be removed, in co-operation with interested countries and other relevant international organisations and forums.” In the framework of its 2005-2006 Programme of Work, and of the OECD Bologna Process on SME and Entrepreneurship Policies, the Working Party on SMEs and Entrepreneurship (WPSMEE) decided to undertake a joint activity in co-operation with APEC on “Removing Barriers to SME Access to International Markets”. Likewise the APEC SME Working Group agreed, during its 20th meeting, held 10-11 March 2005, to strengthen its co-operation with the OECD, including through the development of this common project, a project which APEC itself had initiated. The background report contained in Chapter 1 was the result of this joint project.

Key remarks of the panellists on the background report

Four panellists addressed four main questions.

1. What kind of challenges and opportunities are SMEs facing as they internationalise?

Mr. Thian Tai Chew, Director, Trade Promotion Group and Enterprise Group, IE, Singapore, emphasised that access to international markets is critical for Singapore where total trade is 3.7 times GDP. The preferred mode of internationalisation for Singapore firms is exporting and their comfort zone lies in doing business in the region particularly in China, Indonesia and Malaysia. In the future SMEs are expected to venture into India, the Middle East and Vietnam. Fifty-one percent of SMEs choose exporting as their mode

of overseas operation and 60% generate greater than 30% of their revenues from exports. He agreed with the results of the background paper that there is a barrier shift as SMEs gain more experience in the international markets. SMEs in Singapore face difficult challenges at different stages of growth. SMEs new to international markets express strong concern for accessing overseas business knowledge and contacts. Companies with more than three years experience say their top challenge is overseas competition. The consortium approach is being used by SMEs with growing frequency to meet this stiff competition.

Mrs. Signhild Arnegard-Hansen, Chairwoman of Svenska Chips AB, Sweden asserted that China's accession to the WTO in 2001 had changed the competitive landscape for SMEs. Swedish firms were adapting by defining their "unique" qualities and embracing open, global markets.

Mr. Anton van der Lande, Vice-President, United Parcel Service, concluded that SMEs' small share in world trade was due to the complexities of cross-border business, including understanding and managing distribution and transport infrastructure, calculating shipping costs and dealing with customs procedures in an effective way.

2. How can SMEs best internationalise in association with multinational enterprises (MNEs) for their mutual benefit?

Mr. van der Lande and Mrs. Arnegard-Hansen agreed that beneficial linkages between SMEs and MNEs in such areas as subcontracting and business partnerships could promote the commercialisation of SMEs' products and services. Mr. Tai Chew remarked that experience had shown that SMEs that took part in consortia with other SMEs and MNEs were successful in generating a large share of their total revenues from overseas markets.

3. How best can the government facilitate SME internationalisation?

Mr. Tai Chew said that the type of government assistance most sought after by SMEs in Singapore was in the areas of financing, making overseas business contacts and training in managerial skills. The government strategy for strengthening SME competitiveness was support for the three "Cs": Connection, Capital and Competency. Regarding "connections" Singapore has developed a website called BuySingapore.com which connects Singapore companies with overseas opportunities.

Mr. Arnaldo Abruzzini, Secretary General of Eurochambres noted that while the EU-25 had the largest share of world trade and investment, it did not have a consistent international policy-making process in the area of SME internationalisation. SMEs needed a conducive business environment that would enable them to develop the managerial skills necessary to innovate and compete. In terms of creating an environment where SMEs could thrive, he insisted the completion of the Doha Round was critical. The shift from tariff to non-tariff barriers created new obstacles. A multilateral rather than a bilateral approach to trade liberalisation was preferable to avoid creating a "spaghetti bowl" of incompatible regulations. He emphasised the significance of completing the EU internal market and ensuring a strong focus on education.

In Mrs. Arnegard-Hansen's opinion the most useful action governments could take was in limiting regulation and reducing red tape.

4. How best can the private sector offer solutions to help SMEs internationalise?

Mr. van der Lande described an Internet platform developed by UPS-UPS Business Solutions which was designed to help SMEs overcome barriers to international trade. Through one point of entry, businesses were provided access to shipping and customs information, supply chain services and technology solutions tailored to their specific needs as well as solutions for SMEs.

Conclusions of the plenary keynote session

The following conclusions evolved from the exchange between the panellists and audience:

1. Barriers are dynamic. There are different challenges at different stages of a firm's growth. SMEs that are not yet familiar with international markets do not perceive the same barriers as SMEs that have already entered international markets.
2. International markets are also dynamic with new obstacles constantly arising. One example is the growing importance of non-tariff barriers.
3. Joining forces is rewarding. For example, SMEs in Singapore have been successful in generating a large share of their total revenues from overseas markets by taking part in consortia.
4. Large firms have to be seen as partners in the process of SME internationalisation. They can facilitate SME access to international markets. Business linkages provide mutual benefits to both SMEs and MNEs.
5. SMEs need an enabling business environment to survive and grow in the highly competitive global market. An enabling business environment requires a coherent set of policies and programmes designed with the involvement of all stakeholders.

Synthesis: Workshop A: Internal Barriers to Internationalisation

While SMEs account for half or more of GDP and generate the majority of new jobs, this vital economic performance cannot be sustained without greater internationalisation. Globalisation and liberalisation present opportunities to SMEs. Yet these same forces place intense competitive pressures on SMEs everywhere — perhaps especially on those SMEs which do not trade. SMEs must be prepared to sell both beyond and behind their national borders. The themes of this workshop were general challenges stemming from internal SME weaknesses as well as concrete measures and programmes helping SMEs to overcome these internal barriers. Experiences were presented from Asia, Europe and North and South America.

Key remarks from the speakers in Workshop A: Internal Barriers

Mr. Jayson Myers, Senior Vice-President and Chief Economist, Canadian Manufacturers and Exporters (CME), reported that 90% of its members are SMEs. Members account for 75% of Canada's industrial output and 90% of exports. Not surprisingly, the United States is the main market both for exports and global sourcing but China is a growing source of inputs. Twenty-three percent of members surveyed were interested in starting joint ventures with foreign partners. In his opinion the two most serious *constraints* were managing exchange rates and lack of qualified personnel. SMEs' primary focus was not on entering markets *per se* but rather on first establishing business contacts: customers, competitors and partners. It was important that the SMEs' capabilities were communicated to these potential customers and partners. The government support programmes need to be customised as not all SMEs are alike. Furthermore, the government needed to allocate adequate resources to SME support and co-ordinate better across government.

Ms. Stefanie Bechert, Division Director, Globalisation/Europe, RKW *Kompetenzzentrum*, Germany, described its new service called the *Market Entry Competency Check* which focuses on the internal barriers that SMEs face. These limitations can be divided into hard and soft factors. For example, financial soundness is a "hard" factor while managerial skill is a "soft" factor. The "Check" is a self-assessment tool which allows an SME to check its internal competencies. It defines weak points and helps procure information more rapidly and efficiently as well as formulate requests for advisory services more precisely. The Check is on the web and is free of charge and available to all.

Ms. Ana Maria Vallina, Director of Foreign Trade, Ministry of Economy, Chile, explained how it actively supports Chilean SMEs to find potential markets abroad. It co-ordinates action via a Public-Private Council for Export Development. It also provides various websites where SMEs can obtain basic information on government services to exporters, on trade statistics, on international trade events as well as access a directory of exporters.

Ms. Kristal Alley, Special Advisor, International Affairs, US Chamber of Commerce, United States stated that 96% of its members are SMEs. Ninety-seven percent of US exporters are SMEs but they account for only 30% of the value of US exports. Their main challenges in going global are lack of human resources and lack of understanding of rules and logistics abroad. To remedy this, the US Chamber runs several programmes in trade education and in partnering as well as hosting SMEs summits. Government agencies also provide support to SMEs. For example, the Foreign Commercial Service in each embassy provides market and product research and helps find business partners. The US Small Business Administration guarantees commercial loans; gives export working capital and international trade loans. The Export-Import Bank gives export credit. However, more can be done, particularly to make information easier for SMEs to find; to harmonise country trade regulations and to promote co-operation between international business groups.

According to the Director General of the Centre for the Support to SMEs in Rwanda (CAPMER), **Mr. Pipien Hakizabera**, SMEs face a difficult business environment in that Rwanda is a land-locked country and transport is expensive. SMEs find it difficult to access international markets because of their “internal” weaknesses such as small scale, poor product quality, delivery delays and insufficient marketing. Rwanda is employing three strategies to overcome export barriers: support to existing exporters; incubators for new export sectors and support for innovative products/services with high value-added. CAPMER provides SMEs with business development services. It strengthens managerial capacity, provides market information and technology, facilitates financing and promotes business linkages with foreign partners. It targets certain sectors such as agri-business, tourism and hotels and handicrafts.

A representative of the Mauritius Branch of the *Femmes Chefs d'Enterprises Mondiales*, **Ms. Aline Wong**, Mauritius, presented her view of the obstacles to accessing international markets. The global economy means more competition, lower margins and tighter deadlines for SMEs. The competitiveness of the SME depends on its ability to innovate which results in better creativity, quality, productivity and efficiency. SMEs have to continually improve processes and build trademarks. Networking and partnering with other firms facilitates innovation. But most important, each SME must build a culture of learning within the firm.

An expert from Kinjo Gakuin University, Japan, **Mr. Fumihiko Adachi**, observed that three factors have helped Japan's SMEs to internationalise. First, the government provided services to SMEs to enhance their competitiveness as part of a post –WW II recovery strategy known as “Japan Inc.” SMEs were given marketing information and research assistance; support in forming international business partnerships and in participating in trade fairs and missions. Japanese experts gave them on-the-spot advice to improve productivity and quality. Loans were provided for start-ups and for expansion of existing business. As a result, Japanese SMEs have come to play a vital role in the highly sophisticated intra-industrial, vertical division of labour. For example, large Japanese auto-makers are highly dependent on SME parts and components. Thus, when the auto-makers went abroad, their home country SME suppliers followed them. When they transferred abroad, they often set up an industrial cluster, as is the case in Thailand. These SMEs then begin to serve other foreign assemblers of autos thus increasing their market share.

Second, general trading firms in Japan are unique corporate organisations. They not only trade but they also invest in R&D, offer credit, and assist SMEs in their export and

FDI activities. A third factor which increased the internationalisation of Japan's SMEs was the appreciation of the yen which forced SMEs to invest in low cost countries. Over the years, SME investment has shifted from ASEAN countries to China.

The President of the National Association of Entrepreneurs, Romania, **Mr. Ovidiu Nicolescu**, argued that, on the contrary, SMEs have many advantages in the global economy. Changing consumer preferences demand specialised products; shorter product lives demand flexibility; new production technology lowers costs and improves quality and IT allows information to travel rapidly. All these changes favour the SMEs' ability to enter new markets. However, to succeed in these new markets, SMEs must adapt their products to the legal and cultural requirements of these markets.

Ms. Suraya Kulop Abdul Rahman, Senior Manager of Strategic Planning Division (SMIDEC), Malaysia, reported on how SMEs in her country were being upgraded so that they could compete in international markets. She gave the example of LKT, an SME, which moved up the technology ladder from a backyard industry to one that is exporting and producing abroad. Its emphasis on learning, knowledge and technology allowed it to engage in continuous innovation. It has received government support to engage in business linkages with MNEs through the Global Supplier Development Programme. There was also support from the MNEs such as Intel which developed programmes for nurturing their SME suppliers which enabled them to become world-class suppliers.

Mr. Eric El Ghozi, General Director, UBIFRANCE, France announced that in France only a small share of SMEs export but these exports constituted a high share of national exports. Hence, the challenge was to increase the share of SMEs that export. The Agency for the International Development of Enterprises (UBIFRANCE) assists SMEs to overcome barriers to internationalisation. UBIFRANCE has a national network of 27 000 enterprises that have used its services. Its support system is composed of 155 economic missions, 24 regional directorates, 28 partners, 14 press offices and 49 associations. Such services should be evaluated based on the degree of client (enterprise) satisfaction.

The President of the Union of Hellenic Chambers of Commerce, **Mr. Georgios Kasimatis**, Greece, stated that the vast majority of the Greek productive sector is composed of SMEs and for them exporting is a particularly difficult task. The biggest challenge to SMEs is to change their mentalities. They need a systematic upgrading via specialised knowledge. It is crucial that professional training shifts from a state to a company responsibility.

Ms. Heather Booth di Giovanni, Economic Advisor, Trade and Investment Department, United Kingdom, explained how SMEs in the United Kingdom are constrained mostly by the lack of contacts and by the costs of marketing. The role of government is to provide what the market does not provide such as support for building capabilities and for making contacts. Twenty thousand companies per year receive support for building capabilities and for accessing contacts. Six thousand, four hundred SMEs overcame significant barriers to accessing overseas markets to become exporters.

Ms. Cristina Teijelo Casanova, Deputy General Director, Coordination and Bilateral Trade Relations with the European Union, Ministry for Industry, Tourism and Trade, Spain, described one of the Ministry's most interesting programmes -- its Export Promotion Start-up Plan (PIPE). It includes an initial self-assessment followed by the design of an export strategy and concluded by an implementation phase. The government covers 80% of expenses. Four thousand, five hundred SMEs have started to export as a result of the programme; SMEs' turnover has increased 25% and exports 70%.

Ms. Zvia Dori, Deputy Director General for Finance, Ministry of Industry, Trade and Labour, Israel, reported on the work of the Institute for Exports and International Co-operation which provides SMEs with information, supports their participation in international exhibits and international tenders. Foreign trade insurance covers commercial and political risks. Finance is available in the form of loan guarantees (70%), grants to export consortia and for export consultancies (50% of fees).

Mr. Susumu Sambommatsu, Senior Researcher, Organisation for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ), presented a recent study which showed what changes are needed in the organisational management of the SME in order to achieve success in both domestic and global operations. SMEs need organisation innovative capability, organisational supply capability, organisational management and operational capability. All these require the training of managers who can function abroad. The government of Japan has already introduced tax incentives to promote human resource development but he hoped it would also support programmes to enable SMEs to employ talented people from East Asian countries to run their operations abroad.

Ms. Katarina Jagic, President, UMIS-SMEA, Croatia explained how her organisation engages in match-making (via EU Partenariat), education and networking. Eleven match-making events have been held. Government programmes include export financing, international exhibits, and cluster promotion. Clusters stimulate networking among SMEs and serve as a vehicle to provide SMEs with expert advice, product testing, product design and marketing services. UMIS-SMEA, together with other partners, organises an annual European Day of the Entrepreneur. Last year more than 2 000 organisations and businesses from 29 countries shared good practices and experiences.

Mr. Dimitris Assimakopoulos, President, Hellenic Confederation of Professionals, Craftsmen and Merchants, Greece, was of the opinion that support for internationalisation could only come after strengthening SMEs to operate in their local markets. He proposed support to young entrepreneurs who are more able to deal with internationalisation; international exhibitions and trade missions to spread knowledge and SME co-operation with research institutions to allow the commercialisation of new products. SMEs need business development services and tax incentives for self-financing. Lastly, business associations should be strengthened so that they can provide SMEs with information on internationalisation.

Conclusions of Workshop A: Internal Barriers

The main conclusions of the workshop were as follows:

- Supporting SMEs to export is justified by economic theory in that exports were found to be directly linked to national prosperity, company growth and innovation.
- There is a broad spectrum of support programmes at the national level helping SMEs to overcome barriers to internationalisation.
- While many of these programmes constitute good practices, their transferability is not automatic.
- In terms of policies and programmes it is important to design differentiated measures as SMEs are not homogeneous and specialised support is needed.

- The role of government is mainly in providing information and advice about overseas contacts via conferences, country visits, and trade missions.
- There are more specialised measures for effective support like assistance in certification, labelling, and standardisation.
- More responsibilities should be given to enterprise associations for encouraging export promotion.
- Public support measures should be evaluated based on the degree of enterprise satisfaction. Government support should be re-oriented as needs change.

Synthesis: Workshop B: External Barriers to Internationalisation

While international barriers such as a lack of knowledge of markets and contacts can initially constrain SMEs, once they have overcome these barriers a new set of external barriers appears. Entering international trade can be too great a hurdle for SMEs unless transaction costs can be reduced. Tariffs and non-tariff barriers can trip up the unwary. Exchange rates may shift unexpectedly. Cultural and language differences may loom large. Seeking the right help from government for external barriers amid a plethora of trade assistance programmes can be an expensive and confusing process. Overall, the participants agreed that once SMEs move into foreign markets they need as much advice from their governments as they did while they were learning the basics of market entry. Workshop participants highlighted that the welter of government programmes on offer to SMEs is complex and confusing. Many government programmes provide information via “gateways” and “one window” in order to inform SMEs about trade regulations. However, limited human resources do not allow SMEs to make effective use of the tools and programmes available. The low take-up rate should cause governments to consider the limited capacity of SMEs and design their programmes accordingly.

Key remarks from the speakers in Workshop B: External Barriers

Ms. Barbara Fliess, Senior Trade Policy Analyst, Trade Directorate, OECD, identified barriers to trade that governments will need to address to reduce SME transaction and opportunity costs. Among these are high tariffs, inadequate protection for property rights, unfavourable foreign rules and regulations and inconsistent and arbitrary customs procedures. An active public-private sector dialogue which includes SMEs was advocated to eliminate these barriers.

Mr. Husamettin Kavi, President of the Assembly, Istanbul Chamber of Industry, Turkey, described the impact of joining the customs union. Between 2002 and 2005 foreign trade performance grew at a rate of 27%. It introduced new concepts such as productivity, total quality management, customer satisfaction, standardisation, etc. SME internationalisation requires increasing R&D, innovation, technology upgrading; improving education and training in line with the needs of the private sector; improving transport, energy, IT infrastructure and reducing administrative burdens.

Ms. Claudine Bichara de Oliveira, Executive Director of Netune, Brazil, reported on how Latin American governments such as Brazil are pursuing a number of support strategies for SMEs. SMEs that wish to internationalise must be able to use information technologies. E-clustering enables SMEs to share basic ICT infrastructure and services and to build their capacity to use it. Two successful examples were given in tourism (Cuzco, Peru) and fashion (Brazil/France) where collective marketing enabled SMEs to reach new international markets.

Mr. Somkiat Tangkitvanich, Research Director, Information Economics, Thailand Development Research Institute (TDRI), provided the conference with some salient facts about SMEs in his country. While SMEs provide 80% of the jobs in Thailand, they contribute only 26% of the exports. Some free trade agreements (FTAs) do not cover sectors where SMEs are dominant such as jewellery, leather, garments, textiles and wood. Many SMEs have difficulty in dealing with customs and certification procedures and so could benefit from FTAs that took these barriers into consideration. Governments and business associations should work toward streamlining these procedures as part of the FTA process. Some SMEs in developing countries, such as Thailand, do not take advantage of the government programmes available to them because they are afraid to approach government. They do not want to disclose their sales, costs and margins fearing that higher taxation could result.

Mr. Christian Hauser, Postdoctoral Research Associate, Institute for SME Research, Germany, stated that the three pillars for trade promotion in Germany are the German Missions Abroad, the German Chambers of Industry and Commerce Abroad (AHK) and the German Office for Foreign Trade (bfai) that maintains a worldwide network of economic correspondents and market observers. In addition, local and national trade promotion schemes include trade fairs, investment and export credit guarantees, finance and bilateral treaties (federal level only). In total, there are more than 300 institutions involved. Promotion activities should be evaluated to determine if they are reaching their target group and if they are effective. The presented study examined these questions. Eighty-eight percent of the surveyed enterprises are doing business abroad with 74% exporting. Forty-seven percent have used foreign trade promotion services. The results showed that larger enterprises were more likely to use these services than were SMEs. Unlike large enterprises, SMEs did not have special departments or staff to deal with foreign trade or to inform themselves about the promotion services. SMEs believed that the current promotion scheme was complex and confusing. It assumed the existence of in-house capabilities and management resources which SMEs did not possess. Promotion services should be simplified and take into account the structural problems and specific limitations (size, organisation) of SMEs.

Mr. Friedrich von Kirchbach, Director, Division of Product and Market Development, International Trade Centre, UNCTAD/WTO ITC, explained that his organisation is a joint UNCTAD-WTO agency that facilitates export promotion and international business development on three levels: micro (enterprises), meso (government agencies) and macro (policy makers). ITC helps SMEs that want to export do five things:

1. understand the market,
2. develop a strategy,
3. build capacity,
4. market or establish a brand,
5. deliver.

It helps policy makers assess how their business environment influences SME internationalisation. The business environment is evaluated in terms of political stability, the legal and administrative framework, and the efficiency of factor markets.

Mr. Inigo Urresti, Enterprise and Industry DG, European Commission (EC), reported that the European Commission has established 300 Euro Information Centres to

give information, advice and assistance SMEs. It has databases on importing formalities and on tariffs.

Ms. Martina Elfgren Lilja, Legal Advisor, Svensk Handel, Swedish Trade Federation, Sweden, noted that importing is a natural part of Swedish trade promotion. Half of the components in Swedish manufacturing are imported. The Federation develops subcontractors, engages in match-making and establishes long term co-operation. It runs an Open Trade Gate which gives free information on trade rules and regulations.

Ms. Devorah Blumberg, Policy Advisor, Ministry of Economic Development, New Zealand reported on the Beachhead programme her Ministry has established to provide SMEs with services that will help them reach key offshore markets in five regions and China. The programme gives them advice and promotes networking. Its objective is to accelerate the growth of SMEs with potential by decreasing the risk of market entry, increasing contacts and decreasing costs. Firms that are participating in the programme are growing as are their exports.

Mr. Alan Ruyten, International Single Trade Window, United Kingdom, gave details on its website that provides enterprises with practical tools to succeed in international trade. The website gives advice on getting started in exporting, on customs procedures and customs relief (as a result of international agreements) and on tax and duty responsibilities.

Conclusions from Workshop B: External Barriers

The main conclusions of the workshop were as follows:

- The contribution of SMEs to the national economy cannot be sustained without greater internationalisation.
- Government support programmes are complex and confusing and more often than not benefit the large enterprises that have the staff and time to find the most appropriate programmes.
- Trade negotiations that reduce trade barriers for SMEs must be concluded.
- Non-tariff barriers need to be removed and regulatory authorities should co-operate to reduce trade-related compliance costs.
- SME participation in the trade policy process should be facilitated.
- Governments need to raise awareness of their trade support programmes and better co-ordinate them.

Closing Speeches from the Greek Authorities and the OECD

**Mr. Spiros Papadopoulos,
General Secretary of Industry
Ministry of Development, Greece**

I had the pleasure of chairing the keynote plenary session, where the *OECD-APEC Background Report on Removing Barriers to SME Access to International Markets* was presented, followed by four other extremely interesting presentations and a lively debate. This report set the context for the discussion, stressing that SMEs are a major source of growth and job creation.

The barriers faced by SMEs during their internationalisation process reduce, unfortunately, the ability of high growth enterprises to achieve their full potential through international markets. The OECD-APEC report came to the conclusion that there is close agreement between SMEs and policy makers about the key barriers that hamper SMEs access to international markets.

In particular, these barriers include:

- lack of access to working capital in order to finance exports,
- difficulty in identifying foreign business opportunities,
- limited information to locate and analyse markets,
- inability to contact potential overseas customers.

The report also presented a series of recommendations for policy actions by OECD and APEC member economies aiming at the removal of the barriers. Those recommendations have been included in the *Athens Action Plan*.

I would like to bring to your attention what, I think, are the key points that have emerged from the keynote plenary session.

The first important point is that **barriers are dynamic**. An enterprise faces different challenges during the different stages of its growth. Small enterprises that are not yet familiar with international markets do not face the same barriers with those that already have international activities.

The second point that was made is that **the environment itself is dynamic**, as the situation that SMEs face evolves continually with new barriers becoming relevant, that previously did not exist or were less or relatively less important. One example is the growing importance of non-tariff barriers, as compared with tariff ones.

The third very important point is that **joining forces is rewarding**. We heard during the session about positive experiences from Singapore where SMEs that participate in

consortia are successful in generating a large share of their total revenues from overseas markets. This is a lesson for us all.

Fourth, **large enterprises have to be seen as partners in the process of SME internationalisation**. They can provide solutions for the facilitation of SME access to international markets. It is important to explore these solutions because they are in the mutual interests of both large and small enterprises.

Finally, in order to survive and grow in a highly competitive environment in which they operate, SMEs need a healthy environment in which they will be able to develop their managerial skills, necessary for innovation and competitiveness. This healthy environment can only come as a result of a coherent set of policies and programmes defined with the involvement and co-operation of all the stakeholders.

The construction of such an environment is indeed our objective as policy makers and we expect that the results of this conference will contribute to this.

At this point, I would like to underline that in the plenary session, we have had an extremely fruitful conversation, thanks to the contribution of the speakers who participated.

I would like to thank Mrs. Estimé, Professor Lloyd-Reason, Mr. Tai Chew Thian, Ms. Arnegard-Hansen, Mr. Anton van der Lande, Mr. Abruzzini and Mr. Zafrantzas as also the rapporteurs Ms. Skou and Ms. Lunati.

Ladies and gentlemen, I have used the Greek language to present to you the conclusions of the plenary keynote session. I did that for two main reasons: First, in order to keep the protocol, as we are in Greece and I am a member of the Hellenic Government. And second, and mainly, in order to pay the appropriate respect to the Greek language which is one of the most ancient in the world and it has been the basis of science, philosophy, art, history and international development.

**Mr. Richard Hecklinger,
Deputy Secretary-General, OECD**

At the final plenary session, a consensus was achieved on the following:

- SMEs are significant contributors to the global economy (accounting for approximately 50% of local and national GDP, 30% of exports and 10% of FDI). Yet they appear to be under-represented in the international economy relative to their contribution to national and regional economies.
- The low level of participation appears to be due to the existence of various barriers, tariff and non-tariff, which act as an impediment to SME involvement in international markets.
- Difficulties also arise from development of a fast-changing and increasingly complex global marketplace which in turn has placed considerable pressures on firms, particularly SMEs that want to operate in this environment. At the same time, this accelerating globalisation increases opportunities for international business dealings as the traditional barriers associated with distance and cross-border transactions have been reduced through new technology and trade negotiations.
- There is clear evidence of market failure which creates these barriers preventing the SMEs engaged in international trade from achieving their full potential.
- Some major challenges that face internationalising SMEs are e.g. identifying international business opportunities; obtaining information on locating and analysing suitable international markets, initiating entry to international markets, accessing finance for internationalisation, and allocating managerial time to deal with internationalisation.

While almost all economies currently provide a package of support services and programmes designed to help firms to overcome these barriers, there is a clear case for continued and improved government support for SMEs seeking to internationalise. While one size does not fit all and different countries need to adapt policies to their own economic and social reality, the conference did reach some common conclusions.

- Governments can play a key role by removing barriers to SME internationalisation such as administrative burdens and by providing information on international opportunities and standards.
- Importantly, governments should include SMEs from the outset in the design of public policies in order to ensure their perspectives and needs are met.
- OECD and APEC should continue their co-operation 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.
- In particular, the OECD and APEC will work to:
- improve the data and statistics available for better understanding the issues faced by SMEs accessing international markets and for producing better informed public policy development;

- collate and assess best practice in member economies for government support programmes to assist SMEs internationalise;
- identify key performance indicators and other methodologies to evaluate and monitor the effectiveness of support programmes for the internationalisation of SMEs;
- extend the current OECD Working Party on SMEs and Entrepreneurship work investigating the benefits accruing to SMEs involved in global supply chain networks.

At this time I am pleased to announce the adoption of the **Athens Action Plan for Removing Barriers to SME Access to International Markets** which outlines the conclusions and policy recommendations of the conference and subsequent work that could be undertaken by OECD and APEC in this area (see Annex 3.2 for more information).

**Mr. Giorgos Alogoskoufis,
Minister of Economy and Finance, Greece**

The enhancement of entrepreneurship plays a vital role for every country. In this context, the support of SMEs constitutes a key political choice to create employment and fair distribution of income.

It is encouraging that during this global conference there were solutions proposed and an action plan was adopted – the **Athens Action Plan** – on removing barriers to SME access to international markets, ensuring their access to financial resources, support and information. We strongly believe that SMEs constitute the backbone of economy and society as they contribute to job creation and boost economic activities.

The Greek government deals with the problems that prevent entrepreneurship and the development of SMEs. In the last two and a half years we have accomplished, through a series of reforms and structural changes, major results, such as:

- the improvement of the entrepreneurial and investment environment,
- an important boost in the international orientation of Greek companies, and
- the drastic reduction of existing disincentives.

Our commitment is that we will continue this effort in the years to come and in co-operation with the OECD and the APEC, as well as through bilateral and multilateral agreements, we shall limit even further the barriers that prevent the development of SMEs. At this very moment, we are introducing in Greece a broad plan for the enhancement of entrepreneurship and SMEs – an initiative which is based on our experience and which we would like to share with all interested parties.

The basic problem, as identified by the SMEs themselves, is their difficulty to access funding resources in order to reinforce their export activities. They feel that they are marginalised and neglected by the banking system and the capital markets. This is something that we fully understand. A great number of these problems are not solved only through administrative measures or direct funding, but through substantial reforms that actually change the structures and the mechanisms in which the economy and the capital markets operate. That is the reason why we have promoted and we still promote certain actions that allow the provision of better funding for our enterprises. Our policy is based upon four major axes.

First axis: The reinforcement of the competitiveness of the banking system and the introduction of the necessary know-how that shall lead to the creation of new banking products and the provision of improved services to the SMEs.

For this purpose, the privatisation policy plays an important role. Since the beginning of our term in office we set as our objective a more open and competitive banking system, which will play the role of supporter for entrepreneurship, offering a wide range of competitive products as well as high standard services. To this end:

- the complete privatisation of the National Bank of Greece in 2004,
- the restructuring of the Agricultural Bank of Greece,
- the confrontation of insurance problems of banks,
- the listing of Post Bank in the Stock Exchange, and
- the recent successful privatisation of the Commercial Bank.

These constitute a set of measures leading to a measurable upgrade of our banking system. The benefit for the enterprises as well as for the private owners is already obvious, as competition now is more intense and more flexible products are offered to SMEs.

Second axis: The creation of a mature Stock Market based on transparency and a coherent framework for the protection of investors. A mature stock exchange can form an alternative mechanism for access to capital in order for an enterprise to develop. We have set laws for the implementation of International Financial Reporting Standards as well as for the protection of private investors – laws that ensure the credibility of the Stock Market. We all know that because of the legislation which actually limits the access of SMEs to organised markets, the financing of SMEs is also restricted. That is why in the following period, we will introduce a more flexible market, following the standards of Milan and London, which will provide for the financing of SMEs.

Third axis: The creation of demand for a more advanced framework of venture capital. We are in the process of creating a fund, with EUR 100 million investment, in order to create the circumstances for financing entrepreneurial ideas and investment schemes in new technologies. Today we have many creative small enterprises in the field of communications, software and biotechnology that can take great steps with a little aid, offering at the same time high quality new jobs. Based on the fact that some investors hesitate to be part of these new ventures, we have to fill the gap with a reliable, alternative mechanism.

Fourth axis: Incentives provided through the new **Investment Incentives Law**. This law aims clearly at funding new investment schemes, especially in the regions where most SMEs operate. During the one and a half years of its application, this law has contributed to the creation of new jobs and the reinforcement of entrepreneurship. Recently, we have approved 1 807 investment schemes, worth EUR 2.84 billion, which have led to the direct creation of 9 000 new jobs.

At the same time, within the framework of our efforts for the enhancement of entrepreneurship:

- We make the most of EU programmes for the support of SMEs in the framework of the Third Community Support Framework and the National Strategic Reference Framework 2007-2013.
- We have decreased the corporate tax rates (for the Small Enterprises from 25% in 2004 to 20% in 2007).

We have implemented some important measures for the removal of barriers to SME access to financing tools and investment incentives and we also undertook a great effort to facilitate their exportation activities. Our aim is the effective support of SMEs in order for them to be able to take advantage of the opportunities arising from this international economic integration.

As far as the problems of internationalisation are concerned, particularly the difficulty of co-operation with reliable foreign partners, the government has implemented a set of measures and initiatives in order to deal with this issue. The upgrading of the National Council for Exports and the reorganisation and upgrading of the Hellenic Foreign Trade Board (HEPO) constitute a decisive step towards the solution of these problems. The Hellenic Foreign Trade Board takes actions aiming at the co-ordination of the exportation effort, so that SMEs can gain access and presence in international markets without their

size being an obstacle. The Hellenic Foreign Trade Board has tripled our country's presence abroad. It promotes clusters of enterprises in order to achieve economies of scale. It promotes certain products in large target-markets, such as the programme for the promotion of olive oil in the US market. At the same time, the Export Credit Insurance Organisation gives SMEs the opportunity to risk going international, limiting the political and commercial risk that such a venture entails.

Concerning the problem SMEs face to identify the opportunities abroad, due to their limited access to information, we have undertaken specific initiatives in co-operation with the United Nations and the World Bank. Also, the Hellenic Foreign Trade Board provides information to Greek enterprises on possible export opportunities.

We must never forget that apart from the concrete actions for the removal of barriers to SME access to financing and to international markets, the role of the state is to actually ensure a stable macroeconomic environment and provide an entrepreneurship-friendly public administration as well as the infrastructure which will improve the productivity of enterprises and their competitiveness. The State must also provide sufficient infrastructure such as broadband connections and a high-quality logistics network.

Here in Greece, during the last two and a half years, we have undertaken a huge effort. With the promotion of e-government and the Strategy for Digital Greece, our enterprises can be more productive, more competitive, and more effective. And at the same time:

- Public administration becomes more effective and procedures – especially taxation – are simplifying.
- The transport network is being completed and upgraded.

We are implementing a reform programme that aims at the encouragement of entrepreneurship, the support of the international orientation of the Greek economy and the creation of the necessary conditions for the enterprises to be more competitive in the international economic environment. The decrease of tax burdens both for enterprises and households, the new Investment Incentives Law, the effective use of European funds – the total of our actions, have a clear aim and concrete orientation:

- more and better opportunities for SMEs,
- short and long term sustainable development, and
- social and economic progress.

With solid actions and reforms we support SME entrepreneurship. We emphasise the full implementation of reforms, as through them:

- development acquires a new dynamic,
- employment and entrepreneurship are supported, and
- our economy and our society grow stronger.

**Mr. Dimitris Sioufas,
Minister of Development, Greece**

We have now reached the end of this global conference, which concluded successfully its work with the participation of around 450 representatives from 65 countries and 15 international organisations.

We conclude this global conference with:

1. the adoption of the **Athens Action Plan on Removing Barriers to SME Access to International Markets**.
2. the announcement of the **initiative of the Business and Industry Advisory Committee to the OECD (BIAC)** for the creation of a mechanism to promote and encourage co-operation between SMEs and MNEs.
1. The **Athens Action Plan**, taking into consideration the main challenges and barriers that SMEs face in international markets:
 - A. **Recommends to governments** to actively encourage and support SMEs in their effort to access international markets, since the economy will gain in many ways from the development of SMEs and the inflow of capital that will come as a result of these activities.

This active support can among others include:

- expansion of opportunities offered to those accessing international markets, by concluding outstanding trade negotiations;
- improved and targeted support of SMEs by providing better information and consultancy, facilitating participation in international trade festivals and offering staff specialised on international markets;
- training and consultancy, financing marketing plans, access to expertise, consultancy on SME participation in global value chains and on intellectual property protection;
- creation of a transparent and simplified regulatory environment;
- improvement of access to statistical data and information in order to facilitate better understanding of problems faced by SMEs accessing international markets, as well as the publication of this information;
- encouragement of every possible form of co-operation between SMEs or between SMEs and large companies and the provision of incentives to this end;
- more effective support to SMEs through the establishment of websites presenting and promoting new products;
- financing of SME internationalisation through the financing of their innovative capability;
- creation of clusters or other forms of co-operation schemes between SMEs;

- exchange of best practices on actions and programmes that encourage the SME internationalisation;
- active participation of both private sector bodies and Chambers of Commerce in the formulation and implementation of support programmes for SMEs;
- effective promotion of government policy on SMEs;
- utilisation of e-commerce for the abolition of barriers caused by distance; and
- information to SMEs concerning the newly announced BIAC mechanism (see Annex 3.3).

I would like to seize the opportunity to assure that the Hellenic Government in its bid to encourage SME internationalisation will study attentively the recommendations of the Athens Action Plan and take all necessary steps to integrate in its policy the ones that are of particular interest for Greece.

B. The Athens Action Plan also **recommends the OECD and APEC** to continue working towards the removal of barriers to SMEs access to international market, by:

- evaluating and diffusing “best practices” for the support of SME internationalisation,
- evaluating the effectiveness of support programmes for SME internationalisation,
- improving available statistical data concerning SME access to international markets, and
- examining the advantages stemming from the participation of SMEs in global value chains.

Greece has played an active role in OECD activities on removing barriers to SME access to international markets and has the intention of further financing the OECD secretariat to continue its work in this field.

C. On a more general **international level**, the Athens Action Plan recommends measures such as:

- the provision of financial incentives for the promotion of co-operation between SMEs and MNEs with the objective of facilitating SME access to international markets,
- the creation of an integrated policy framework,
- the creation of an Innovation Fund that will cover SMEs’ specialised needs during their internationalisation activities, and
- the simplification of the regulatory environment, as concerning SME internationalisation process.

2. With regard to the **BIAC-OECD mechanism**, announced before by the representative of the Business and Industry Advisory Committee to the OECD,

Ms. Primmer, it is based upon the co-operation between SMEs and MNEs to support SME internationalisation.

I would like to remind you that I had suggested with a letter to the Deputy Secretary-General of the OECD, Dr. Schlogl, the creation of a mechanism of information and co-operation between SMEs and MNEs. Dr. Schlogl accepted my proposal and BIAC co-operated with the OECD secretariat to actually create this mechanism.

The mechanism will operate through a webpage that will provide two kinds of services:

- First, the webpage will provide information to SMEs about the trade contact points in various target countries, general information on these countries, the financing opportunities offered, public procurement laws, technical standards, standardisation process, protection of intellectual property and any other useful information.
- Second, the webpage will promote co-operation between SMEs and MNEs wishing to facilitate their know-how, structure and production process for SMEs' access to international markets.

Needless to say, this BIAC mechanism will only be effective if supported by all governments and business associations. That is why I suggest that the OECD along with all its member countries should provide useful information to help BIAC support this mechanism which is expected to generate many practical benefits for SMEs.

Again, I would like to warmly thank:

- The foreign ministers or their representatives that responded to my invitation to address this conference, as well as all the participating economies' representatives, for their presence here;
- The Greek ministers, the presidents of Greek organisations and all other Greek participants;
- The speakers of this conference who shared with us their knowledge and experience;
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ANNEXES

ANNEX 1: SURVEY DATA AND METHODOLOGY

ANNEX 2: TRADE BARRIER ISSUES REPORTED IN PREVIOUS BUSINESS SURVEYS

ANNEX 3: SUPPORTING MATERIAL FOR THE OECD-APEC GLOBAL CONFERENCE ON REMOVING BARRIERS TO SME ACCESS TO INTERNATIONAL MARKETS

Annex 1.1. Definition of SMEs

Box A1.1-1. Defining SMEs

There is no single agreed definition of an SME. A variety of definitions are applied among OECD countries, and employee numbers are not the sole defining criterion. SMEs are generally considered to be non-subsidary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some member economies set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have at most 10, or in some cases, 5 employees.

The approach taken by the OECD, and in particular by the Working Party on SMEs and Entrepreneurship – is to work with both the national, regional and European Community definitions and to attempt to achieve some degree of international comparability. The table below presents definitions of SMEs provided by each respondent to the Member Economy Policymaker Survey.

Table A1.1-1. Defining SMEs

Member economies	Definition	Criteria used			
		Employment	Turnover	Other financial	By sector
Australia	- An "SME" as a business employing up to 200 employees - A "medium" business as a business employing 20 or more employees but employing less than 200 employees - A "small" business as a business that employs up to 20 employees	X			
Austria	As per EC Recommendation 2003/361/EC	X	X	X	
Brunei Darussalam	- Definition of SMEs in Brunei Darussalam is based on number of employees, i.e. those business establishments with 100 or less employees. - Subdivisions of SMEs are: - Micro – up to 5 employees - Small – 6–50 employees - Medium – 51–100 employees	X			
Canada	- Generally, the definition of an SME is based on employment size with a few exceptions - Small (goods producing) - 1-99 employees - Small (services) – 1-49 employees - Medium – 100-499 employees - A micro-enterprise is defined as having 1-4 employees	X			
Canada (Aboriginal Peoples of Canada)	SMEs include businesses with fewer than 500 full-time-equivalent employees and less than CAD 50 million in annual revenue	X	X		

Member economies	Definition	Criteria used			
		Employment	Turnover	Other financial	By sector
Chile	- The standard definition is based on annual sales of enterprises: - Micro enterprises: annual sales USD 81 000 - Small enterprises: USD 81 000 < annual sales USD 844 000 - Medium enterprises: USD 844 000 < annual sales USD 3 380 000 - Large enterprises: annual sales > USD 3 380 000 - Few programmes use a definition based on numbers of employees: - Micro enterprises: 01-09 employees - Small enterprises: 10-49 employees - Medium enterprises: 50-199 employees - Large enterprises: 200 and more employees	X	X		
Czech Republic	As per EC Recommendation 2003/361/EC	X	X	X	
Denmark	A company with less than 50 people employed and annual revenues of less than DKK 50 million (EUR 6.70 million)	X	X		
Finland	As per EC Recommendation 2003/361/EC	X	X	X	
France	According to Recommendation 2003/361/EC	X	X	X	
Germany	- SME are companies with less than EUR 50 million turnover and less than 500 employees: - Small-sized companies: less than EUR 1 million turnover and less than 10 employees - Medium-sized companies: EUR 1-50 million turnover and 10-499 employees	X	X		
Greece	According to Recommendation 2003/361/EC	X	X	X	
Hong Kong, China	- Manufacturing enterprises employing less than 100 persons - Non-manufacturing enterprises employing less than 50 persons	X			X
Hungary	According to Recommendation 2003/361/EC	X	X	X	
Indonesia	- SME definition by law number 9/1995 is based on the amount of annual sales and assets other than land and buildings - Small enterprises are defined as firms with asset of less than IDR 200 million or sales of less than IDR 1 billion - Medium enterprises are defined as firms with assets of between IDR 200 million and IDR 1 billion		X	X	
Ireland	As per EC Recommendation 2003/361/EC	X	X	X	
Italy	According to Recommendation 2003/361/EC	X	X	X	
Japan	Industries	Capital size (million JPY)	Employees	X	X
	Manufacturing and others	300 or less	300 or less		
	Wholesale	100 or less	100 or less		
	Retail	50 or less	50 or less		
	Services		100 or less		

Member economies	Definition				Criteria used			
					Employment	Turnover	Other financial	By sector
Korea	Industry	SMEs		Micro enterprises	X	X	X	X
		No. of regular employees	Paid-in-capital or sales	No. of regular employees				
	Manufacturing	Less than 300	KRW 8 billion or less	Less than 50				
	Mining Construction Transportation	Less than 300	KRW 3 billion or less	Less than 50				
	Large-scale wholesaler, hotels, information processing	Less than 300	KRW 30 billion or less	Less than 10				
	Seeding, broadcasting fishery-related fuels or relevant products	Less than 200	Sales of KRW 20 billion or less	Less than 10				
	Wholesales, call sales, maintenance leasing, specialized science/ technology services, business assistance services, entertainment services, news provider	Less than 100	Sales of KRW 10 billion or less	Less than 10				
Malaysia	Others		Sales of KRW 5 billion or less	Less than 10	X	X	X	X
	Category		Micro-enterprise	Small enterprise				
	1	Manufacturing Manufacturing-related services and Agro-based industries	Sales turnover of less than MYR 250 000 OR full-time employees not exceeding 150	Sales turnover between MYR 250 000 and less than MYR 10 million OR full-time employees between 5 and 50				
	2	Services, Primary Agriculture and ICT	Sales turnover of less than MYR 200 000 OR full-time employees less than 5	Sales turnover between MYR 200000 and less than MYR 1 million OR full-time employees between 5 and 19	X	X		X
Mexico	Number of employees by sector:				X			X
	Category	Industry	Trade	Services				
	Micro	0-10	0-10	0-10				
	Small	11-50	11-30	11-50				
	Medium	51-250	31-100	51-100				
Netherlands	• According to Recommendation 2003/361/EC				X	X	X	
New Zealand	• New Zealand defines SMEs as businesses employing fewer than 20 employees				X			
Norway	• According to Recommendation 2003/361/EC				X	X	X	
Papua New Guinea	• SMEs are those businesses employing 2–20 employees				X			

Member economies	Definition	Criteria used			
		Employment	Turnover	Other financial	By sector
Peru	- Based on the current Law for Promotion of Micro and Small Enterprises, the definition of small enterprise regards the number of employees or the annual turnover. Currently, there is no definition of medium enterprises - Micro enterprises: - Number of employees: 1 up to 10. - Annual turnover: up to 150 UIT - Small enterprises: - Number of employees: 1 up to 50 - Annual turnover: between 150 UIT and 850 UIT (*) An UIT is the tributary tax unit that is equivalent to 3 400 soles for the year 2006	X	X		
Philippines	- A SME is defined as any business activity of enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, co-operative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: - By asset size - Micro: Up to PHP 3 000 000 - Small: PHP 3 000 001–15 000 000 - Medium: PHP 15 000 001–100 000 000 - Alternatively, SMEs may be classified according to employment size, thus: - Micro: 1–9 employees - Small: 10–99 employees - Medium: 100–199 employees	X		X	
Poland	- According to the definition in the Business Activity Law of 19/11/1999 a small entrepreneur is an entrepreneur who, during the previous fiscal year: 1) employed the average annual number of employees not exceeding 50 persons and 2) achieved a net financial income on the sale of his goods, products and services and on financial operations, not higher than the Polish zloty equivalent of EUR 7 million; or whose total value of assets contained in the balance sheet at the end of the previous fiscal year did not exceed the Polish zloty equivalent of EUR 5 million. - However, a small enterprise is not an enterprise where entrepreneurs other than small ones hold: 1) more than 25% of the contributions, shares or stocks, 2) the right to more than 25% of the profit share, 3) more than 25% of votes at the assembly of partners (shareholders). - A medium-sized entrepreneur is an entrepreneur who is not a small entrepreneur and who during the previous fiscal year: 1) employed the average annual number of employees not smaller than 250 persons and, 2) achieved a net financial income on the sale of his goods, products and services and on financial operations, not higher than the Polish zloty equivalent of EUR 40 million, or whose total value of assets contained in the balance sheet at the end of the previous fiscal year did not exceed the Polish zloty equivalent of EUR 27 million. - However, a medium-sized enterprise is not an enterprise where entrepreneurs other than medium-sized ones hold: 1) more than 25% of the contributions, shares or stocks, 2) the right to more than 25% of the profit share; 3) more than 25% of votes at the assembly of partners (shareholders).	X	X	X	
Romania	According to Recommendation 2003/361/EC	X	X	X	
Singapore	- Local SMEs in the Manufacturing sector: Enterprises with at least 30% local equity and net fixed assets investment value of less than SGD 15 million - Local SMEs in the Services and commerce sector: Enterprises with at least 30% local equity and less than 200 workers	X	X	X	X
Slovak Republic	According to Recommendation 2003/361/EC	X	X	X	
Spain	According to Recommendation 2003/361/EC	X	X	X	
Sweden	Enterprises with less than 250 employees are categorised as SMEs. Those with less than 50 employees are small enterprises and those with less than 10 employees are categorised as micro enterprises.	X			

Member economies	Definition				Criteria used			
					Employment	Turnover	Other financial	By sector
Switzerland	• Micro enterprise: 1–9 employees • Small enterprise: 10–39 employees • Medium-sized enterprise: 50–249 employees • Large enterprises: > 250 employees				X			
Chinese Taipei	• All sectors except for commerce, transportation services and other services: Paid-in capital not exceeds TWD 80 million; or regular employees not exceed 200 persons • Commerce, transportation services and other services: total operating revenue in the preceding year not exceeds TWD 100 million; or its regular employees not exceed 50 persons (extending industry terms to agriculture)				X		X	X
Turkey	• Enterprises with less than 250 employees and less than TRY 25 000 000 in revenues.				X	X		
United Kingdom	• According to Recommendation 2003/361/EC				X	X	X	
United States	• 1-100 employees (small) • 101-499 employees (medium)				X			
Vietnam	• SMEs are those business and production establishments that have registered under the current legislation, have registered capital of less than VND 10 billion at business registration agencies and/or an average number of annual permanent employees of less than 300				X	X		
EC Recommendation 2003/361/EC	Category	Headcount	Turnover or balance sheet total		X	X	X	
	Medium	< 250	≤ EUR 50 million	≤ EUR 43 m				
	Small	< 50	≤ EUR 10 million	≤ EUR 10 m				
	Micro	< 10	≤ EUR 2 million	≤ EUR 2m				

Annex 1.2. List of Government Support Programmes

Country	Programme	Objectives	Focus (I/E/F)	Finance	Business environment	Capability	Access
Australia	NEDP	Assist small and medium-sized Australian companies to develop their business overseas and make their first export sale.	E				X
Australia	EMDG	Grants program designed to encourage small and medium-sized Australian businesses (SMEs) to enter into export and become sustainable exporters.	E	X			
Austria	ERP internationalisation programme	Promotion of FDIs of Austrian Companies in CEEC especially in Albania, Bosnia, Croatia, Macedonia, Serbia, Romania, Ukraine, Russia and Turkey.	F	X			
Austria	Export Guarantee Scheme	The Federal Minister of Finance is authorised to issue guarantees for the due performance of contracts by the foreign contracting parties and for the integrity of the rights of export enterprises that serve directly or indirectly to improve the balance of current account or for projects being of Austrian interest to be executed abroad by domestic or foreign enterprises.	E	X			
Brunei Darussalam	Existing Entrepreneurs Advisory and Training Program	Programme targeted at improving general business skills of participants through training courses in various relevant disciplines (e.g. marketing, IT skills). Not necessarily targeted only at supporting internationalisation.	E//F			X	
Brunei Darussalam	Enterprise Facilitation Scheme	Loans are given to existing SMEs owned by Malay Citizens at below market rates to support capital intensive investments in various areas. Not necessarily targeted only at supporting internationalisation.	E//F	X			
Brunei Darussalam	Technology and Technical Support Services	Programme that provides information on technological advances in a number of areas. In addition, this programme offers direct free or subsidised technology-related services, such as product certifications and various legally required product tests. Not necessarily targeted only at supporting internationalisation.	E//F		X	X	
Brunei Darussalam	Site Development for Production and Industrial Development	Programme supporting the site development for general economic activities. Not related to internationalisation.	N/A				
Brunei Darussalam	Production and Trade Promotion Programme	Arranges visits to trade fairs for local SMEs.	E				X
Brunei Darussalam	Investment Incentives Programme	Offer tax incentives for FDI.	I/F	X			
Canada	EXPORT Help!	Companies will have access to a pool of export experts to provide assistance tailored to their specific export related needs. Up to a maximum of 40 hours, depending on the scope of work to be completed is provided.	E			X	X
Canada	Trade Routes	Specifically designed for the arts and cultural sector; provides international business development services in four program areas to support Canadian SMEs to become export-ready. Officers from eight locations across Canada provide market entry support and officers from five key Canadian missions abroad offer in-market assistance. Trade Routes also provide financial support (through a contributions program) and market intelligence (through a research programme).	E				X

Canada	Exporter Development Initiative	Only for Manitoba companies; through outreach consultation, the Exporter Development Initiative (EDI) is designed to assist new and emerging exporters to become export-ready and to support experienced exporters in entering new markets.	E			X	X
Canada	Trade Assistance Programme	Only for Manitoba companies; The Trade Assistance Program (TAP) assists small and medium-sized Manitoba firms to launch products in new markets outside the province by cost-sharing participation in a recognised trade show or by assisting with the costs of designing export-effective marketing and sales promotion materials.	E	X			
Canada	Nexttrade finance	Only for Saskatchewan based companies; custom export finance programme, to address working capital and accounts receivable financing. Program is designed to assist SMEs that are in possession of export sales valued less than USD 150 000.	E	X			
Canada	Small and Medium Business Financial Programme	The Small and Medium Business Financial Programme can finance or guarantee loans for capital investment projects of small or medium-sized businesses. The programme has a number of different segments, including: Interim Financing of Tax Credit, Improving Productivity, Market Development Outside Quebec, Export Credit, Working Capital for Growth Purposes, Technological and Design Innovation, Strategic Alliance, International Conventions, and Succession. (Québec only)	E	X			
Canada	Assistance Programme for Businesses Project: Market Development	This programme is a jointly elaborated business development project, some activities of which may be eligible for financial assistance. The programme also supports projects submitted by a group of businesses. - Business development projects; - Market development; - Innovation and adaptation to change. (Québec only)	E	X		X	X
Canada	Québec Export 2006: Agri-Food Export Development Programme	Québec 2006 Export Programme helps fund export market development activities undertaken by groups of businesses or experienced individual firms. Eligible activities must be international in scope and part of a structured plan of action. The programme has two segments: - Preparation for exporting; - Activities for the positioning and promotion of Quebecois products and businesses. (Québec only)	E	X			
Canada (Aboriginal Peoples of Canada)	Aboriginal Business Development Program	Programme targeted at new and existing SMEs designed to help them become and remain competitive in the Canadian and in international markets. A range of activities are eligible for funding.	E	X		X	X
Canada	Canadian Agriculture and Food International	To assist Canada's agriculture and food industry in improving access to global markets, and strengthen its ability to increase international sales by building brands of international reputation.	E				X
Canada	Agri-Food Trade Service	While not specifically targeted at SMEs, the Agri-Food Trade Service (ATS) provides agriculture, food and fisheries exporters and potential exporters with a variety of services: - Enhanced market information on priority markets and countries; - Current on-line info and services via the ATS Web Site; - Trade show advice and support for exhibits and promotions; - AgFITT export training program to raise knowledge and skill levels.	E				X
Canada	Sovereign Contract Service	The Canadian government backs export contracts of national firms with non-Canadian government bodies to increase the transaction reliability.	E			X	X
Canada	Language Industry Program	This is a contribution program where small and medium enterprises working in language training, translation and language technologies can access funding to undertake marketing and branding activities in Canada and abroad.	E				X
Canada	Small Business and Market Development Program	The program provides new entrepreneurs and expanding small businesses with funding to help them acquire the necessary expertise to pursue new business ideas and new markets for their products or services. The program is intended to support new growth opportunities in the economy, such as value-added manufacturing activities and export-oriented opportunities.	E	X		X	

Canada	Small and Medium Enterprise Fund	Provides term loans and equity investments to businesses, including those with export potential.	E	X			
Canada	Atlantic Canada Opportunities Agency – Business Development Program	Support firm by building awareness of export markets and by assisting in the development and implementation of international marketing strategies.	E			X	X
Canada	International Business Development Agreement	Increase awareness, provide trade training, gather market information and intelligence and do market entry support.	E	X		X	X
Canada	Atlantic Canada Opportunities Agency – Atlantic Trade and Investment Partnership	Increase commercialisation particularly of new economy firms and attract FDI by developing strategic action plans and their implementation.	E/F			X	X
Canada	Export Development Canada	Provides various financial and insurance products for SMEs.	E	X			
Chile	Exporters Bank Loans Cover	This is a Chilean Economic Development Agency (CORFO) cover for default in payment risk. It covers up to 50% of the equity balance in case of default in payment on eligible exporters loans (EL), with a maximum limit of USD 2 000 000 in the system for each exporter.	E	X			
Chile	Export Promotion Fund	The aim of the Export Promotion Fund (EPF) is to promote the increase of non traditional exports, the increase of the number of exporting companies and the diversification of the markets of destiny. Trade promotion activities are co-financed between the private sector and the program.	E	X			
Chile	CORFO Export Credit	CORFO grants up to USD 3 000 000, in dollars or in unidades de fomento, with fixed or variable interest rates. CORFO aims to enable Chilean companies to finance the resources they require in order to export, and also to grant funds to foreign buyers through medium and long term loans granted through commercial banks using CORFO funds.	E	X			
Czech Republic	MARKETING (OPIE)	Provide financial support for specific projects within individual SMEs to detect and exploit new export opportunities in foreign markets.	E	X			X
Czech Republic	ALIANCE	Provide financial support for a group of SMEs to detect and exploit new export opportunities in foreign markets collaboratively (as an alliance).	E	X			X
Denmark	Export Preparation Program	SMEs are offered 25 hours of counselling on internationalisation (export, sourcing and networking) free of charge in order to prepare them for the process of internationalisation.	E//F			X	
Denmark	Export Start Program	This program is to assist SMEs in the process of internationalisation through counselling on e.g. partner search, export, sourcing, establishment, fairs, network building, etc. to supply them with competences lacking mainly market information, access to networks to actually get the SME to start exporting.	E//F			X	X
Denmark	Trade Fairs Program	This program is to provide SMEs (with less than 100 people employed and annual revenues of less than DKK 100 million) the opportunity to present themselves at fairs on specific markets.	E				X
Denmark	Born Creative Program	This program is to assist creative business within the economy of culture and experience e.g. furniture, industrial design, applied art, textiles/fashion, etc.	E	X		X	X
Denmark	Born Global Program	This program assists SMEs within the high technology sector e.g. IT, life sciences, health and medico sector both inside and outside the innovative environments.	E	X		X	X
European Union	Euro Info Centres	The centres provide accurate market information on opportunities both within the EU and in further flung markets. They can help SMEs in areas such as public procurement, finance and European legislation. Naturally, advice on opportunities provided by Commission funding programmes, and on other EU-related matters is also available. In 2004, the EICs replied to more than 310 000 requests for information, advice and assistance.	E//F				X

European Union	Innovation Relay Centres	SMEs operating with advanced technology can turn to the EU's Innovation Relay Centre network to get assistance in finding partners all over Europe. 71 IRCs have been set up in 33 countries and they offer a broad range of services to companies, including establishing contacts between businesses and assisting them in contract negotiations.	E// F				X
European Union	Market access database	The market access database provides information on conditions for exporting to and investing outside the EU and on duties and taxes applicable on the import procedures and documents required for the import of a particular product.	E// F		X		X
European Union	EU Gateway to Japan	Advice, training, seminars, workshops, briefings for individuals and groups; individualised services (translation, market research); contact with sector experts in Japan; a "participants only" section on EU Gateway to Japan website.	E// F				X
European Union	AL Invest	A network of operators from Europe and Latin America co-operate on organising meetings (also known as "sectorial meetings") between companies active in the same sector on both sides of the Atlantic. The meetings last two days. They are usually held during specialist trade fairs, at a stand or hall under the EU flag. Participants receive a programme of face-to-face meetings specially arranged for them according to their profiles and products.	E// F				X
European Union	Asia Invest II	Asia-Invest aims to promote the internationalisation of European and Asian small and medium-sized enterprises (SMEs). For the period 2006-2007 it will continue to support the exchange of experience, networking and matchmaking among European and Asian business organisations to promote the greater integration of European and Asian companies and the transfer of know-how and technology between the two regions.	E// F				X
Finland	Fintra	Fintra is Finland's leading trainer in international business management. Fintra specialises in training services, creating tailor-made concepts to meet the development needs of companies and individuals in an increasingly global business environment.	E			X	
Finland	Finpro	Finpro is an association founded by Finnish companies. The clients are Finnish companies at different stages of internationalisation. Finpro is a consulting organisation focused on accelerating the internationalisation of Finnish companies while managing the risks involved. Finpro carries out this national task through a client-oriented approach in co-operation with other service organisations working towards the same goals. We operate through a unique global network: 50 Finland Trade Centres in 40 countries as well as 2 Trade Centres in Finland.	E/F			X	X
France	Export Exchange Insurance	Cover against currency fluctuation.	E	X			
France	Export Credit Insurance (for suppliers)	Cover for large transactions against commercial and political risk.	E	X			
France	Investment Insurance	Cover for large overseas investors against political risk.	E	X			
France	Prospecting Insurance	Cover for companies against commercial loss when prospecting overseas markets.	E	X			
France	Prospecting Tax Credit	Tax relief against the employment of a person for export development.	E			X	
France	Exporting/Recruitment Contract	Scheme to allow overseas employment for export development on favourable legal basis (redundancy law).	E			x	
France	Overseas Investment Guarantee (FASEP)	Scheme to encourage French companies to invest overseas with a guarantee against economic risk.	F	X			
France	Partnership France	Piggybacking scheme to help SMEs benefit from MNE resources in international markets.	F				X
France	Bilateral Partnerships for Industry and Technology	Scheme to promote partnerships with foreign companies.	F			X	
France	Customised Export Project Management (SIDEX)	Support to help smaller companies project their expertise to foreign partners.	E			X	

France	Overseas Internship (VIE)	Scheme to use young people to help companies enter and develop a foreign market.	E				X
Germany	Worldwide active	A framework programme that contains specific activities yet has various objectives covering the entire range of possible support vehicles.	E/I	X	X	X	X
Germany	Information events	Provide information about market opportunities to SMEs that want to engage in exporting.	E				X
Germany	R&D co-operation	Provide SMEs with R&D capabilities to be successful internationally (focus on exporting).	E	X		X	
Germany	Export 1	Programme to help high-tech and highly innovative SMEs enter new markets (focus on exporting).	E	X			
Germany	Export 2	Programme to help SMEs from east Germany enter new markets (focus on exporting).	E	X			
Greece	International exhibitions	Organisation of the Greek enterprises participation in the international fairs all over the world.	E				X
Greece	Commercial Missions	Organisation and implementation of commercial missions in target markets with the participation of small and medium sized business representatives.	E			X	X
Greece	International growth training	Training seminars for SMEs representatives: 1. Training to think strategically on global basis. 2. To manage effectively international partnerships. 3. To staff effectively through expatriation and localisation. 4. To manage the learning process on global basis. 5. Adapt the company as its needs shift.	E			X	
Greece	Insurance of Short-term Export Credits	The Programme is offered to every Greek Export Company that sells "on credit terms" its products or services abroad and applies for it. We do not have a "Special" Programme for SMEs. After all, if we take into account the Commission's definition for SMEs, at least 95% of Greek Export Companies can be considered SMEs.	E	X			
Greece	Insurance of Medium and Long-term Export Credits	See above.	E	X			
Greece	Investment Insurance Abroad, Against Political Risks	This Programme offers "Investment Insurance" against political risks only (country risks) to every interested Greek entrepreneur who is willing to undertake a Direct Foreign Investment (DFI) abroad.	F	X			
Hong Kong, China	SME export marketing fund	Provide grants for entering and access to information on overseas markets (focus on exporting).	E	X			X
Hong Kong, China	Arrangement for ECIC Supported Export Finance for SME	Export credit insurance.	E	X			
Hungary	Trade development fund	Trade promotion in order to increase export opportunities.	E	X			X
Hungary	International investment	Corvinus International Investment Ltd (founded in 1997), a state-owned development finance institution in Hungary set up to co-invest with Hungarian companies abroad and equipped to ensure sufficient financial resources for its partners' investment projects.	F	X			X
Hungary	Further programmes	Further programmes are mainly targeted at providing export credit insurance, financial support and information about foreign markets.	E	X			X
Indonesia	International Market Access	Program focussed at supporting exporting SMEs with a range of services required to access international markets.	E	X		X	X
Ireland	Enterprise Ireland E.I. (Market Entry)	The Market Entry Programme by E.I. tries to support firms during market entry in foreign market. The programme is however not restricted to SMEs.	E				X
Ireland	Enterprise Ireland EI (Trade Fairs)	The Trade Fairs / Trade Missions Programme by EI tries to help companies participate in trade fairs and arranges for trade missions. The programme is however not restricted to SMEs.	E				X
Ireland	Enterprise Ireland EI (Market Development)	The Market Development Programme by EI supports companies through various means after market entry decisions were made. This includes help with recruiting local staff, providing facilities in special Trade and Technology Centres and specific market analysis.	E			X	X
Italy	Multiple	Various programmes for supporting SMEs, mainly with the aim of increasing international awareness for Italian products and enabling SMEs to create contacts with international partners.	E//F	X			X

Japan	Seminar for International Business	JETRO and SMRJ hold seminars for international business. They provide specific foreign market information to enterprises.	E				X
Japan	Adviser program for Trade and Foreign investment	JETRO and SMRJ employs OB or experts of trade companies, manufacturing companies, banks, lawyers, and accountants, etc. as advisers. In order to support foreign investment and trade, advisers provide specific information and advice to their client.	E				X
Japan	Exhibition for International Business	JETRO holds exhibition for international business and then makes opportunities for introduction on products and for business matching. In addition, JETRO helps to enterprises which aim to exhibit their products at foreign exhibition.	E// F				X
Japan	Mission for International Business	JETRO plans and dispatches missions for international business to specific countries. In such missions program, site-visiting and business matching are included.	E/F				X
Korea	SME Globalisation Project	This program intends to help SMEs that depend heavily on domestic demands to open up new overseas markets. The administration is in full support of the entire export process of such SMEs. Under this program, the SMEs are supported with trade training, catalogue preparation, survey of overseas market, and exploring new buyers, product PR, and needed translation and interpretation.	E				X
Malaysia	Market Development Grant	The objective of the scheme is to provide a matching grant (up to 50% of total cost) to assist Small and Medium Enterprises (SMEs) undertake activities for the development of export markets.	E	X			
Mexico	Promotion Program of Exportable Supply for SMEs	Through network national of support to SMEs (PYMEXPORTA Centres, Impellers of the Exportable Supply in Mexico and External Trade Organisations), supports to companies that has interest in beginning in the exports and/or diversifying markets, by means of an integral service of qualification, specialised consultancy, promotion of international markets and commercialisation and unique channel of export, that allow to make specific the exporting cycle, through the support and management of institutional supports for the development of export project.	E			X	X
Mexico	Exportable Supply Impellers Promotion Program	The impellers of the Exportable Supply abroad conform organisms of foreign trade that have the objective to support to the Micro, Small and Medium companies (MIPYMES) competitive that have interest in exporting, increasing their exports and/or to diversify their markets. Also, it foresees the creation of infrastructure of spaces for the promotion and/or product's storage, and the service of inventories' management and includes consultancy and specific product studies, entrepreneur qualification, international marketing, determination of production's costs.	E	X		X	X
Netherlands	Programme for starters abroad	The programme facilitates SME-enterprises (less than 100 employees) that have hardly any experience with exporting. The programme is focused on providing advice and assistance for the preparation and implementation of an export plan, as well a contribution in the costs of specific activities that are part of the export plan.	E	X		X	
New Zealand	Exporter Education Programme	The EEP provides existing and new exporters with the skills and advice to help them grow their exports. Workshop topics include: - Getting Started in Exporting - Market Entry Strategies - Planning for Export Success - Tax Issues for exporters - Trade Fairs – Critical Success Factors - Developing Your Winning Sales Pitch.	E			X	

New Zealand	Enterprise Development Fund – Market Development Component (EDF-MD)	The EDF-MD was implemented to encourage more New Zealand firms to increase their international connections through the provision of funding assistance for offshore marketing and promotion activities. Businesses can apply for assistance with the implementation of significant international market development initiatives, including expenditure related to: - market visits - in-market representation - advertising and promotion - marketing materials - trade fairs and events - market research.	E	X			
New Zealand	Market Development Services	Market Development Services (MkDS) are part of the Growth Services Range (GSR) of customised business and international market development assistance. They are services (rather than grant funding), delivered directly to the firm and include a range of information, advisory and support services aimed at developing and or supplementing the capability of firms to develop their international markets.	E				X
New Zealand	Brand New Zealand	Brand New Zealand is creating a national umbrella brand that will differentiate New Zealand internationally, to better support key sectors, and enhance New Zealand's established and emerging areas of competitive advantage.	E// F		X		
New Zealand	Other SME support	New Zealand further runs a number of other support programmes targeted at SMEs. Their focus is however not on international activity per se.	E// F	X	X	X	X
Norway	Multiple	Offices abroad do support information, networks and international assistance.	E// F				X
Papua New Guinea	Start and Improve Your Business Program	General skills development programme targeted at a wide range of businesses.	E// F			X	
Peru	Generating Capacities for Export Chains	The programme aims to generate capacities in micro and small enterprises that allow them to get incorporated into the export chain, accomplishing the market demands. The programme provides non-financial entrepreneurial services, such as training, information and articulation, using IT.	E			X	
Peru	Supplier development	The programme aims to identify the public and private demand, matching it to the SME export potential supply at the national level, and analyzing key productive sectors	E			X	X
Philippines	Export Assistance Network	Provides information for exporters and would-be exporters. It also resolves specific concerns and problems related to export trade. It has a network of 152 agencies within and outside the Department of Trade and Industry, such as the Bureau of Customs.	E		X		X
Philippines	One-Stop Export Documenta-tion Centre	A one-stop shop for the application, processing, and approval of export documents	E		X		
Philippines	Tradeline Philippines	An online database that contains Philippine export and import statistics, world demand, target market's import statistics, trade updates, foreign buyers and their products of interest, product profiles, market guides, and assistance packages available to exporters.	E				X
Poland	Company Development for Exporters Programme	Scheme aimed at providing SMEs with necessary capabilities and required funds for developing products and improving their operations to be able to target specific export markets.	E	X		X	
Romania	Access support for SMEs	The objective of this Programme is to facilitate the access of the Romanian SMEs to foreign markets, the capitalisation of their export potential, as well as to decrease the gap of market information, consultancy and training services that exists between the Romanian SMEs and those from the European Union. The Romanian Government will implement actions directed to: - facilitate the participation of SMEs in fairs and international events; - support consultancy and training entrepreneurs in drafting export strategies, in marketing techniques and export management; - develop cross-border transactions through e-commerce.	E	X		X	X
Singapore	Various	A range of various programmes is offered by multiple providers covering the entire spectrum of support activities.	E// F	X	X	X	X

Slovak Republic	Support for International co-operation	Grants are provided to finance concrete proposals of SMEs that lead to international co-operation.	E//F	X			
Slovak Republic	Support for growth and technological development	Grants are provided to support the growth and technological development of SMEs. This programme is not specifically targeted at international activities but it is estimated that 20% of the grants support internationalisation.	E//F	X			
Spain	Programme A	It consists of a permanent action, addressed to Spanish companies in order to help them to overcome trade barriers in the foreign markets. The Secretariat-General for Foreign Trade examines and assesses the complaints presented and takes action, whether assisting the affected companies technically or, if necessary, trying to solve the problem through bilateral contacts with the host authorities in collaboration with the Spanish Commercial Office of the Spanish Embassy in the country where the problem arise. When necessary, an action and support from de EU Commission may be requested, as much as legal actions based on EU law.	E		X		
Spain	Programme B	Project Online for the Identification of Problems of Spanish Companies in the European Singlemarket: it consists of a preliminary enquiry addressed to Spanish exporting companies in order to ask them which kind of problems they find when trying to access to the other European markets, and to compile the information received.	E		X		
Sweden	SOLVIT & National board of trade	European network for removing trade barriers. Deals with complaints filed by individuals and business mainly concerning the misapplication of Internal Market law by public authorities.	E//F		X		
Sweden	The Swedish Embassies & The Swedish Trade Council	The embassies worldwide and the STC support companies with relevant information as well as formal and informal contacts.	E				X
Sweden	The Swedish Export Credits Guarantee Board (EKN)	EKN helps Swedish business reduce risks and improve chances of getting your bank to finance your transactions. EKN's directive from the government is to help improve the competitiveness of Swedish companies. Long-term credits, high-risk markets, specific transactions, small transactions – if there's no cover on the commercial insurance market, EKN's guarantees are there to help.	E	X			
Sweden	Invest in Sweden Agency (ISA)	ISA is the government agency assisting and informing foreign investors about business opportunities in Sweden. Companies planning to establish or expand business operations in Sweden can, free of charge, obtain information and assistance from ISA and its regional and international network.	I/F				X
Switzerland	Export promotion organisation	Helps Swiss SMEs to develop international business activities by delivering the following support: - export audit - identify strengths and weaknesses of the enterprise - giving first basic information - giving first advice.	E			X	X
Chinese Taipei	Not given						
Turkey	International Trade Fairs	Financial support for SMEs to participate in international trade fairs.	E	X			
United Kingdom	Passport to Export	A programme to develop the trading capability of SMEs that are new to exporting.	E			X	
United States	SBA (Small business export assistance)	Provide loan guarantees, information about specific markets and information on general export matters.	E	X			X
United States	US Foreign and Commercial Service	The Commercial Service places primary emphasis on the promotion of exports of goods and services from the United States, particularly by small businesses and medium-sized businesses, and on the protection of United States business interests abroad.	E			X	X
Vietnam	National Trade Promotion Programme	National Trade Promotion Programme is developed based on the orientation on market, exporting industries stipulated in the Export Strategy 2006-2010 and is funded by State Budget. The aim is to enhance trade promotion activities, to develop exporting market; to strengthen competitiveness for business community; to encourage linkages among trading, investment and tourism promotion.	E	X		X	X

Note: (I)mport, (E)xport, (F)oreign based operations and other co-operation.

Annex 1.3. Member Economy Policymaker Survey

SECTION ONE: Economy-specific information (Please complete this section once)	
Economy Context	
The policy thinking and philosophies that lie behind the government programmes of assistance to SMEs differ from economy to economy depending on the wider political, economic, regulatory, socio-cultural and environmental context in which the programmes fit. Please provide a brief description of the wider context in which your economy's programmes aimed at assisting SMEs to internationalise are positioned.	
General Information	
Name of Economy	
The definition of an SME differs from economy to economy. Please provide the general definition of an SME used in your economy. (If various definitions are used for different programmes, you will have the opportunity to specify these in Section 2). If you subdivide your definition of an SME by class size for analytical purposes (e.g. based on numbers of employees) please indicate which class sizes you use.	
Please state or estimate the number of SMEs in your economy.	Number of SMEs: Proportion of total businesses: % of SMEs currently exporting:
Barriers to internationalising are defined as all those constraints that hinder a firm's ability to initiate, to develop, or to sustain business operations in overseas markets. In your economy, what are considered to be the Top 10 barriers to firms internationalising? (A glossary is provided to assist with any unfamiliar terminology)	Top 10 Barriers: Please select from the provided list (B1-B49)± And rank with barrier #1 being the most important barrier. 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. <u>BARRIERS:</u> <u>Internal Barriers</u> – barriers internal to the enterprise associated with organisational resources/capabilities and company approach to internationalising. Informational Barriers Limited information to locate/analyse markets Unreliable data about the international market Identifying foreign business opportunities Inability to contact potential overseas customers Functional Barriers Lack of managerial time to deal with internationalisation Inadequate quantity of and/or untrained personnel for internationalisation Lack of excess production capacity for exports Shortage of working capital to finance exports Product and Price Barriers to Marketing Developing new products for foreign markets Adapting export product design/style Meeting export product quality/standards/specifications Meeting export packaging/labelling requirements Offering technical/after-sales service Offering satisfactory prices to customers

	Difficulty in matching competitors' prices Granting credit facilities to foreign customers Distribution, logistics and promotion Barriers to Marketing Complexity of foreign distribution channels Accessing export distribution channels Obtaining reliable foreign representation Maintaining control over foreign middlemen Difficulty in supplying inventory abroad Unavailability of warehousing facilities abroad Excessive transportation/insurance costs Adjusting export promotional activities to the target market External Barriers – barriers stemming from the home and target business / host environment, within which the firm operates. Procedural Barriers Unfamiliar exporting procedures/paperwork Difficulties in communicating with overseas customers Slow collection of payments from abroad Difficulties in enforcing contracts and resolving disputes Governmental Barriers Lack of home government assistance/incentives Unfavourable home rules and regulations Unfavourable foreign-rules and regulations Customer and Foreign Competitor Barriers Different foreign customer habits/attitudes Keen competition in overseas markets Business Environment Barriers Poor/deteriorating economic conditions abroad Foreign currency exchange risks Unfamiliar foreign business practices Different socio-cultural traits Verbal/nonverbal language differences Inadequacy of infrastructure for e-commerce Political instability in foreign markets Tariff and Non-tariff Barriers High tariff barriers Strict foreign rules and regulations Inadequate property rights protection (e.g. intellectual property) Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements) Arbitrary tariff classification and reclassification Unfavourable quotas and/or embargoes High costs of Customs administration Other Barriers Other (please specify) Other (please specify)
SECTION TWO: Programme Information (please complete for each relevant programme) Descriptions of current central/federal government-funded programmes are mainly sought for the purposes of this survey. However, if particular regional, state or local programmes (either public or private sector funded) are considered to make a significant contribution to reducing barriers to SMEs internationalising, then information on those key programmes should be provided.	
TITLE OF PROGRAMME	
Year programme established	
POLICY INFORMATION	
Overview of programme	a. Description: b. Rationale/reasons for implementing the programme: c. Objectives, main goals, targets: d. How funding is delivered: (e.g. grants, loans, guarantees, equity, subsidies) e. Other information:

What is the target group of the programme? (e.g. please state if a different SME definition is used for the purposes of this programme)	Target group: Is the programme open to firms operating within all sectors/industries? Yes No (if no, please specify eligible sectors) No target group
What are the criteria for eligibility?	
What are the specific barriers facing firms that the programme assists in overcoming? (please either select from above list of barriers to exporting or write in own words)	
How is this programme expected to assist firms in overcoming the above barriers?	
PROGRAMME DELIVERY INFORMATION	
Name of Government Agency/ Department/ Organisation responsible for delivery of programme	Please select one of the following: Government agency identified above delivers the programme Programme delivery is contracted to another government agency (please state either central/federal, regional, local or other) Programme delivery is contracted to the private sector Other (please specify)
Geographical Coverage of Programme	National Regional (please state region) Other (please specify)
How much funding is allocated on average to the programme per year?	Local Currency: \$US:
Is any co-funding sought from programme participants?	No Yes If yes, what is the proportion of the total cost that the business must contribute?%
Please describe the step-by-step process by which businesses access and use this programme.	
EVALUATION AND MEASUREMENT INFORMATION	
Please provide information on the operation of the programme (e.g. uptake, client satisfaction, informal feedback, current progress towards meeting programme targets etc)	
Has a formal review/ evaluation of the effectiveness of this programme been undertaken? If yes, can you provide a URL to the most recent evaluation document or attach a copy of the executive summary or abstract? (Please only supply documents that are in English or French) If no, is a formal evaluation planned soon? (please state when an evaluation is due)	
Programme modification	Has the programme been modified since its introduction? No Yes If yes, why and in what way? If you were starting the programme afresh, would you make changes to it? No Yes If yes, why and in what way?

± As listed by Leonidas C. Leonidou in “An Analysis of the Barriers Hindering Small Business Export Development”, *Journal of Small Business Management*, Vol 42, Number 3, July 2004.

Annex 1.4. Survey of SME Perceptions of Barriers to their Internationalisation

General Information	
Name of company (required)	Indicate name of your Company:
Location of company (required)	Indicate in which country your Company is located:
Company creation	Please indicate in what year your company was started:
Product or Service produced (required)	Please indicate whether your company exports (or has considered exporting) mainly a product, a service or both. Please specify:
Company size (required)	How many employees are in your company: Indicate Percentage of Gross Income received from exporting: ☐ None ☐ >0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐ Not Applicable
International experience	Please indicate whether your company has experience : <u>Exporting</u> ☐ Currently active in international activities ☐ Aspiring to be active (future potential/desire to be involved in international activities) ☐ Not-active in international activities (without a future/potential desire to be involved in international activities) <u>Importing</u> ☐ Currently active in international activities ☐ Aspiring to be active (future potential/desire to be involved in international activities) ☐ Not-active in international activities (without a future/potential desire to be involved in international activities) <u>Other (Licensing, joint ventures, outsourcing etc.)</u> Please specify: ☐ Currently active in international activities ☐ Aspiring to be active (future potential/desire to be involved in international activities) ☐ Not-active in international activities (without a future/potential desire to be involved in international activities)
Number of years in international activity	In what year did your Company start its international activities?
Selling pattern (required)	Please indicate whether your selling pattern (sales) for the foreign market can be described as occasional (i.e. on an intermittent basis) or regular (i.e. on a continuous basis) ☐ Occasional sales ☐ Regular sales
Focus export market (required)	Please specify the country you have in mind ("host" "foreign" "target" market) as you answer the remaining questions on barriers to internationalising:
	Is this a current export market or a market you aspire to enter? ☐ Current Export Market ☐ Desired Export Market

Perceptions of Barriers to Internationalising					
Barriers to internationalising are defined as all those constraints that hinder a firm's ability to initiate, to develop, or to sustain business operations in overseas markets. Thinking about your overall experience as an exporter or non-exporter, how significant a barrier to internationalising your product or service are the following: <i>(Please refer to the glossary for assistance with any unfamiliar terminology)</i>	INTERNAL BARRIERS – barriers internal to the enterprise associated with organisational resources/capabilities and company approach to internationalising.				
	INFORMATIONAL BARRIERS				
	B1. Limited information to locate/analyse markets				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B2. Unreliable data about the international market				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B3. Identifying foreign business opportunities				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B4. Inability to contact potential overseas customers				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	FUNCTIONAL BARRIERS				
	B5. Lack of managerial time to deal with internationalisation				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B6. Insufficient quantity of and/or untrained personnel for internationalisation				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B7. Lack of excess production capacity for exports				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B8. Shortage of working capital to finance exports				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	PRODUCT AND PRICE BARRIERS TO MARKETING				
	B9. Developing new products for foreign markets				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B10. Adapting export product design/style				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B11. Meeting export product quality / standards / specifications				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B12. Meeting export packaging/labelling requirements				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B13. Offering technical/after-sales service				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B14. Offering satisfactory prices to customers				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B15. Difficulty in matching competitors' prices				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B16. Granting credit facilities to foreign customers				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	DISTRIBUTION, LOGISTICS AND PROMOTION BARRIERS TO MARKETING				
	B17. Complexity of foreign distribution channels				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B18. Accessing export distribution channels				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant
	B19. Obtaining reliable foreign representation				
	Extremely	Very	Significant	Somewhat	Not
	Significant	Significant		Significant	Significant

	B20. Maintaining control over foreign middlemen				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B21. Difficulty in supplying inventory abroad				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B22. Unavailability of warehousing facilities abroad				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B23. Excessive transportation/insurance costs				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B24. Adjusting export promotional activities to the target market				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	EXTERNAL BARRIERS – barriers stemming from the home and foreign/target/host environment, within which the firm operates.				
	PROCEDURAL BARRIERS				
	B25. Unfamiliar exporting procedures/paperwork				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B26. Difficulties communicating with overseas customers				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B27. Slow collection of payments from abroad				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B28. Difficulties in enforcing contracts and resolving disputes				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	GOVERNMENTAL BARRIERS				
	B29. Lack of home government assistance/incentives				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B30. Unfavourable home rules and regulations				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B31. Unfavourable host/ foreign rules and regulations				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	CUSTOMER AND COMPETITOR BARRIERS				
	B32. Different foreign customer habits/attitudes				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B33. Keen competition in overseas markets				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	BUSINESS ENVIRONMENT BARRIERS				
	B34. Poor/deteriorating economic conditions abroad				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B35. Foreign currency exchange risks				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B36. Unfamiliar foreign business practices				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B37. Different socio-cultural traits				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B38. Verbal/nonverbal language differences				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant
	B39. Inadequacy of infrastructure for e-commerce				
	Extremely Significant	Very Significant	Significant	Somewhat Significant	Not Significant

	B40. Political instability in foreign markets Extremely Significant Very Significant Significant Somewhat Significant Not Significant TARIFF AND NON-TARIFF BARRIERS B41. High tariff barriers Extremely Significant Very Significant Significant Somewhat Significant Not Significant B42. Strict foreign rules and regulations Extremely Significant Very Significant Significant Somewhat Significant Not Significant B43. Inadequate property rights protection (e.g. intellectual property) Extremely Significant Very Significant Significant Somewhat Significant Not Significant B44. Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements) Extremely Significant Very Significant Significant Somewhat Significant Not Significant B45. Arbitrary tariff classification and reclassification Extremely Significant Very Significant Significant Somewhat Significant Not Significant B46. Unfavourable quotas and/or embargoes Extremely Significant Very Significant Significant Somewhat Significant Not Significant B47. High costs of Customs administration Extremely Significant Very Significant Significant Somewhat Significant Not Significant OTHER BARRIERS B48. Other (please specify) Extremely Significant Very Significant Significant Somewhat Significant Not Significant B49. Other (please specify) Extremely Significant Very Significant Significant Somewhat Significant Not Significant
Selecting from the barriers listed below, what do you consider to be the Top 10 barriers to firms internationalising that you would like removed? <i>(Please refer to the glossary for assistance with any unfamiliar terminology)</i>	Top 10 Barriers: <i>Please select from the provided list (B1-B49)</i> 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. B1. Limited information to locate/analyse markets B2. Unreliable data about the international market B3. Identifying foreign business opportunities B4. Inability to contact potential overseas customers B5. Lack of managerial time to deal with internationalisation B6. Inadequate quantity of and/or untrained personnel for internationalisation B7. Lack of excess production capacity for exports B8. Shortage of working capital to finance exports B9. Developing new products for foreign markets B10. Adapting export product design/style B11. Meeting export product quality/standards/specifications B12. Meeting export packaging/labelling requirements B13. Offering technical/after-sales service B14. Offering satisfactory prices to customers B15. Difficulty in matching competitors' prices B16. Granting credit facilities to foreign customers B17. Complexity of foreign distribution channels B18. Accessing export distribution channels B19. Obtaining reliable foreign representation B20. Maintaining control over foreign middlemen B21. Difficulty in supplying inventory abroad B22. Unavailability of warehousing facilities abroad B23. Excessive transportation/insurance costs B24. Adjusting export promotional activities to the target market

B25. Unfamiliar exporting procedures/paperwork B26. Difficulties communicating with overseas customers B27. Slow collection of payments from abroad B28. Difficulties in enforcing contracts and resolving disputes B29. Lack of home government assistance/incentives B30. Unfavourable home rules and regulations B31. Unfavourable foreign rules and regulations B32. Different foreign customer habits/attitudes B33. Keen competition in overseas markets B34. Poor/deteriorating economic conditions abroad B35. Foreign currency exchange risks B36. Unfamiliar foreign business practices B37. Different socio-cultural traits B38. Verbal/nonverbal language differences B39. Inadequacy of infrastructure for e-commerce B40. Political instability in foreign markets B41. High tariff barriers B42. Strict foreign rules and regulations B43. Inadequate property rights protection (e.g. intellectual property) B44. High health, safety and technical standards (e.g. sanitary and phytosanitary requirements) B45. Arbitrary tariff classification and reclassification B46. Unfavourable quotas and/or embargoes B47. High costs of customs administration B48. Other (please specify) B49. Other (please specify)						
Perceptions of Government Assistance						
Have you accessed any government programmes that assisted (or is designed to assist) you in overcoming any of the barriers you faced/face?	☐ Yes ☐ No Additional comments:					
What sort of assistance did you receive from the government? (please give a brief description and where possible, specify the name of the programme)						
From the assistance you have received, what do you consider was the most valuable in overcoming barriers to entering your chosen market?						
Was the government assistance useful to you?	<table border="0"> <tr> <td>Extremely Useful</td> <td>Very Useful</td> <td>Useful</td> <td>Somewhat Useful</td> <td>Not Useful</td> </tr> </table> Additional comments	Extremely Useful	Very Useful	Useful	Somewhat Useful	Not Useful
Extremely Useful	Very Useful	Useful	Somewhat Useful	Not Useful		
What other government assistance would be useful for you to have for overcoming barriers to internationalising? (either from existing government programmes or for programmes you consider the government should implement)						

If follow-up to this survey were to be undertaken, would you be interested and willing to be contacted to give further information?

☐ Yes ☐ No

If yes, please provide contact details (e-mail address, telephone number or fax) of someone whom we could contact.

Thank you for taking the time to fill out our survey on,

“SME Perceptions of Barriers to Exporting and Internationalisation.”

Glossary for Barriers to SME Access to International Markets

INTERNAL BARRIERS: Barriers internal to the enterprise associated with organisational resources/capabilities and company approach to export business.

Informational Barriers: problems in identifying, selecting, and contacting international markets due to information inefficiencies.

(B1) Limited information to locate/analyse markets: difficulty in knowing what national and international sources of information is available or required to reduce the level of uncertainty of foreign markets.

(B2) Unreliable data about the international market: problems associated with the source, quality, and comparability of available information used to attempt to increase understanding of foreign markets (including access to data, ability to retrieve data quickly, and the cost of obtaining data).

(B3) Identifying foreign business opportunities: difficulty in strategically and/or proactively identifying and selecting opportunities in foreign markets (including customers, contacts, business partners and joint ventures).

(B4) Inability to contact overseas customers: difficulty in contacting customers in overseas markets due to geographical distance and time-zones, poor research by the firm in identifying customers, and limited exposure to sources listing potential customers such as databases.

Functional Barriers: inefficiencies of various functions internal to the enterprises such as human resources, production, and finance, with regard to exporting.

(B5) Lack of managerial time to deal with internationalisation: inability for managers to devote sufficient time, resources and energy towards selecting, entering and expanding into foreign markets, designing export-marketing strategies, and conducting business with overseas customers.

(B6) Insufficient quantity of and/or untrained personnel for internationalisation: problems associated with insufficient numbers of personnel to handle the excess work demanded by export operations, in addition to a lack of specialised knowledge and expertise within the company to deal with export-business tasks such as documentation handling, logistical arrangements, and communicating with foreign customers (including knowledge of foreign languages, cultures and hands-on export experience).

(B7) Lack of excess production capacity for exports: inexistence of or inability to generate excess production over and above what the domestic market requires in order to initiate or expand export business operations.

(B8) Shortage of working capital to finance exports: difficulty in allocating and/or justifying adequate expenditure towards researching overseas markets, visiting foreign customers, adapting export marketing strategies and/or inability to access export financing assistance from governmental agencies, banks and other investors.

Marketing Barriers: pressures imposed by external forces on adapting the elements of the company's marketing strategy including barriers associated with the company's product, pricing, distribution, logistics, and promotional activities overseas.

(B9) Developing new products for foreign markets: inability, difficulty or unwillingness to develop entirely new products for specific foreign market needs and wants.

(B10) Adapting export product design/style: inability, difficulty or unwillingness to adapt the company's product design or style to the idiosyncrasies of each foreign market (e.g. different conditions of use, variations in purchasing power, dissimilar consumer tastes, diverse socio-cultural settings).

(B11) Meeting export product quality/standards/specifications: inability, difficulty, or unwillingness to adapt products necessitated by both legal and non-legal differences in quality standards and preferences among overseas markets.

(B12) Meeting export packaging/labelling requirements: inability, difficulty or unwillingness to adapt: packaging for requirements such as safety during transportation, storage and handling; and/or labelling for requirements such as different languages, specific information required by the host country (such as expiry dates, types of ingredients and net weight), and symbols, pictures, and colours preferred by foreign markets.

(B13) Offering technical/after-sales service: problems associated with the provision of technical and/or after-sales service including delays and increased costs associated with: geographical distances between the company and its export market; setting up servicing operations in strategic locations; maintaining large quantities of spare parts; adjusting the approach to after-sales service for country variations in conditions of use, competitive practices, and physical landscape.

(B14) Offering satisfactory prices to customers: inability to offer foreign customers satisfactory prices because of: higher unit costs due to small production runs; additional costs incurred in modifying product, packaging and/or service; higher administrative, operational and transportation expenses; extra taxes, tariffs, and fees imposed; and higher costs of marketing and distribution.

(B15) Difficulty in matching competitors' prices: lack of price competitiveness due to factors that are controllable (e.g. strict adoption of a cost-plus pricing method) and/or uncontrollable (e.g. existence of unfavourable foreign exchange rates; differences among countries' cost structure of production, distribution, and logistics; adoption of dumping practices by competitors; and government policy to subsidise local industry).

(B16) Granting credit facilities to foreign customers: problems due to a lack of funds to sustain providing credit facilities to customers and/or a fear that debts may not be recovered from customers that might be far away, have no past experience with the company, and come from countries with unstable politico-economic environments.

(B17) Complexity of foreign distribution channels: problems associated with adjusting distribution methods according to the variations and idiosyncrasies within each foreign market (e.g. range and quality of services offered, and number of layers of a distribution channel).

(B18) Accessing export distribution channels: problems associated with gaining access to distribution channels in overseas markets (including channels that are occupied by the competition; the costs of managing the length of the channel; or various levels of the system being controlled by a certain distributor).

(B19) Obtaining reliable foreign representation: difficulties in obtaining reliable representation overseas who meet the: structural (territorial coverage, financial strength, physical facilities), operational (product assortment, logistical arrangements, warehouse facilities), and behavioural (market reputation, relationships with government, co-operative attitude) requirements of the exporter and is not already engaged by a competitor.

(B20) Maintaining control over foreign middlemen: problems associated with companies having less control over foreign middlemen due to geographic and cultural distance, dependence on middlemen due to binding legal agreements, difficulties finding replacement middlemen; and/or the middleman carries other product lines that are more profitable than those of the exporter.

(B21) Difficulty in supplying inventory abroad: problems associated with re-supplying the foreign market adequately including transportation delays, demand fluctuations, and unexpected events that create shortages of the company's products overseas.

(B22) Unavailability of warehousing facilities abroad: problems associated with finding adequate warehousing overseas including lack of proper installations to safeguard product quality, prohibitive storage fees, outdated warehousing equipment technology, and the need for a multiple warehousing system for larger countries.

(B23) Excessive transportation/insurance costs: the exacerbation of transportation costs because of large distances to and within foreign markets, poor infrastructural facilities, limited availability of transportation, and delays in product delivery; and/or insurance costs because of the higher risks associated with selling goods overseas.

(B24) Adjusting export promotional activities to the target market: problems associated with adjusting promotional activities due to country variations in buying motives, consumption patterns, and government regulations including: variations in the composition of the target audience, inappropriate content of the advertising message, unavailability or different use of advertising media, restrictions in the frequency/duration of advertising, and insufficient means to assess advertising effectiveness across countries.

EXTERNAL BARRIERS: Barriers stemming from the home and host environment within which the firm operates.

Procedural Barriers: barriers associated with the operating aspects of transactions with foreign customers.

(B25) Unfamiliar exporting procedures/paperwork: difficulty in understanding and/or managing customs documentation, shipping arrangements, and other export procedures.

(B26) Difficulties communicating with overseas customers: insufficient and/or infrequent communication with customers due to the large geographical and psychological distances between buyers and sellers, and poor communications infrastructure.

(B27) Slow collection of payments from abroad: difficulty in achieving timely collection of payments from overseas due to the lack of immediate contact with overseas markets, foreign buyers requesting more credit facilities, the use of intermediaries to enter a foreign market, and/or strict currency restrictions imposed by the central bank of the foreign market.

(B28) Difficulties in enforcing contracts and resolving disputes: problems associated with: enforcing contracts due to poor quality (e.g. non-verifiable information, ambiguity, lack of consideration or mutual acceptance, and/or unreasonable breadth of the contract); enforcing contracts because of unclear expectations, misinterpretation, "bad faith" and/or unwillingness of contract partner(s) to uphold the contract; resolving disputes because of nonexistent or unsophisticated dispute resolution mechanisms, time and/or cost of accessing foreign legal systems, lack of knowledge of foreign laws, and conflicts of laws; and/or unwillingness of contract partner(s) to participate in dispute resolution mechanisms.

Governmental Barriers: Barriers associated with the actions or inaction by the home government in relation to its indigenous companies and exporters.

(B29) Lack of home government assistance/incentives: support and/or encouragement by government agencies to SMEs for export and internationalising activities are non-existent, scarce or unsophisticated.

(B30) Unfavourable home rules and regulations: local exporters are restricted by controls imposed by the home government including restrictions on exports of either components or final-products to certain hostile countries and/or restrictions on products with national security or foreign policy significance.

(B31) Unfavourable foreign rules and regulations: local exporters are restricted by controls imposed by the host government including restrictions on exports of either components or final-products to certain hostile countries and/or restrictions on products with national security or foreign policy significance.

Customer and Competitor Barriers: Barriers associated with the firm's customers and competitors in foreign markets, which can have an immediate effect on its export operations.

(B32) Different foreign customer habits/attitudes: difficulty in adjusting the company's strategy to accommodate variations in consumer habits and attitudes caused by different topographic and climatic conditions, household size and structure, level of technical understanding, income level and distribution, manners and customs, and education standards.

(B33) Keen competition in overseas markets: difficulty in maintaining competitive advantage in overseas markets due to more complicated and intensive competitive situations (e.g. competition arising from many sources, different cost competitive strategies and protections, different brand positioning and variable marketing strategies).

Business Environment Barriers: Barriers associated with the economic, political-legal and socio-cultural environment of the foreign market(s) within which the company operates or is planning to operate.

(B34) Poor/deteriorating economic conditions abroad: unpredictable consumer behaviour caused by economic effects such as large foreign debts, high inflation rates, and high unemployment levels in foreign markets, which erode their citizens' purchasing power and impacts on their spending habits (e.g. seeking more economical products, purchasing goods less often, and carefully selecting what they buy).

(B35) Foreign currency exchange risks: risks to international business transactions arising from unstable exchange rates leading to fluctuating export prices overseas; revaluation of exporter's currency resulting in less favourable prices to end-users; and unconvertible foreign currencies that impede the repatriation of sales/profits from overseas.

(B36) Unfamiliar foreign business practices: variations in business practices from country to country which may confuse or send distorted signals to companies that are unfamiliar with the formal and informal procedures performed in foreign markets.

(B37) Different socio-cultural traits: challenges associated with understanding and accommodating the affects that variations in religion, values, attitudes, manners, customs, education, and social organisation have on consumer behaviour, targeting approaches, and marketing programmes.

(B38) Verbal/non-verbal language differences: challenges associated with understanding the oral and written aspects of the foreign language and its nonverbal characteristics, such as body language and time perception, in order to communicate both verbally and non-verbally through marketing, advertising, branding and packaging.

(B39) Inadequacy of infrastructure for e-commerce: non-existent or unsophisticated structures (e.g. hardware, software, security, and broadband) are in place to support the distribution, sale, purchase, marketing, and servicing of products or services over electronic systems such as the Internet and other computer networks.

(B40) Political instability in foreign markets: difficulty in initiating or maintaining operations overseas due to economic (low household incomes, inflationary trends, large foreign debt), societal (religious fundamentalism, ethnic tension, high degree of corruption), and/or political (authoritarian regime, conflict with neighbours, military control) factors.

Tariff and Non-tariff Barriers: Barriers associated with restrictions on exporting and internationalising imposed by government policies and regulations in foreign markets.

(B41) High tariff barriers: the burden associated with excessive tax applied to imported goods to artificially inflate prices of imports and protect domestic industries from foreign competition.

(B42) Strict foreign rules and regulations: controls placed by foreign governments on companies that sell goods in their markets including entry restrictions which delay or restrict the flow of the product in the market; price controls; special tax rates; and exchange controls.

(B43) Inadequate property rights protection: difficulties associated with an inadequate legal framework to protect the ownership, use, control, benefit, transferal or sale of both physical and intangible property especially intellectual property (e.g. copyrights, patents, trademarks and trade secrets).

(B44) Restrictive health, safety and technical standards: difficulties associated with meeting high, non-transparent, inconsistent and/or discriminatory country-specific standards for imported goods including: sanitary and phytosanitary requirements; industrial and environmental protection standards; conformity assessment procedures (testing and re-testing, verification, inspection and certification to confirm products fulfil standards); and technical standards (e.g. preparation, adoption and application of different standards for specific characteristics of a product such as production, design, functions and performance).

(B45) Arbitrary tariff classification and reclassification: problems and costs associated with the practices by Customs administrations of classifying goods in a way which is not in accordance with internationally accepted rules and principles of tariff classification (e.g. increasing the level of duty payable for imported goods either for trade policy, trade protection and/or revenue raising reasons; imposing tariffs less favourable than those implied previously through reclassification of imported goods; inability to obtain firm rulings from overseas Customs authorities on duties for some products; and/or lack of technical knowledge by Customs' administrations to enable them to provide correct tariff classifications to importers).

(B46) Unfavourable quotas and/or embargoes: unreasonable prohibition of commerce and trade with a certain country or unreasonable restrictions on the quantity of specific goods being imported to certain countries.

(B47) High costs of Customs administration: costs associated with: divergent interpretations of customs valuation rules by different Customs administrations (including the use of arbitrary or fictitious customs values); delay in customs clearance procedures (e.g. excessive and/or irrelevant paperwork, congestion at points of entry, delay and cost of cargo clearance); lack of procedures for prompt review; and lack of transparency and/or irregular/illegal practices (e.g. unofficial customs procedures, unwritten rules and unpublished changes, unofficial fees to accelerate processing, and the absence of information on customs regulations and procedures in English).

Annex 1.5. Classification of Barriers

Barrier	Explanation
Finance barriers	
B8	Shortage of working capital to finance exports
B16	Granting credit facilities to foreign customers
Business environment barriers	
B27	Slow collection of payments from abroad
B28	Difficulties in enforcing contracts and resolving disputes
B29	Lack of home government assistance/incentives
B30	Unfavourable home rules and regulations
B31	Unfavourable foreign rules and regulations
B32	Different foreign customer habits/attitudes
B33	Keen competition in overseas markets
B34	Poor/deteriorating economic conditions abroad
B35	Foreign currency exchange risks
B36	Unfamiliar foreign business practices
B37	Different socio-cultural traits
B38	Verbal/nonverbal language differences
B39	Inadequacy of infrastructure for e-commerce
B40	Political instability in foreign markets
B41	High tariff barriers
B42	Strict foreign rules and regulations
B43	Inadequate property rights protection (e.g. intellectual property)
B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B45	Arbitrary tariff classification and reclassification
B46	Unfavourable quotas and/or embargoes
B47	High costs of customs administration
Capability barriers	
B5	Lack of managerial time to deal with internationalisation
B6	Inadequate quantity of and/or untrained personnel for internationalisation
B7	Lack of excess production capacity for exports
B9	Developing new products for foreign markets
B10	Adapting export product design/style
B11	Meeting export product quality/standards/specifications
B12	Meeting export packaging/labelling requirements
B13	Offering technical/after-sales service
B14	Offering satisfactory prices to customers
B15	Difficulty in matching competitors' prices
B21	Difficulty in supplying inventory abroad
B22	Unavailability of warehousing facilities abroad
B23	Excessive transportation/insurance costs
B26	Difficulties in communicating with overseas customers

Barrier	Explanation
Access barriers	
B1	Limited information to locate/analyse markets
B2	Unreliable data about the international market
B3	Identifying foreign business opportunities
B4	Inability to contact potential overseas customers
B17	Complexity of foreign distribution channels
B18	Accessing export distribution channels
B19	Obtaining reliable foreign representation
B20	Maintaining control over foreign middlemen
B24	Adjusting export promotional activities to the target market
B25	Unfamiliar exporting procedures/paperwork

Annex 1.6. Methodological Considerations

Qualifications of data and survey instrument (Member Economy Policymaker Survey)

It was decided to use the classifications proposed in the 1997 OECD study to analyse the data yielded by the two current studies. Whilst this provides a degree of continuity and integrity to the study, it is already becoming clear that the nature of SME activity and the global economy has undergone significant change in the meantime. This, added to the high degree of variability in the national contexts already commented on in this report, means that it is not always safe to make like-for-like comparisons across the responses. Some caution should be exercised when assessing the reliability of the data and its role in informing future policy decisions.

Furthermore, it is important to note that the open nature of some question led to responses which are difficult to aggregate:

3. Most member economies stated that they were just giving examples of their support programmes/activities, and thus the above sample cannot provide a complete picture. This is supported by a triangulation of the responses with previous studies, such as the 1997 OECD report, which lists more support programmes for a number of responding economies compared to what was submitted by these economies for this study.
4. The responses obtained used different levels of aggregation, *i.e.* some member economies provided individual responses for different support programmes, while others appeared to write a common response incorporating aspects from various support programmes. This complicates the coding effort involved in analysing qualitative data and prevents a more detailed analysis.
5. Based on the incompleteness of the responses, the sample may be biased towards a certain type of programme (*e.g.* a clear focus on export support programmes).
6. From reading the responses it became clear that language problems are likely to have affected the responses of some member economies, *i.e.* the same question was not interpreted in the same way by different respondents.

In order to compensate for these reservations, the analysis uses both quantitative and qualitative techniques and large tracts of the original responses are included in the annexes to convey the range and variety of provision.

Qualifications of data and survey instrument (SME Survey)

The survey allows for a useful starting point to identify perceived barriers to internationalisation amongst “international SMEs”. Two issues emerge however which require attention. First, the responses are highly biased towards a particular set of economies. It is not feasible therefore to extend the findings of the survey beyond this group of economies.

Even within this group, the response rate remains unknown since the survey does not allow information on how many SMEs actually received an invitation to participate in the survey. While this is a general problem with online questionnaires distributed through a number of e-mail distributions lists, the problem remains. A low response rate is commonly associated with a potential respondent bias (*i.e.* a bias in the sample towards a set of respondents with a particular attitude, such as particularly “satisfied” or “unsatisfied” respondents). While the data on the perceived support indicates that the sample represents a fairly equal number of satisfied and unsatisfied SMEs, this issue cannot be discounted altogether.

Annex 1.7. Responses to the Member Economy Policymaker Survey

Economy
Australia
Austria
Brunei Darussalam
Canada
Chile
Czech Republic
Denmark
Finland
France
Germany
Greece
Hong Kong, China
Hungary
Indonesia
Ireland
Italy
Japan
Korea
Malaysia
Mexico
Netherlands
New Zealand
Norway
Papua New Guinea
Peru
Philippines
Poland
Romania
Singapore
Slovak Republic
Spain
Sweden
Switzerland
Chinese Taipei
Turkey
United Kingdom
United States
Vietnam

Annex 1.8. Barriers as Perceived by Member Economies

Barrier	Category	Rank – Weighted factor	Weighted factor	Rank - Number of times mentioned	Number of times mentioned	Description of barrier
B6	C	1	148.5	2	22	Inadequate quantity of and/or untrained personnel for internationalisation
B8	F	2	145	1	24	Shortage of working capital to finance exports
B1	A	3	124.5	3	15	Limited information to locate/analyse markets
B3	A	4	119	3	15	Identifying foreign business opportunities
B5	C	5	82	9	11	Lack of managerial time to deal with internationalisation
B4	A	6	75.5	6	13	Inability to contact potential overseas customers
B9	C	7	75	7	12	Developing new products for foreign markets
B36	BE	8	65.5	3	15	Unfamiliar foreign business practices
B11	C	9	61	13	9	Meeting export product quality/standards/specifications
B25	A	10	59	9	11	Unfamiliar exporting procedures/paperwork
B48		11	52	11	10	Other (please specify)
B44	BE	11	52	13	9	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B18	A	13	48.5	7	12	Accessing export distribution channels
B42	BE	14	39.5	17	7	Strict foreign rules and regulations
B2	A	15	39	25	5	Unreliable data about the international market
B15	C	16	37	15	8	Difficulty in matching competitors' prices
B33	BE	16	37	17	7	Keen competition in overseas markets
B19	A	18	36.5	11	10	Obtaining reliable foreign representation
B16	F	19	35.5	15	8	Granting credit facilities to foreign customers
B23	C	20	35	17	7	Excessive transportation/insurance costs
B7	C	20	35	25	5	Lack of excess production capacity for exports
B31	BE	22	32.5	17	7	Unfavourable foreign rules and regulations
B43	BE	23	32	17	7	Inadequate property rights protection (e.g. intellectual property)
B29	BE	24	29	23	6	Lack of home government assistance/incentives
B27	BE	24	29	25	5	Slow collection of payments from abroad
B35	BE	26	28	25	5	Foreign currency exchange risks
B10	C	26	28	32	4	Adapting export product design/style
B41	BE	28	27	25	5	High tariff barriers
B17	A	29	26	23	6	Complexity of foreign distribution channels
B39	BE	30	25	17	7	Inadequacy of infrastructure for e-commerce
B14	C	31	21	32	4	Offering satisfactory prices to customers
B26	C	32	20	25	5	Difficulties in communicating with overseas customers
B12	C	32	20	37	3	Meeting export packaging/labelling requirements
B13	C	34	19	32	4	Offering technical/after-sales service
B37	BE	35	17	32	4	Different socio-cultural traits
B38	BE	36	15	25	5	Verbal/nonverbal language differences
B32	BE	36	15	32	4	Different foreign customer habits/attitudes
B28	BE	38	11	37	3	Difficulties in enforcing contracts and resolving disputes
B47	BE	39	10	39	2	High costs of Customs administration
B49		40	8	39	2	Other (please specify)
B45	BE	41	7	41	1	Arbitrary tariff classification and reclassification
B21	C	42	6	41	1	Difficulty in supplying inventory abroad
B24	A	42	6	41	1	Adjusting export promotional activities to the target market
B30	BE	44	5	41	1	Unfavourable home rules and regulations
B46	BE	45	1	41	1	Unfavourable quotas and/or embargoes

Annex 1.9. Responses to SME Survey by OECD/APEC Economies

Home member economy	Responses	Percent
Canada	217	22.19
Greece	128	13.09
Switzerland	118	12.07
Turkey	77	7.87
Japan	74	7.57
Spain	60	6.13
New Zealand	52	5.32
Poland	33	3.37
Mexico	25	2.56
Korea	23	2.35
Chile	21	2.15
Czech Republic	19	1.94
Italy	12	1.23
France	11	1.12
Philippines	11	1.12
Hungary	10	1.02
Australia	9	0.92
Austria	9	0.92
United Kingdom	8	0.82
Germany	6	0.61
Brunei Darussalam	5	0.51
Malaysia	4	0.41
Peru	4	0.41
China	3	0.31
Finland	3	0.31
Romania	3	0.31
Argentina	2	0.20
Nepal	2	0.20
Portugal	2	0.20
Slovak Republic	2	0.20
Sweden	2	0.20
United States	2	0.20
Albania	1	0.10
Belgium	1	0.10
Brazil	1	0.10
Chinese Taipei	1	0.10
Colombia	1	0.10
Costa Rica	1	0.10
Democratic Republic of Congo	1	0.10
Guatemala	1	0.10
Hong Kong, China	1	0.10
Ireland	1	0.10

Home member economy	Responses	Percent
Lebanon	1	0.10
Liechtenstein	1	0.10
Nigeria	1	0.10
Qatar	1	0.10
Russia	1	0.10
Singapore	1	0.10
Swaziland	1	0.10
Tajikistan	1	0.10
Thailand	1	0.10
Uganda	1	0.10
Ukraine	1	0.10
Total	978	100.00

Annex 1.10. Complete Results from Likert-Scale Ranking

Rank	Average	StdDev	Barrier	Description
1	3.55	1.25	B19	Obtaining reliable foreign representation
2	3.52	1.23	B3	Identifying foreign business opportunities
3	3.34	1.27	B1	Limited information to locate/analyse markets
4	3.33	1.26	B20	Maintaining control over foreign middlemen
5	3.33	1.36	B4	Inability to contact potential overseas customers
6	3.28	1.24	B33	Keen competition in overseas markets
7	3.27	1.39	B29	Lack of home government assistance/incentives
8	3.24	1.30	B14	Offering satisfactory prices to customers
9	3.19	1.29	B18	Accessing export distribution channels
10	3.17	1.31	B28	Difficulties in enforcing contracts and resolving disputes
11	3.16	1.23	B2	Unreliable data about the international market
12	3.14	1.37	B16	Granting credit facilities to foreign customers
13	3.13	1.22	B5	Lack of managerial time to deal with internationalisation
14	3.13	1.45	B8	Shortage of working capital to finance exports
15	3.12	1.28	B6	Inadequate quantity of and/or untrained personnel for internationalisation
16	3.10	1.32	B31	Unfavourable foreign rules and regulations
17	3.10	1.36	B15	Difficulty in matching competitors' prices
18	3.09	1.24	B17	Complexity of foreign distribution channels
19	3.06	1.31	B27	Slow collection of payments from abroad
20	3.02	1.22	B24	Adjusting export promotional activities to the target market
21	2.97	1.19	B32	Different foreign customer habits/attitudes
22	2.94	1.33	B25	Unfamiliar exporting procedures/paperwork
23	2.92	1.32	B42	Strict foreign rules and regulations
24	2.89	1.36	B13	Offering technical/after-sales service
25	2.89	1.30	B35	Foreign currency exchange risks
26	2.88	1.43	B23	Excessive transportation/insurance costs
27	2.88	1.40	B30	Unfavourable home rules and regulations
28	2.85	1.35	B9	Developing new products for foreign markets
29	2.84	1.21	B36	Unfamiliar foreign business practices
30	2.84	1.45	B11	Meeting export product quality/standards/specifications
31	2.80	1.32	B26	Difficulties in communicating with overseas customers
32	2.78	1.44	B43	Inadequate property rights protection (e.g. intellectual property)
33	2.73	1.37	B10	Adapting export product design/style
34	2.72	1.26	B34	Poor/deteriorating economic conditions abroad
35	2.71	1.40	B47	High costs of customs administration
36	2.69	1.43	B41	High tariff barriers
37	2.68	1.25	B38	Verbal/nonverbal language differences
38	2.65	1.19	B37	Different socio-cultural traits
39	2.59	1.39	B12	Meeting export packaging/labelling requirements
40	2.57	1.31	B21	Difficulty in supplying inventory abroad
41	2.48	1.33	B39	Inadequacy of infrastructure for e-commerce
42	2.47	1.34	B40	Political instability in foreign markets
43	2.47	1.36	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
44	2.44	1.32	B45	Arbitrary tariff classification and reclassification
45	2.30	1.36	B22	Unavailability of warehousing facilities abroad
46	2.28	1.39	B46	Unfavourable quotas and/or embargoes
47	2.25	1.33	B7	Lack of excess production capacity for exports

Annex 1.11. Complete Results from Top Ten Ranking

Rank	Average (weighted factor)	StdDev	No. of times mentioned	Barrier	Description
1	3.01	3.89	365	B8	Shortage of working capital to finance exports
2	3.00	4.09	341	B3	Identifying foreign business opportunities
3	2.82	4.10	323	B1	Limited information to locate/analyse markets
4	2.60	3.82	305	B4	Inability to contact potential overseas customers
5	2.05	3.17	305	B19	Obtaining reliable foreign representation
6	1.94	3.42	252	B5	Lack of managerial time to deal with internationalisation
7	1.79	3.26	243	B6	Inadequate quantity of and/or untrained personnel for internationalisation
8	1.68	3.10	232	B15	Difficulty in matching competitors' prices
9	1.60	2.96	227	B29	Lack of home government assistance/incentives
10	1.43	2.79	224	B23	Excessive transportation/insurance costs
11	1.39	3.01	202	B2	Unreliable data about the international market
12	1.26	2.75	194	B14	Offering satisfactory prices to customers
13	1.24	2.59	185	B18	Accessing export distribution channels
14	1.17	2.55	183	B16	Granting credit facilities to foreign customers
15	1.09	2.36	182	B27	Slow collection of payments from abroad
16	1.03	2.35	179	B33	Keen competition in overseas markets
17	1.00	2.29	177	B28	Difficulties in enforcing contracts and resolving disputes
18	0.97	2.33	158	B17	Complexity of foreign distribution channels
19	0.95	2.28	155	B20	Maintaining control over foreign middlemen
20	0.94	2.32	155	B9	Developing new products for foreign markets
21	0.93	2.37	154	B13	Offering technical/after-sales service
22	0.87	2.20	143	B35	Foreign currency exchange risks
23	0.85	2.31	132	B31	Unfavourable foreign rules and regulations
24	0.77	2.33	130	B41	High tariff barriers
25	0.76	2.09	129	B26	Difficulties in communicating with overseas customers
26	0.74	2.18	125	B43	Inadequate property rights protection (e.g. intellectual property)
27	0.74	2.11	123	B11	Meeting export product quality/standards/specifications
28	0.73	2.05	121	B10	Adapting export product design/style
29	0.71	2.08	117	B47	High costs of customs administration
30	0.68	1.85	115	B24	Adjusting export promotional activities to the target market
31	0.65	1.93	113	B25	Unfamiliar exporting procedures/paperwork
32	0.65	2.04	103	B30	Unfavourable home rules and regulations
33	0.60	1.98	99	B42	Strict foreign rules and regulations
34	0.58	1.89	96	B7	Lack of excess production capacity for exports
35	0.47	1.57	96	B36	Unfamiliar foreign business practices
36	0.47	1.63	83	B38	Verbal/nonverbal language differences
37	0.42	1.74	77	B44	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
38	0.37	1.40	71	B32	Different foreign customer habits/attitudes
39	0.35	1.36	68	B34	Poor/deteriorating economic conditions abroad
40	0.34	1.48	65	B40	Political instability in foreign markets
41	0.33	1.41	62	B37	Different socio-cultural traits
42	0.33	1.46	61	B12	Meeting export packaging/labelling requirements
43	0.32	1.41	61	B45	Arbitrary tariff classification and reclassification
44	0.30	1.34	55	B22	Unavailability of warehousing facilities abroad
45	0.29	1.38	52	B46	Unfavourable quotas and/or embargoes
46	0.29	1.25	50	B39	Inadequacy of infrastructure for e-commerce
47	0.28	1.33	49	B21	Difficulty in supplying inventory abroad

Annex 1.12. Differences in Perceived Barriers by Subgroups

Only less than half of the barriers differed significantly by activity ($p=0.05$; it needs to be mentioned though that a type 1 error is likely for a few of these barriers due to the number of total barriers tested and the significance level¹ chosen). Those barriers with their respective mean scores (top ten ranking method) are shown in Table A1.12-1. While this analysis brings to light some rather obvious conclusions, such as that barrier B23 (Excessive transportation/insurance costs) is more of a concern for firms that deal with products, it also underpins a broader pattern of differences in business activities. The most noteworthy differences can be seen in Table A1.12-1.

Table A1.12-1. Differences in perceived barriers by activity

Barrier	Mean (All)	Mean (Product)	Mean (Service)	Mean (Both)	Description
B8	3.01	2.66	3.42	3.45	Shortage of working capital to finance exports
B3	3.00	2.72	3.72	2.93	Identifying foreign business opportunities
B1	2.82	2.54	3.49	2.81	Limited information to locate/analyse markets
B5	1.94	1.92	2.52	1.41	Lack of managerial time to deal with internationalisation
B15	1.68	2.15	0.85	1.39	Difficulty in matching competitors' prices
B29	1.60	1.36	2.23	1.54	Lack of home government assistance/incentives
B23	1.43	1.93	0.82	0.86	Excessive transportation/insurance costs
B2	1.39	1.28	1.93	1.12	Unreliable data about the international market
B14	1.26	1.56	0.84	0.97	Offering satisfactory prices to customers
B18	1.24	1.49	1.02	0.89	Accessing export distribution channels
B33	1.03	1.31	0.65	0.76	Keen competition in overseas markets
B13	0.93	0.82	0.72	1.41	Offering technical/after-sales service
B35	0.87	0.97	0.45	1.03	Foreign currency exchange risks
B41	0.77	0.98	0.37	0.69	High tariff barriers
B11	0.74	0.96	0.31	0.63	Meeting export product quality/standards/specifications
B47	0.71	0.84	0.18	0.92	High costs of Customs administration
B44	0.42	0.62	0.13	0.23	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B22	0.30	0.41	0.06	0.30	Unavailability of warehousing facilities abroad

Firms with service only offerings feel a stronger lack of government support. This is likely to be explained by the fact that services are more difficult to characterise than products and government agencies may feel less qualified to assess the international potential of service firms as opposed to firms producing physical goods. The difficulty in comparing and evaluating services is featured in a number of the other differences, such as in barriers B3 (Identifying foreign business opportunities), B1 (Limited information to locate/analyse markets), B2 (Unreliable data about the international market). For firms producing products, the problems rather centre around issues like price competition (B15,

B14, B33) and issues related to the distribution and import/export of products (*e.g.* B18, B41 and B22).

The 11 sectors mentioned above were used for the analysis in Table A1.12-2. Only a few of the barriers were found to show significant differences between the sectors. While not all of these differences can be explained easily, some can be used to focus support efforts. For example, accessing distribution channels is most difficult for firms from the tourism, leisure and heritage sector.

Table A1.12-2. Differences in perceived barriers by sector

Barrier	Mean (All)	Advanced Engineering (incl. auto)	Aerospace, Airports and Transport	Agriculture and Food	Creative Industries	Education and Training	Energy	Environment	Finance and Business	Healthcare and Biotechnology	ICT	Tourism, Leisure and Heritage	Description
B8	3.01	2.96	1.59	2.68	2.63	4.16	3.47	2.43	2.88	2.21	4.86	4.30	Shortage of working capital to finance exports
B19	2.05	2.14	2.00	1.58	1.69	3.16	2.37	3.38	2.02	2.56	3.44	2.24	Obtaining reliable foreign representation
B15	1.68	1.69	2.07	2.07	0.63	0.32	1.89	1.38	0.97	1.95	0.82	2.05	Difficulty in matching competitors' prices
B23	1.43	1.55	2.38	2.14	2.94	0.58	0.42	0.90	1.12	1.93	0.42	1.32	Excessive transportation/insurance costs
B14	1.26	1.34	1.03	1.80	0.00	0.68	1.79	0.48	0.71	1.33	0.50	1.49	Offering satisfactory prices to customers
B18	1.24	1.06	0.48	1.64	1.88	0.81	1.42	1.62	0.83	1.56	1.14	2.41	Accessing export distribution channels
B13	0.93	1.29	0.69	0.79	0.00	0.55	1.37	1.33	0.65	0.74	2.08	0.92	Offering technical/after-sales service
B43	0.74	0.78	1.03	0.55	2.44	0.42	0.95	1.24	0.56	0.77	1.54	0.46	Inadequate property rights protection (<i>e.g.</i> intellectual property)
B11	0.74	0.89	1.10	1.06	0.00	0.19	0.95	0.71	0.23	0.37	0.18	0.76	Meeting export product quality/standards/specifications
B47	0.71	0.56	1.38	0.86	1.81	0.84	0.68	0.76	0.39	1.21	0.24	1.84	High costs of Customs administration
B30	0.65	0.27	0.69	0.67	0.38	1.77	0.79	0.14	0.84	0.60	0.74	0.14	Unfavourable home rules and regulations
B44	0.42	0.42	0.00	1.20	0.00	0.00	0.00	0.48	0.10	0.51	0.06	0.27	Restrictive health, safety and technical standards (<i>e.g.</i> sanitary and phytosanitary requirements)
B40	0.34	0.44	0.17	0.22	0.50	0.06	1.32	1.00	0.15	0.49	0.04	0.11	Political instability in foreign markets
B46	0.29	0.20	0.90	0.67	0.44	0.03	0.00	0.00	0.00	0.21	0.00	0.14	Unfavourable quotas and/or embargoes

Slightly more than half of the total barriers vary significantly according to the respondent's home member economies. Table A1.12-3 lists the respective mean values for these barriers (the economies appear in the order of the total number of responses received). For each barrier, the lowest and highest score are highlighted (bold font). The respective differences can be used as a proxy to help governments decide on which areas to focus support on. For example, SMEs within Canada report considerable difficulties obtaining working capital to finance exports, while SMEs in Japan appear to have no difficulty in identifying foreign business opportunities. Not surprisingly, SMEs in faraway New Zealand complain of excessive transportation and insurance costs.

Table A1.12-3. Differences in perceived barriers by SMEs and member economies

Barrier	Mean (All)	Canada	Greece	Switzerland	Turkey	Japan	Spain	New Zealand	Description
B8	3.01	3.97	2.57	1.23	3.01	1.46	3.71	3.32	Shortage of working capital to finance exports
B3	3.00	3.28	4.41	3.26	2.50	0.77	2.13	3.68	Identifying foreign business opportunities
B1	2.82	3.19	2.16	2.08	3.96	0.91	3.20	3.00	Limited information to locate/analyse markets
B4	2.60	2.43	3.98	1.55	2.67	0.64	3.64	2.14	Inability to contact potential overseas customers
B19	2.05	2.34	0.99	2.33	2.19	1.82	2.63	2.52	Obtaining reliable foreign representation
B5	1.94	2.18	2.46	1.75	1.27	0.93	2.86	2.23	Lack of managerial time to deal with internationalisation
B15	1.68	1.37	1.66	1.73	3.13	2.14	1.48	0.55	Difficulty in matching competitors' prices
B29	1.60	2.57	2.40	0.34	0.90	0.41	1.52	2.61	Lack of home government assistance/incentives
B23	1.43	1.46	1.77	0.62	1.60	0.80	1.89	2.52	Excessive transportation/insurance costs
B14	1.26	0.84	1.05	1.99	1.39	2.59	1.27	1.02	Offering satisfactory prices to customers
B16	1.17	1.88	1.23	0.63	1.07	1.21	0.88	0.70	Granting credit facilities to foreign customers
B27	1.09	0.94	0.68	1.32	1.60	1.84	1.13	0.98	Slow collection of payments from abroad
B28	1.00	0.90	0.87	1.01	0.84	1.98	1.32	0.64	Difficulties in enforcing contracts and resolving disputes
B35	0.87	0.85	0.19	0.87	0.63	1.82	0.61	1.75	Foreign currency exchange risks
B41	0.77	0.60	0.53	1.18	0.81	1.64	0.41	0.25	High tariff barriers
B43	0.74	0.69	0.25	1.15	0.16	2.68	0.20	1.02	Inadequate property rights protection (e.g. intellectual property)
B30	0.65	0.64	0.75	0.45	0.57	0.36	0.57	1.91	Unfavourable home rules and regulations
B42	0.60	0.76	0.26	1.08	0.46	1.29	0.34	0.43	Strict foreign rules and regulations
B36	0.47	0.30	0.36	0.57	0.46	1.13	0.43	0.25	Unfamiliar foreign business practices
B38	0.47	0.40	0.35	0.41	0.31	1.64	0.57	0.32	Verbal/nonverbal language differences
B44	0.42	0.16	0.14	0.52	0.16	0.96	0.34	1.16	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B34	0.35	0.25	0.46	0.16	0.24	1.02	0.46	0.20	Poor/deteriorating economic conditions abroad
B40	0.34	0.33	0.42	0.23	0.27	1.36	0.36	0.09	Political instability in foreign markets
B37	0.33	0.15	0.22	0.48	0.26	0.91	0.29	0.07	Different socio-cultural traits
B45	0.32	0.29	0.31	0.69	0.11	0.63	0.09	0.05	Arbitrary tariff classification and reclassification
B22	0.30	0.15	0.27	0.05	0.84	0.29	0.50	0.18	Unavailability of warehousing facilities abroad
B39	0.29	0.29	0.76	0.09	0.10	0.48	0.14	0.73	Inadequacy of infrastructure for e-commerce

For the test by primary target market, the top six target markets (*i.e.* all that featured more than 20 responses) were considered (the economies appear in the order of the total number of responses received). Only a few barriers are significantly different by primary target market (see Table A1.12-4). While some of these differences cannot be explained easily, others confirm the prevailing perceptions about certain markets. For example China, although being the second most important target market, still presents significantly higher obstacles regarding aspects, such as intellectual property rights (Barrier B43), differences in culture, business practices and language (Barriers B38, B36 and B37) and concerns about political instability (Barrier B40).

Table A1.12-4. Differences in perceived barriers by primary target market

Barrier	Mean (All)	United States	China	Germany	Russia	France	United Kingdom	Description
B8	3.01	3.48	2.70	2.70	3.62	1.81	4.92	Shortage of working capital to finance exports
B3	3.00	3.23	2.17	3.53	3.16	1.81	4.33	Identifying foreign business opportunities
B33	1.03	1.07	1.42	1.61	0.38	0.26	1.17	Keen competition in overseas markets
B26	0.76	0.52	1.11	0.44	0.27	1.10	0.96	Difficulties in communicating with overseas customers
B43	0.74	0.51	1.65	0.25	0.70	1.00	0.42	Inadequate property rights protection (e.g. intellectual property)
B11	0.74	0.84	0.56	0.90	1.11	0.23	2.08	Meeting export product quality/standards/specifications
B36	0.47	0.34	0.95	0.53	0.92	0.13	0.08	Unfamiliar foreign business practices
B38	0.47	0.16	1.27	0.66	0.35	0.39	0.29	Verbal/nonverbal language differences
B40	0.34	0.12	0.68	0.17	0.43	0.32	0.17	Political instability in foreign markets
B37	0.33	0.03	0.83	0.38	0.51	0.26	0.13	Different socio-cultural traits

Notes

1. Significance level: A statistical measure indicating the level of confidence, with which statements can be made about the results.

Annex 1.13. Comments of SMEs on Usefulness of Government Support

Usefulness ¹	Country	Programme used / support received	Most value obtained from	Comments
5	Canada	Local Ag Canada office helped with research and introductions	The introduction to the buyer and the research to identify that buyer	Local hired staff at the consulate was invaluable
5	Canada	EDC of Canada has been helpful in providing ready access to facilities necessary to streamline our overseas operations, especially with the provision of credit insurance and other export related facilities	Access to capital from participating financial institutions	EDC should assume more risk exposures on behalf of exporters
5	Canada	Overseas Trade Office Personnel assistance	Having been able to identify legitimate partners/customers	Foreign countries should establish Governmental Offices which can provide screening of illegitimate and dishonest business individuals
5	Canada	PEMD	Help with financing	Programme was cancelled
5	Canada	I spoke to a Canada Customs agent to get help with Canadian Customs classifications (commercial section?) I also used the ExportSource website and various other Gov't of Canada websites, as well as the Business centre (name?) exporting seminar at Waterfront station in Vancouver, BC to educate myself on the steps involved in exporting	1. Speaking in person to a Canada Customs officer (for help with forms and classification of products) and 2. Attending an exporting seminar at the business centre @ waterfront station in Vancouver (to get step-by-step help with other SME owners on the exporting process)	I found it was too hard to contact the local Vancouver trade commissioner for arts and culture. The receptionist at her office was quite helpful, as she knew to send me to the Canada Customs office down the block.
5	Canada	List of market segment participants - Trade Commissions	Target market - assistance	Trade Commission offices abroad in most cases do an excellent job supporting our efforts
5	Canada	Payment of fees and transport costs	Detailed information on personal security	In our participation to these markets organised by the states
5	Greece	Opening of new markets, low budget exhibition programs	Personal contact with abroad customers	To be continued more intensely
5	Greece	Subsidy N.1262/92 (ΜΟΠ)	Factory establishment 45%	Stronger support
5	Mexico	Pymexporta	Obtain the reimbursement of consultancy	Exist additional supports for fairs and international events, websites, material and capacitation
5	Peru	Send samples for diplomatic valise	Cost reduction	Enterprises informs
5	Poland	Phare 2000	Phare 2000	Buying new machines from the grant was the base to start production for export
5	Switzerland	We found a distributor in Poland and Spain	To contact partners	The overview of the market helps them a lot
4	Canada	Assistance planning for business development in Australia	International market conditions	But not extraordinary considering this was already a very developed Western market
4	Canada	CIDA Inc - Foreign Industrial Co-operation	Sharing early stage business risk	But there is room for improvement
4	Canada	Key Contact Lists and some market information	Essentially, I need to get in direct contact potential clients. The Key Contact Lists were good, but not as effective as hoped. More Face-to-Face introductions are needed.	My interactions with government services for business development have been good

Usefulness ¹	Country	Programme used / support received	Most value obtained from	Comments
4	Canada	The best help is when govt gets out of the way	Minimal red tape at the border with the United States	The Canadian govt has the most favourable border crossing arrangements with the United States, which is good, but the restrictions should be even less while maintaining security, and privacy rights
4	Canada	PEMD; program for export market development	Trade show participation	PEMD was discontinued
4	Canada	IRAP, PEMD	IRAP	But as IRAP was being killed, they beat us out of some money, just to make things a little tougher
4	Canada	Consultations	Don't know yet, going through the process	So far so good
4	Greece	To overcome some difficulties with some public servants	To mine useful information from some public bodies	No
4	Greece	METPO 4.3	Financial support	The measure was extremely austere regarding the changes. We need much more flexibility. We are not able three years before to accomplish the program so that it will be 100% good three years later. we must be able to make changes with no concern, meeting the market
4	Greece	O.Π.E.	Exhibitions with OΠE	Higher financing for the national stalls in international fairs
4	New Zealand	Free training course for small business	Assistance of financial management	It's easy to set up a small business but very hard to maintain and grow up
4	New Zealand	Market Assistance programs and NZTE initiatives such as Innovation Exchange, TIF's, Post Grad funding from FRST, ANZBTPF; VIP visits to NZ	NZTE supported Missions (e.g. Bio 2004, 2005, and 2006)	Good staff well connected. Govt should assist with Mission to Airbus, France in June
4	Spain	Subsidies for tests of fish with ice liquid, in collaboration with CESIC	The one commented	We need to continue making official proofs with CESIC
3	Canada	Some project financing for training in Russia following a request for service from Russian client	The financial assistance to overcome project start up costs and ensure presence in the market. Following establishment of a physical presence other business opportunities followed that would otherwise not have been realised	In dealing with government assistance programs and government as a whole there is a definite lack of knowledge or experience in government officials in the market and requirements of the small business or entrepreneur. In dealing with these officials it is extremely frustrating to present information to people that have no knowledge of country or business. Applications are restrictive and difficult to complete when the proper questions and requirements cannot be displayed.
3	Canada	Agri-food Canada Marketing Info, Tobacco Diversification grants for product advertising, Information from Commercial Offices at Embassies, Team Canada/NEBs Information and missions, International Trade Canada, Virtual Trade Commissioner Service	Virtual Trade Commissioner is good for my small business, Agri-food Canada Export Rediness Package was helpful as well	Much of this information could me more useful in the future should export sales increase
3	Canada	Free local seminar on exporting to the United States	Meeting other like-minded businesses with similar issues, networking	Gained a new client
3	Czech Republic	A potential partner introduction; a presentation arrangement, social support	Social support from the Czech republic representation when dealing with local authorities and country representatives	As the case may be
3	Greece	Promotion in exhibitions abroad	Financial	The target-countries have low standard of living
3	Mexico	PYMEXPORTA Puebla in the program requirements of origin	All	We need to have more contact and communication
3	Mexico	Support for fairs, market research, advertising material, Pymexporta program	Market research	More economic support and specialised consultancy in foreign markets

Usefulness ¹	Country	Programme used / support received	Most value obtained from	Comments
3	New Zealand	Biz info training workshops - e-commerce; Comet project	Comet project online store set up	Sponsorship to Comet Project should have included a Bank which could have offered assistance to set up credit card facilities to enable overseas customers to use the store
3	New Zealand	Free advise of a lawyer for 1 hour to discuss licensing proposal	Never took any further as would involve too much managerial time.	Too busy domestically to really take advantage of the new opportunity we had in front of us. Would have been good if short of work
3	New Zealand	Some research into potential foreign business reps	Having someone in the marketplace with some knowledge of that marketplace	At the end of the day it is your own desire and knowledge that is required for market research. Government assistance is great for opening some doors of opportunity, assisting with market understanding and formation of strategies, and of course funding assistance
3	Spain	Information	Information	Financial support is necessary in the beginning
3	Switzerland	Find Representative	Find distribution channels	We are just in the process right now, it might show very useful by the end
3	Turkey	We are selected for Kosgeb programme	We haven't received a significant assistance yet	We are still hoping that it will be useful
2	Canada	Partial travel subsidy (Canada Council) in home country to conference on international markets	Opportunity to discuss international markets with other cultural workers (writers and editors)	Government helps big multinationals more than cultural groups, as it's more familiar with their structure.
2	Canada	Trade Ontario - trying to locate a representative in Chile	Language	Lack of specialised knowledge towards our product produced lukewarm results
2	Canada	Financial support for environmental assessment of projects	The reverse actually, the government was not prepared to work as a team to support project development	Tied aid and export finance is a big issue - everyone is prepared to work in a strong market but not in the developing countries where opportunities are ripe
2	Canada	Advisory Session	None	Capitol Requirements problematic
2	Canada	None, other than money from SR&ED	Haven't gotten in yet, because the barrier is higher than the assistance given	I'd like to see the IRAP people allow the spending of money by the applicant as soon as the initial paperwork is in, with the government money to come after. This way we can get ahead while waiting for the wheels to grind. There ought to also be an incentive for making the wheels move more quickly, while still rewarding good governance.
2	Canada	Workshop - Introduction to Exporting	General Introduction to Exporting	Government needs to help the start-up SME with costs. Provide patient capital
2	Malaysia	Invitation to visit foreign country for business opportunity	Government support in financial	Unfavourable capital has limit our exposure into export market
2	Mexico	Participation in the national fair of the field	Access to foreign clients	The price of freights in Mexico is very expensive
1	Canada	VTC- Help was cursory and sloppy, not taking into account our extensive experience of Norwegian trade barriers. No solution was offered.	Assistance was unsuccessful, when embassy staff with less experience were not willing to fully record our years of experience. The embassy was not willing to pursue the issue in the long term.	These situations would have required EXCHANGE of knowledge and a co-ordinated action to pursue the issue with Norwegian government and businesses
1	Canada	Service companies are in a grey area as far as their mandate to assist them	They only went through the motion and this when they answered	Their focus is mainly on export of goods not services
1	Canada	None (formally)	Encouragement	The largest problems are due to a lack of investment capital
1	Canada	DFAIT trade mission and matchmaking services	We never "overcame the barriers". Government assistance was not helpful.	It was useless - the matchmaker made mistakes and paired us with inappropriate contacts. Networking sessions were geared as social events, not business opportunities. And it was super expensive.

Usefulness ¹	Country	Programme used / support received	Most value obtained from	Comments
1	Canada	Verbal confirmation of some export guidelines. Not very knowledgeable responses.	The assistance was not helpful	It appears that the assistance is not detailed enough to understand the export/import nuances of each individual country. Nor is the information up to date. The information is general in nature and not specific enough to be of particular use to individual SMEs in their area of interest.
1	Canada	None -- other than we were allowed to register	One of the government bodies actually takes the contracts for international organisations for itself, <i>i.e.</i> competes with those it is supposed to help	Ending competition from subsidised government providers would be MOST helpful
1	New Zealand	None received	Doing exactly the opposite of what they suggest	A waste of NZ tax payers money
1	Switzerland	Bilateral agreements with EU	No value at all	Lack of enforcement possibilities of bilaterals
1	Switzerland	Finding rep. abroad	Nothing	Too unspecific

Note: 1: "Not useful"; 2: "Somewhat useful"; 3: "Useful"; 4: "Very useful"; 5: "Extremely useful".

Annex 1.14. ANOVA Analysis of Barrier Assessment by Export Status

Barrier	Mean (All)	Mean (Inactive)	Mean (Aspiring)	Mean (Active)	Description
B8	3.01	3.02	4.07	2.52	Shortage of working capital to finance exports
B3	3.00	3.78	3.73	2.57	Identifying foreign business opportunities
B1	2.82	4.27	3.61	2.30	Limited information to locate/analyse markets
B4	2.60	4.29	3.50	2.07	Inability to contact potential overseas customers
B23	1.43	1.49	0.99	1.62	Excessive transportation/insurance costs
B2	1.39	1.92	1.76	1.19	Unreliable data about the international market
B14	1.26	1.33	0.81	1.47	Offering satisfactory prices to customers
B27	1.09	0.49	0.72	1.30	Slow collection of payments from abroad
B33	1.03	0.82	0.68	1.19	Keen competition in overseas markets
B35	0.87	0.39	0.55	1.06	Foreign currency exchange risks
B31	0.85	0.47	0.56	1.03	Unfavourable foreign rules and regulations
B41	0.77	0.57	0.44	0.91	High tariff barriers
B42	0.60	0.33	0.31	0.75	Strict foreign rules and regulations
B7	0.58	1.02	0.86	0.43	Lack of excess production capacity for exports
B32	0.37	0.02	0.24	0.47	Different foreign customer habits/attitudes
B34	0.35	0.47	0.14	0.42	Poor/deteriorating economic conditions abroad
B39	0.29	0.10	0.46	0.24	Inadequacy of infrastructure for e-commerce

Annex 1.15. Match of Perceived Barriers

Barrier	Category	Rank - SMEs	Rank - Government	Description of barrier
B8	F	1	2	Shortage of working capital to finance exports
B3	A	2	4	Identifying foreign business opportunities
B1	A	3	3	Limited information to locate/analyse markets
B4	A	4	6	Inability to contact potential overseas customers
B19	A	5	17	Obtaining reliable foreign representation
B5	C	6	5	Lack of managerial time to deal with internationalisation
B6	C	7	1	Inadequate quantity of and/or untrained personnel for internationalisation
B15	C	8	15	Difficulty in matching competitors' prices
B29	BE	9	23	Lack of home government assistance/incentives
B23	C	10	19	Excessive transportation/insurance costs
B2	A	11	14	Unreliable data about the international market
B14	C	12	30	Offering satisfactory prices to customers
B18	A	13	12	Accessing export distribution channels
B16	F	14	18	Granting credit facilities to foreign customers
B27	BE	15	23	Slow collection of payments from abroad
B33	C	16	15	Keen competition in overseas markets
B28	BE	17	37	Difficulties in enforcing contracts and resolving disputes
B17	A	18	28	Complexity of foreign distribution channels
B20	A	19	44	Maintaining control over foreign middlemen
B9	C	20	7	Developing new products for foreign markets
B13	C	21	33	Offering technical/after-sales service
B35	BE	22	25	Foreign currency exchange risks
B31	BE	23	21	Unfavourable foreign rules and regulations
B41	BE	24	27	High tariff barriers
B26	C	25	31	Difficulties in communicating with overseas customers
B43	BE	26	22	Inadequate property rights protection (e.g. intellectual property)
B11	C	27	9	Meeting export product quality/standards/specifications
B10	C	28	25	Adapting export product design/style
B47	BE	29	38	High costs of Customs administration
B24	A	30	40	Adjusting export promotional activities to the target market
B25	A	31	10	Unfamiliar exporting procedures/paperwork
B30	BE	32	42	Unfavourable home rules and regulations
B42	BE	33	13	Strict foreign rules and regulations
B7	C	34	19	Lack of excess production capacity for exports
B36	C	35	8	Unfamiliar foreign business practices
B38	C	36	35	Verbal/nonverbal language differences
B44	BE	37	11	Restrictive health, safety and technical standards (e.g. sanitary and phytosanitary requirements)
B32	C	38	35	Different foreign customer habits/attitudes
B34	BE	39	44	Poor/deteriorating economic conditions abroad
B40	BE	40	44	Political instability in foreign markets

Barrier	Category	Rank - SMEs	Rank - Government	Description of barrier
B37	C	41	34	Different socio-cultural traits
B12	C	42	31	Meeting export packaging/labelling requirements
B45	BE	43	39	Arbitrary tariff classification and reclassification
B22	C	44	44	Unavailability of warehousing facilities abroad
B46	BE	45	43	Unfavourable quotas and/or embargoes
B39	BE	46	29	Inadequacy of infrastructure for e-commerce
B21	C	47	40	Difficulty in supplying inventory abroad

Annex 2.1. Trade Barrier Issues Reported in Previous Business Surveys

Survey	India (2004)	New Zealand (2001)	Thailand (2001)	ASEAN (undated)
Export market	Africa, Asia, Latin America, Baltic countries	Global	Asia and Pacific	ASEAN countries
Data set	Unspecified number of firms	381 firms exporting goods and services (of 1591 approached)	Unspecified number of SMEs	33 companies (of 2000 approached)
	Legalisation of documents	Standards and certification: data certification and testing requirements; labelling; marking or packaging problems; delays in approval	Increased competition from other APEC nations (9.3 out of 10)	Monopolistic practices
	Registration of imports	Customs procedures: arbitrary regulations; misclassification; excessive documentation requirements; delays due to lack of automation	Lack of advanced technological production processes (9.0)	Trade documentation and customs procedures
	Government monopoly	Food safety and health requirements	Lack of investment (8.0)	Other levies and charges
	Packaging and labelling requirements	Import quotas or prohibitions	International trade regulations (7.7)	Import restrictions
	Certification and testing (delays, discrimination)	Cargo handling and port procedures and requirements	Little knowledge of foreign market characteristics (7.5)	Import licensing/permits
	Customs delays and fees	High internal taxes or charges	Difficulty of obtaining government support (6.6)	Standards and other technical requirements
	Inspection	Subsidies or tax benefits given to competing domestic firms	Lack of financial resources to market products overseas (6.5)	Customs classification and valuation
	Import restrictions	Distribution constraints in importing countries	Language barrier (5.6)	
	Heavy fines	Import licensing	Ineffective/unclear government export promotion policy (6.3)	
	Health rules	Irregular "additional payments" expected to effect imports	Complicated export and shipping documentation (5.4)	
	Regional trading agreements	Other items	Improper packaging (5.2)	

Note: For most of the surveys shown, items are listed in ascending order based on the frequency of responses per item (items on top of list are mentioned by more respondents in a survey than are items shown further down the list.)

Source: Ministry of Commerce and Industry (2004), Highlights of the latest NTB study, in : India's Foreign Trade, New Delhi; Association of Southeast Asian Nations (ASEAN) (undated); Non-Tariff Barriers ; ACNielsen consultants on behalf of Standards New Zealand, the Ministry of Foreign Affairs and Trade, the Ministry of Economic Development, the Ministry of Agriculture and Forestry, and Trade NZ (2001), Assessing the presence and impact of non-tariff trade barriers on exporters, Wellington, New Zealand, June 2001.

Survey	Sweden (2000)		ALADI (2002)	CARICOM (2002)
Export market	European Union	Set of non-EU economies in Eastern Europe, Asia, North and South America, Middle East, plus Australia	ALADI economies (Argentina, Bolivia, Brazil, Chile and others)	Caribbean Community economies
Data set	189 Swedish exporters of non-agricultural goods		30 SMEs (of 220 approached)	Broad consultation of private sector and other actors
	Technical barriers	Customs procedures (especially too much documentation, takes too long, lack predictability)	Product standards – lack of information	Para-tariff measures (customs charges, internal taxes, other)
	Services restrictions	Technical barriers (especially product requirements, testing, certification and labelling)	Customs and bureaucratic procedures	Price control measures (administrative price fixing)
	Competition problems	Services restrictions (especially domestic regulations, recognition of foreign standards/education/titles, limits on market access, anti-competitive behaviour)	Finance and payments mechanisms	Finance measures
	Taxes and fees	High tariffs (especially machinery and electrical materials, non-precious metals and derived goods)	Non-tariff barriers – not specified	Import licensing (automatic and non-automatic)
	Government support	Investment restrictions (especially requirements of national content in production, direct FDI restrictions)	Competition in costs and production	Quotas and prohibitions
	Other	Competition problems (especially abuse of dominant position, collusion, cartels)	Transportation: costs, frequency, insecurity	Monopolistic measures (single channel for imports)
		Public procurement (especially lack of openness /information, discrimination, local content requirements)	Regulations and regional agreements – lack of information	Technical measures
		Taxes and fees (especially discrimination)	SPS and heterogeneous technical measures	Countervailing duties
		Foreign exchange measures (especially restrictions on inflow and outflow of capital)	Asymmetrical physical and technological infrastructure	
		Rules of origin	Political and economic instability	
		Government support to domestic enterprises		
		Quantitative import restrictions		
		Other items		

Note: For most of the surveys shown, items are listed in ascending order based on the frequency of responses per item (items on top of list are mentioned by more respondents in a survey than are items shown further down the list.)

Sources: Kerstin Bergloef, National Board of Trade (Kommerskollegium) (20001), Trade barriers faced by Swedish firms on the Single Market and in third countries, Stockholm, April 2001; Non-Tariff Barriers; ALADI (2001), Informe sobre los requerimientos de las PYMES para impulsar el comercio intraregional que podría desarrollar la ALADI, Montevideo, Uruguay; Caribbean Export Development Agency (2002), Inventory on Non-tariff, trade restricting measures applied by Member States, CARICOM Secretariat, Georgetown, Guyana.

Annex 3.1.

Conference Programme of the OECD-APEC Global Conference on Removing Barriers to SME Access to International Markets, held in Athens, Greece on 6-8 November 2006

Background and objectives

Overall, SMEs are under-represented in the international economy relative to their contribution in national and local economies. This is a matter of concern to the extent that internationalisation is a key factor of economic growth, providing business with increased opportunities to achieve growth and economies of scales which domestic markets alone would not allow. It also increases business exposure to new ideas, technology and practices. Size does not necessarily limit a firm's international activity. Evidence from many countries shows that even micro-SMEs are internationalising at a growing rate and more start-ups are being launched with cross-border business activities in mind (i.e. 'born-global').

Yet, accessing international markets is not a simple task. Many of the problems facing SMEs for their efforts to internationalise or expand their international activities are known: they include the high costs of getting quality information about the markets SMEs want to enter; difficulties obtaining finance; protectionist and stringent regulatory frameworks; lack of managerial experience; difficulties in finding trustworthy partners; heightened uncertainty; corruption; etc. All these constraints hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets.

Almost all governments currently provide a package of services and programmes designed to assist firms to internationalise effectively. However, it appears that little is known about whether these programmes are effective in promoting internationalisation, whether they are reviewed and modified in light of changes in the international business environment, and whether the particular needs of internationalising SMEs have been fully taken into account when the programmes are designed and implemented.

The importance of addressing SME internationalisation was highlighted in the *OECD Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs* (June, 2004), where Ministers commit to "working co-operatively to achieve progress in reducing barriers to SMEs' access to international markets" and invited the OECD to "identify ways in which unnecessary *barriers to SMEs' access to international markets* can be removed, in co-operation with interested countries and other relevant international organisations and fora".

In pursuit of these objectives and at the invitation of the Hellenic Ministry of Development, the OECD Working Party on SMEs and Entrepreneurship (WPSME) along with the Asia-Pacific Economic Cooperation (APEC) SME Working Group (SMEWG) are organising the OECD-APEC Conference on *Removing Barriers to SME Access to*

International Markets in Athens, Greece on 6-8 November 2006 in the framework of the *OECD Bologna Process on SME and Entrepreneurship Policies*.¹

The Conference will address the present extent and form of SME internationalisation, the obstacles small firms face when expanding abroad, and the best practice policies to support SME internationalisation through discussion among key stakeholders: *representatives of SMEs, Multi-national enterprises (MNEs) and Governments*. The Conference seeks to achieve:

- A better understanding of the barriers to internationalising (defined as all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas market) which inhibit SMEs from reaching their full potential in international markets;
- The review of best practice policies and programmes for SMEs at both national and local levels to overcome the barriers to internationalisation;
- The identification of policy recommendations aimed at easing/removing barriers faced by SMEs in accessing international markets, and
- Highlighting cost effective mechanisms for removing the impediments at an international, national and local level.

Notes

1. The *OECD Bologna Process on SME & Entrepreneurship Policies*, i.e. the follow-up to the first OECD Ministerial Conference on SMEs held in Bologna in June 2000, is a dynamic political mechanism which : fosters the entrepreneurship and SME agenda at the global-level through extended analytical work; promotes high-level dialogue on SME and Entrepreneurship policies worldwide; and encourages co-operation between OECD countries and non-member economies, other international organisations and/ or institutions, and non-governmental organisations in the field of SMEs and entrepreneurship. It involves at present more than 80 economies, including all OECD countries and APEC economies, and a number of African and Latin American countries. The OECD enjoys an undoubted edge in this domain, as the only institution that effectively deals with these issues horizontally and applying a global perspective and approach.

Conference structure overview

	Monday 6 November 2006	Tuesday 7 November 2006	Wednesday 8 November 2006
Morning Sessions		SME INTERNATIONALISATION PLENARY KEYNOTE SESSION 9:00 – 11:00	Government Policies and Private Sector Initiatives Two Parallel Workshops 9:30-13:00
		SMEs' and Governments' Perspective Two Parallel Workshops 11 :30-13 :00	
		Workshop A Barriers to Internationalisation Internal to the Firm	Workshop A Panel 4: Helping SMEs to Overcome Internal Barriers
		Workshop B Barriers to Internationalisation External to the Firm Panel 1: Home-Country Barriers	Workshop B Panel 4: Helping SMEs to Overcome External Barriers
Afternoon Sessions		Lunch (continued) 14:30 – 18:00	
	Official Opening 18:30-20:00	Panel 2: Functional Barriers Panel 3: Marketing Barriers	Panel 2: Host Country Barriers Panel 3: Business Environment
	Followed by a Cocktail Reception	Followed by a Gala Dinner at 20:30	
		FINAL PLENARY SESSION 14:30 – 17:30	

Monday 6 November 2006

Official Opening

**18:30-
20:00**

Mr. Dimitris Sioufas
Minister of Development
Greece

Mr. Truong Van Doan
First Vice-Minister
Ministry of Planning and Investment
Head of Vietnamese Delegation at 2006 APEC SME Ministerial Meeting
Vietnam

Mr. Alejandro Gonzalez Hernandez
Deputy Minister
Ministry of Economy
Underministry for the Small and Medium Enterprises
Mexico

Mme Marie-Pierre Sarr Traoré
Minister of Small and Medium Enterprises, Women Entrepreneurship and Microfinance
Senegal

Mr. Ali Coskun
Minister of Industry and Trade
Turkey

Mrs. Liudmyla Musina
Deputy Minister
Ministry of Economy
Ukraine

Ambassador Tran Trong Toan
Executive Director
APEC Secretariat

Mr. Nobuo Tanaka
Director, Directorate for Science, Technology and Industry
OECD

KEYNOTE ADDRESS: Mr. Manuel Rosales

Associate Administrator, Office of International Trade
Small Business Administration (SBA), United States

COCKTAIL RECEPTION

PLENARY KEYNOTE SESSION:**SME INTERNATIONALISATION: KEY ISSUES***Tuesday 7 November (9:00-11:00)*

Today firms of all sizes face the critical issue of how to create and maintain a sustainable competitive advantage in light of the increased complexity of international trade and business links. In addition, the ways of competing in the market for goods and services are changing due to globalisation of production value chains, diffusion of information and communication technologies (ICT), declining costs of transport, etc. Firms able to access the benefits of international markets, such as low costs of factor inputs and economies of scales in production, distribution, marketing and management, and which can translate these benefits into lower prices, gain important competitive advantages. In this respect, by forming links with Multi-National Enterprises (MNEs), SMEs could benefit from significant opportunities to reach international markets.

The opening plenary session will highlight the key issues to SME internationalisation and introduce the findings of the *OECD-APEC Background Report*. Topics for discussion will include: the results of research on barriers to SMEs internationalising, the state of SME internationalisation; a variety of SME international activities; and the linkages between MNEs and small firms. This plenary session will provide the framework for the subsequent workshops.

The Plenary Keynote Session will address such questions as:

- *What kind of challenges and opportunities are SMEs facing as they internationalise?*
- *How can SMEs best internationalise in association with MNEs for their mutual benefit?*
- *How best can the government facilitate SME internationalisation?*

Tuesday 7 November 2006 - Morning

PLENARY KEYNOTE SESSION:

SME Internationalisation

9:00-9:05 **CHAIR: Mr. Spiros D. Papadopoulos**, Secretary General, Ministry of Development, Greece

9:05 - 9:30 *Presentation of the OECD-APEC Background Report*

Mme Marie-Florence Estimé

Deputy Director, Centre for Entrepreneurship, SMEs & Local Development, *OECD*

Mr. Lester Lloyd-Reason

Professor, Anglia Ruskin University, *United Kingdom*

9:30-11:00 **Speakers:**

Mr. Tai Chew Thian, Director, Enterprise Group & Trade Promotion Group, IE Singapore, *Singapore*

Mrs. Signhild Arnegard-Hansen, Chairman of Svenska LantChips AB, *Sweden*

Mr. Anton van der Lande, Vice President, *United Parcel Service (UPS)*

Mr. Arnaldo Abruzzini, Secretary General, *Eurochambres*

Discussant:

Mr. Efstathios Zafrantzas, Counsellor to the Secretary General for Industry, Ministry for Development and Vice Chair of the *OECD Working Party on SMEs & Entrepreneurship*, *Greece*

Debate

Rapporteurs: **Ms. Lene Skou**, Deputy Director, Weissman Center for International Business, Baruch College/City University of New York, *USA* and
Mme Mariarosa Lunati, Economist and SME Policy Analyst, Centre for Entrepreneurship, SMEs & Local Development, *OECD*

Coffee break

Parallel Workshops:

WORKSHOP A- INTERNAL BARRIERS TO INTERNATIONALISATION

Tuesday 7 November (AM and PM) & Wednesday 8 November (AM)

Workshop A will focus on internal barriers, defined as those obstacles to the enterprise associated with organisational resources/capabilities and company approach to internationalisation. These include such barriers as informational, product and price barriers, functional barriers, and distribution, logistics and promotion barriers.

Panel 1 will concentrate on *Informational Barriers*. It will focus on problems in identifying, selecting and contacting international markets due to information inefficiencies.

Panel 2 will concentrate on *Functional Barriers*, addressing inefficiencies related to human resources, production, and finance. Common problems encountered by SMEs in this domain take the form of lack of managerial time to deal with internationalisation, insufficient quantity of and/or untrained personnel for internationalisation and shortage of working capital to finance exports.

Panel 3 on *Marketing Barriers* will highlight pressures by external forces on adapting the elements of the company's marketing strategy. It will discuss barriers associated with the difficulties of developing new products for foreign markets, adapting the product's design or style, meeting product standards, specifications and labelling requirements and the complexity of foreign distribution channels.

Panel 4 on *Helping SMEs to Overcome Internal Barriers: Government Policies and Private Sector Initiatives* will focus on government programmes designed to remove or reduce barriers internal to the firm, including programmes helping SMEs to develop internal capabilities that are important in the internationalisation process and programmes providing information and advice on foreign markets, free-of-charge counselling on internationalisation, export financing assistance, etc. It will also discuss how to better publicise the existing government programmes. This session will look at the lessons learnt from assessment of past and current government policies and programmes.

The Workshop panels will be enriched by a tripartite dialogue between SMEs, MNEs and policy makers (of *APEC, OECD and other countries/economies participating in the OECD Bologna Process*). The presentations will be followed by a debate led by discussants representing the various stakeholders and who may offer insightful views on these issues.

Tuesday 7 November 2006 – 11:30-13:00

Workshop A: Internal Barriers to Internationalisation

11:30-11:35 **CHAIR : Mr. Ian Fletcher**, Managing Director, International Directorate, UKTI
United Kingdom

PANEL 1: INFORMATIONAL BARRIERS

11:35-13:00 **Speakers:**

Mr. Jayson Myers, Senior Vice-President & Chief Economist, Canadian Manufacturers and Exporters (CME), *Canada*

Ms. Stefanie Bechert, Division Director, Globalisation / Europe, RKW Kompetenzzentrum, *Germany*

Ms. Ana Maria Vallina, Director of Foreign Trade, Ministry of Economy, *Chile*

Discussant:

Mr. Serge Boscher, Deputy Director of Commerce, Ministry for SMEs, Craft Industry, Services, and Self-Employment, and Vice-Chair of the OECD Working Party on SMEs & Entrepreneurship, *France*

Debate

Lunch

PANEL 2: FUNCTIONAL BARRIERS

14:30- 16:00 **Speakers**

Ms. Kristal Alley, Special Advisor International Affairs, US Chamber of Commerce, *United States*

Mr. Pipien Hakizabera, Director General, **Center for the Support to Small and Medium-sized Enterprises in Rwanda** (CAPMER), *Rwanda*

Ms. Aline Wong, Association Maurice, Femmes Chefs d'Entreprises Mondiales, *Mauritius*

Discussant:

Mr. Effandi Bin Haji Salleh, Special Duties Officer, Head of Entrepreneurial Development Centre, Ministry of Industry and Primary Resources, *Brunei Darussalam*

Debate

Coffee break

PANEL 3: MARKETING BARRIERS

16:15-18:00 **Speakers:**

Mr. Fumihiko Adachi, Professor, Kinjo Gakuin University, *Japan*

Mr. Ovidiu Nicolescu, Professor and President, National Association Entrepreneurs, *Romania*

Ms. Suraya Kulop Abdul Rahman, Senior Manager of Strategic Planning Division (SMIDEC), *Malaysia*

Discussant:

Mr. Roger Wigglesworth, Director of the SME Department, Ministry of Economic Development, Chair of the OECD Working Party on SMEs & Entrepreneurship, and Delegate to the APEC Working Group on SMEs, *New Zealand*:

Debate

Rapporteur: **Mr. Terry Mughan**, Professor, Anglia Ruskin University, *United Kingdom*

Wednesday 8 November 2006

Workshop A: Internal Barriers to Internationalisation

9:30-9:35 **CHAIR: Ms. Sue Weston**, Head of Division, Department of Industry, Tourism & Resources, Office of Small Business, *Australia*

PANEL 4: HELPING SMEs TO OVERCOME INTERNAL BARRIERS: GOVERNMENT POLICIES AND PRIVATE SECTOR INITIATIVES

9:35-9:50 **Keynote Speaker:**
Mr. Eric El Ghozi, General Director, UBIFRANCE, *France*

9:50-11:00 **Speakers:**

Mr. Georgios Kasimatis, President, Union of the Hellenic Chambers of Commerce, *Greece*

Ms. Heather Booth di Giovanni, Economic Advisor, Trade and Investment, *United Kingdom*

Ms. Cristina Teijelo Casanova, Deputy General Director, Coordination and Bilateral Trade Relations with the European Union, Ministry for Industry, Tourism & Trade, *Spain*

Debate

Coffee break

11:15-13:00 **Speakers:**

Ms. Zvia Dori, Deputy Director General for Finance, Ministry of Industry, Trade and Labour, *Israel*

Mr. Susumu Sambommatsu, Senior Researcher, Organisation for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ), *Japan*

Ms. Katarina Jagic, President, UMIS-SMEA, *Croatia*

Mr. Dimitris Assimakopoulos, President, Hellenic Confederation of Professionals, Craftsmen and Merchants, *Greece*

Discussant

Mr. Luigi Troiani, Secretary General, *Euromed*

Debate

Rapporteur: **Ms. Lena Tsipouri**, Professor, Centre of Financial Studies, University of Athens, *Greece*

Lunch

Parallel Workshops:

WORKSHOP B: EXTERNAL BARRIERS TO INTERNATIONALISATION

Tuesday 7 November (AM and PM) & Wednesday 8 November

Workshop B will address *external barriers* to the firm that stem from the home and host environment within which the firm operates such as procedural barriers, customer and competitor barriers, and business environment barriers.

Panel 1 will focus on *Home-Country Barriers* associated with the actions or inaction of the home government in relation to its indigenous companies and exporters. These could be a scarcity or lack of home government assistance/incentives to SMEs for export and internationalisation, or unfavourable home rules and regulations in the form, for instance, of restrictions on exports of either components or final products for strategic or political reasons.

Host-Country Barriers are addressed in *Panel 2*, covering the wide array of difficulties related with inadequate property rights protection, including both physical and intangible property (especially intellectual property), the high costs of customs administration, strict foreign rules and regulations in matter of market entry, price controls, etc.

Panel 3 on barriers related to the *Business Environment* will focus on challenges to SMEs brought on by different social-cultural factors, geography, and unfamiliar foreign business practices as well as infrastructure, macroeconomic/exchange rate factors, and political risk.

Panel 4 on *Helping SMEs to Overcome External Barriers: Government Policies and Private Sector Initiatives* will discuss programmes supporting SMEs in dealing with barriers to internationalisation stemming from the home and host environment. Specifically, this panel will highlight government policies or private sector initiatives that promote access to international markets by taking into account the many different modes of internationalisation, and will discuss how to better publicise the existing government programmes.

The Workshop panels will be enriched by a tripartite dialogue between SMEs, MNEs and policy makers (of *APEC, OECD and other countries/economies participating in the OECD Bologna Process*). The presentations will be followed by a debate led by discussants representing the various stakeholders and who may offer insightful views on these issues.

Tuesday 7 November 2006

Workshop B: External Barriers to Internationalisation

11:30-11:35 **CHAIR : Mr. Anthony Kleitz**, Acting Deputy Director, Trade Directorate, *OECD*

PANEL 1: HOME-COUNTRY BARRIERS

11:35-13:00 **Speakers:**

Mr. Husamettin Kavi, President of the Assembly, Istanbul Chamber of Industry, *Turkey*

Ms. Claudine Bichara de Oliveira, Executive Director, Netune, *Brazil*

Discussant:

Mr. Iván Ornelas Díaz, Director of International Relations, Ministry of Economy
General Direction of Exportable Goods, Vice Chair of the OECD Working Party on
SMEs & Entrepreneurship and Delegate to the APEC Working Group on SMEs,
Mexico

Debate

Lunch

PANEL 2: HOST-COUNTRY BARRIERS

14:30-16:00 **Speakers:**

Mr. Somkiat Tangkitvanich, Research Director, Information Economics, Thailand
Development Research Institute (TDRI), *Thailand*

Ms. Barbara Fliess, Senior Trade Policy Analyst, Trade Directorate, *OECD*

Debate

Coffee break

PANEL 3: BUSINESS ENVIRONMENT16:15- 18:00 **Speakers:**

Mr. Christian Hauser, Postdoctoral Research Associate, Institute for SME Research, Bonn, *Germany*

Mr. Friedrich von Kirchbach, Director, Division of Product and Market Development, *International Trade Centre, UNCTAD/WTO ITC*

Mr. Stefano Carosio, Director, Research and Innovation, D'Appolonia, *Italy*

Discussant:

Mr. Serge Charbonneau, Trade Commissioner (SME Policy), SME Policy and Services Division (BPT), International Trade, *Canada*

Debate

Rapporteur: **Mr. James Morrison**, President, Small Business Exporters Association of the United States, *United States*

Wednesday 8 November 2006

Workshop B: External Barriers to Internationalisation

9:30-9:35 **CHAIR: Mr. Luigi Corbò**, Senior Expert, Ministry of Economic Development
(*Ministero dello Sviluppo Economico*), *Italy*

PANEL 4: HELPING SMEs TO OVERCOME EXTERNAL BARRIERS: GOVERNMENT POLICIES AND PRIVATE SECTOR INITIATIVES

9:35-9:50 **Keynote Speaker:**
Mr. Inigo Urresti, Enterprise and Industry DG, *European Commission*

9:50-11:00 **Speakers:**

Ms. Martina Elfgren Lilja, Legal Advisor, Svensk Handel, Swedish Trade Federation, *Sweden*

Mr. Panagiotis Drosos, Managing Director, Hellenic Foreign Trade Board, *Greece*

Discussant:

Mr. Joon-Ho Lee, Head, Department of Global Economics, Korea Small Business Institute, (KOSBI), *Korea*

Debate

Coffee break

11:15-13:00 **Speakers:**

Mr. Alberto Brugnoli, Director, Regional Research Institute of Lombardy, IRER, *Italy*

Ms. Devorah Blumberg, Policy Advisor, Ministry of Economic Development, *New Zealand*

Mr. Alan Ruyten, International Single Trade Window, *United Kingdom*

Discussant:

Mr. Sergio Arzeni, Director, Centre for Entrepreneurship, SMEs & Local Development, *OECD*

Debate

Rapporteur: **Mr. Lars Eklund**, President, *The Competitiveness Institute, Barcelona*

Lunch

FINAL PLENARY SESSION

Wednesday 8 November (14:30-17:30)

The **Final Plenary Session** will begin with the Workshops' conclusions and recommendations being presented by the Chairs of the Plenary Keynote Session and of the Workshops, followed by a short "Questions and Answers" session with the audience.

The OECD Deputy Secretary General, Mr. Richard Hecklinger, and the Chair of the OECD Working Party on SMEs & Entrepreneurship and Delegate to the APEC SME Working Group, Mr. Roger Wigglesworth will present for adoption by the Conference participants:

"The Athens Action Plan for Removing Barriers to SME Access to International Markets"

This document will include conclusions and policy recommendations, indicating best practices to address barriers to SME internationalisation and subsequent work that could be undertaken by the OECD and APEC.

The Conference will close with a speech by **Mr. Georgios Alogoskoufis**, Minister of Economy and Finance, Greece

Afternoon Wednesday 8 November 2006

FINAL PLENARY SESSION

Moderator: Mr. Roger Wigglesworth, Director of the SME Department, Ministry of Economic Development, *New Zealand*

PRESENTATION OF CONCLUSIONS AND RECOMMENDATIONS BY THE CHAIRS:

14:30 -15:20 **Chair of Plenary Keynote Session**

Mr. Spiros D. Papadopoulos, Secretary General, Ministry of Development, *Greece*

Chairs of Workshop A: Internal Barriers to Internationalisation

Ms. Heather Booth di Giovanni on behalf of **Mr. Ian Fletcher**, Managing Director, International Directorate, UKTI *United Kingdom*

Ms. Sue Weston, Head of Division, Department of Industry, Tourism & Resources, Office of Small Business, *Australia*

Chairs of Workshop B : External Barriers to Internationalisation

Ms. Barbara Fliess on behalf of **Mr. Anthony Kleitz**, Acting Deputy Director, Trade Directorate, *OECD*

Mr. Luigi Corbò, Senior Expert, Ministry of Economic Development (*Ministero dello Sviluppo Economico*), *Italy*

15:20 -15:45 *Questions and Answers with the Audience*

Rapporteur: **Mr. Marcos Bonturi**, Private Office of the Deputy Secretary General, *OECD*

Afternoon Wednesday 8 November 2006

FINAL PLENARY SESSION (cont.d)

CHAIR: Mr. Dimitris Sioufas, Minister for Development, *Greece*

16:00 -17:30 FUTURE CO-OPERATION PERSPECTIVES:

Mr. Manfred Schekulin, Chair of the OECD Investment Committee, *OECD*

“The Investment Policy Perspective on the Internationalisation of SMEs”

Mr. Guy Sallavaud, Vice President Regional Development, TOTAL, *France*

“An example of MNE and SMEs cooperation in internationalisation”

Ms. Nicole Primmer, Senior Policy Manager, *BIAC*

“The BIAC-OECD Initiative to Facilitate SME Access to International Markets”

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

Mr. Richard Hecklinger, Deputy Secretary General, *OECD*

Mr. Roger Wigglesworth, Chair of the OECD Working Party on SMEs & Entrepreneurship and Delegate to the APEC Working Group on SMEs

Closing speech

Mr. Georgios Alogoskoufis, Minister, Ministry of Economy and Finance, *Greece*

Countries/ Economies INVITED to participate in the OECD-APEC Conference on Removing Barriers to SME Access to International Markets

OECD Members	APEC Member Economies (that are non OECD members)	Countries participating in the OECD Bologna Process & Other Countries	
1. Australia	1. Brunei Darussalam	1. Albania	41. Lebanon
2. Austria	2. Chile	2. Algeria	42. Lithuania
3. Belgium	3. People's Republic of China	3. Antigua and Barbuda	43. Moldova
4. Canada	4. Hong Kong, China	4. Argentina	44. Mongolia
5. Czech Republic	5. Indonesia	5. Azerbaijan	45. Morocco
6. Denmark	6. Malaysia	6. Bahrain	46. Nigeria
7. Finland	7. Papua New Guinea	7. Bangladesh	47. Oman
8. France	8. Peru	8. Barbados	48. Palestine National Authority
9. Germany	9. Philippines	9. Belarus	49. Pakistan
10. Greece	10. Russia	10. Belize	50. Paraguay
11. Hungary	11. Singapore	11. Bolivia	51. Qatar
12. Iceland	12. Chinese Taipei	12. Bosnia and Herzegovina	52. Romania
13. Ireland	13. Thailand	13. Brazil	53. Saudi Arabia
14. Italy	14. Vietnam	14. Bulgaria	54. Senegal
15. Japan		15. Cambodia	55. Serbia and Montenegro
16. Korea		16. Columbia	56. Slovenia
17. Luxembourg		17. Costa Rica	57. South Africa
18. Mexico		18. Croatia	58. Syria
19. Netherlands		19. Djibouti	59. Tajikistan
20. New Zealand		20. Dominican Republic	60. Tunisia
21. Norway		21. Ecuador	61. Turkmenistan
22. Poland		22. Egypt	62. Ukraine
23. Portugal		23. Estonia	63. United Arab Emirates
24. Slovak Republic		24. Ethiopia	64. Uruguay
25. Spain		25. Former Yugoslav Republic of Macedonia (FYROM)	65. Uzbekistan
26. Sweden		26. Georgia	66. Venezuela
27. Switzerland		27. Ghana	67. Yemen
28. Turkey		28. Guatemala	
29. United Kingdom		29. Haiti	
30. United States		30. Honduras	
31. European Commission		31. India	
		32. Israel	
		33. Jamaica	
		34. Jordan	
		35. Kazakhstan	
		36. Kenya	
		37. Kuwait	
		38. Kyrgyzstan	
		39. Laos	
		40. Latvia	

International Organisations/ Institutions Invited to Participate in the OECD-APEC Conference on Removing Barriers to SME Access to International Markets

I. INTERNATIONAL ORGANISATIONS (PART OF THE UN SYSTEM)	III. NON-GOVERNMENTAL INTERNATIONAL ORGANISATIONS / INSTITUTIONS (NGOS)
1. Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok 2. Economic and Social Commission for Western Asia (UNESCWA), Beirut 3. Economic Commission for Africa (UNECA), Addis Ababa 4. Economic Commission for Europe (UNECE), Geneva 5. Economic Commission for Latin America and the Caribbean (UNECLAC/CEPAL), Santiago de Chile 6. International Labour Organisation (ILO), Geneva 7. International Monetary Fund (IMF), Washington 8. United Nations Conference on Trade and Development (UNCTAD), Geneva 9. United Nations Development Programme (UNDP), New York 10. United Nations Industrial Development Organisation (UNIDO), Vienna 11. World Bank, Washington 12. World Intellectual Property Organisation (WIPO), Geneva	34. Arab Business Council (ABC) 35. Arab International Women's Forum (AIWF) 36. Association Internationale de Recherche en Entrepreneuriat et PME (International Association for Research on Entrepreneurship and SMEs) (AIREPME) 37. Association of European Chambers of Commerce and Industry (EUROCHAMBRES), Brussels 38. Association of Small and medium Enterprises (ASME), Singapore 39. Business and Industry Advisory Committee to the OECD (BIAC) 40. The Business Council Europe-Africa Mediterranean, Brussels 41. The Competitiveness Institute (TCI), Barcelona 42. "Dirigeantes" International Association 43. EURO-MED Trade, Distribution and Service Initiative, Rome 44. European Association of Craft and Small and Medium-Sized Enterprises (UEAPME) 45. European Banking Federation (FBE), Brussels 46. EuroCommerce (Confédération Européenne du Commerce de Détail) 47. European Council for Small Business (ECSB), Halmstad 48. European Development Finance Institutions (EDFI), Brussels 49. European Network to Promote Women's Entrepreneurship (WES) 50. European Private Equity and Venture Capital Association (EVCA) 51. Les Femmes Chefs d'Entreprises Mondiales (FCEM) 52. International Accounting Standards Board (IASB) 53. International Chamber of Commerce (ICC) 54. International Council of Small Business (ICSB) 55. International Electrotechnical Commission (IEC), Geneva 56. International Organisation for Knowledge Economy and Enterprise Development (IKED) 57. International Organisation for Standardisation (ISO), Geneva 58. International Network for SMEs (INSME) 59. International Small Business Congress (ISBC) 60. International Union of Crafts and Small and Medium-sized Enterprises (UIAPME) 61. Islamic Financial Service Board (IFSB) 62. Latin American Venture Capital Association (LACVA) 63. Organisation Internationale des Employeurs (International Organisation of Employers) (OIE), Geneva 64. Quantum Leaps, Inc., A Global Accelerator for Women's Entrepreneurship, USA 65. Trade Union Advisory Committee to the OECD (TUAC), Paris 66. Union of Industrial and Employers' Confederations of Europe (UNICE) 67. World Association of Investment Promotion Agencies (WAIPA) 68. World Association of Industrial and Technological Research Organisations (WAITRO), Malaysia 69. World Association of Small and Medium Enterprises (WASME) 70. World Economic Forum 71. YES for Europe, European Confederation of Young Entrepreneurs 72. Young Entrepreneurs of the European Union (JEUNE)
II. OTHER INTERNATIONAL ORGANISATIONS AND INSTITUTIONS	
13. African Development Bank, Abidjan 14. African Union (AU) 15. APEC Business Advisory Council (ABAC) 16. Asian Development Bank (ADB), Manila 17. Association of Southeast Asian Nations (ASEAN), Jakarta 18. Caribbean Community (CARICOM) 19. Central European Initiative (CEI), Trieste 20. Euro-Mediterranean Network of Investment Promotion Agencies (ANIMA/EURAIID) 21. European Bank for Reconstruction and Development (EBRD), London 22. European Central Bank (ECB) 23. European Economic and Social Committee, Brussels 24. European Investment Bank (EIB), Luxembourg 25. European Investment Fund (EIF) 26. Inter-American Development Bank (IADB), Washington 27. League of Arab States 28. New Partnership for African Development (NEPAD) 29. Organisation Internationale de la Francophonie (International Organisation of French-Speaking Communities) (OIF) 30. Pacific Economic Co-operation Council (PECC), Singapore 31. Pacific Islands Forum (PIF) 32. Trans Atlantic Business Dialogue (TADB), Brussels 33. World Trade Organisation (WTO)	

Annex 3.2.

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

Background

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.*

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 SMEs¹ are significant contributors to the global economy accounting for approximately 50% of local and national GDP, 30% of export and 10% of FDI.² 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 dealings³ 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.

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.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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.

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

1. concluding outstanding trade negotiations leading to open markets, reduced trade barriers and contributing to a stable and transparent business environment;
2. 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);
3. promoting clear and accessible public consultation mechanisms to facilitate SME participation in the trade policy process;

4. encouraging regulatory co-operation among governments to reduce trade-related compliance costs;
5. 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);
6. ensuring high-quality policy frameworks for encouraging private investments are in place.

Priority areas for proactive government support would be:

1. *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.
2. 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.
3. The development of better data and statistical information both on international markets and on the population of SMEs that regularly access international markets.

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.

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

1. 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.
2. 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).

3. 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.⁴
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.

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.

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)

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):

1. 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;
2. 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;
3. 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;
4. continue the current work investigating the benefits accruing to SMEs involved in global supply chains.

Notes

1. 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.
2. This refers to firms in the formal sector only.
3. 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.
4. 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.

Plan d'action d'Athènes pour la suppression des obstacles à l'accès des PME aux marchés internationaux, adopté le 8 novembre 2006 à la Conférence mondiale OCDE-APEC d'Athènes

Contexte

Organisée à l'invitation du gouvernement grec, la Conférence mondiale OCDE-APEC sur *«la suppression des obstacles à l'accès des PME aux marchés internationaux»* s'est déroulée du 6 au 8 novembre 2006 à Athènes. Cette conférence, qui s'inscrit dans le cadre du Processus de Bologne de l'OCDE sur les politiques à l'égard des PME et de l'entrepreneuriat, a réuni *des membres de la communauté internationale des entreprises (dont des PME), des organisations associées à la facilitation des échanges mondiaux et de hauts représentants gouvernementaux des pays membres de l'OCDE et de l'APEC ainsi que d'économies non membres.*

La mondialisation offre aux entreprises des débouchés et leur pose, à la fois, des défis. De plus en plus, les PME recherchent une participation aux marchés internationaux qui est cruciale pour leur survie, pour l'emploi et pour la croissance. Elles¹ contribuent de manière déjà significative à l'économie mondiale puisqu'elles représentent environ 50 % du PIB régional et national, 30 % des exportations et 10 % de l'investissement direct étranger (IDE)². Même s'il est impossible de quantifier exactement le nombre de PME actuellement présentes sur les marchés internationaux, il semble que leur proportion aille croissant, en particulier dans le secteur des services. Les possibilités de conclure des affaires à l'échelle internationale³ ont augmenté radicalement à mesure que les nouvelles technologies et les négociations commerciales repoussaient les obstacles traditionnels liés à la distance et aux transactions transfrontières. La mutation rapide et la complexité croissante du marché mondial exercent toutefois des pressions considérables sur les entreprises dont, notamment, les PME.

Agir avec succès sur les marchés internationaux exige, entre autres choses, d'apprendre la gestion à distance au moyen d'une multiplicité de relations contractuelles formelles et informelles, de se familiariser avec des réglementations, des coutumes, des cultures et des langues différentes, et d'élaborer des solutions spécifiques pour tous les marchés sur lesquels opère l'entreprise.

Autant de défis pour les dirigeants de ces entreprises, qui les obligent à utiliser ou développer une palette de compétences managériales beaucoup plus étendue que s'ils se contentaient d'opérer sur le marché national. Il leur faut mettre en cohérence le capital financier, les ressources humaines, le marketing, les ressources technologiques et la capacité d'innovation de l'entreprise avec sa volonté d'internationalisation. De leur côté, les pouvoirs publics (ainsi que les associations professionnelles et autres entités d'aide aux PME) sont mis au défi de fournir les programmes ciblés adéquats de soutien, ainsi que des mesures propices à l'internationalisation des PME et capables d'aider ces dernières à surmonter les obstacles internes et externes auxquels, ce faisant, elles se heurtent.

Les participants à la conférence ont constaté l'existence de problématiques communes aux PME présentes sur les marchés internationaux ou désireuses d'y entrer. L'une des principales conclusions de la conférence est que les pouvoirs publics, les institutions

internationales et les associations professionnelles pourraient, en particulier si elles œuvrent en coopération, jouer un rôle beaucoup plus important pour aider les PME à faire face aux défis de l'internationalisation de leurs activités.

En conséquence, s'appuyant sur les résultats de la première Conférence ministérielle de l'OCDE sur les PME ayant pour thème « *Améliorer la compétitivité des PME dans l'économie mondiale : stratégies et politiques* » (tenue à Bologne du 13 au 15 juin 2000) et de la deuxième Conférence ayant pour thème « *Promouvoir l'entrepreneuriat et les PME innovantes dans une économie mondialisée* » (organisée à Istanbul du 3 au 5 juin 2004) – qui ont été des occasions majeures de faire progresser le dialogue mené à l'échelle mondiale sur les politiques à suivre pour promouvoir l'entrepreneuriat et l'innovation des PME – et sur la *Déclaration de Hanoï de l'APEC sur le renforcement de la compétitivité des PME pour le commerce et l'investissement* diffusée le 29 septembre 2006, **les participants ont avalisé le présent Plan d'action.**

Principales difficultés rencontrées par les PME sur les marchés internationaux

Lorsqu'elles s'engagent à l'international, les PME semblent suivre un processus d'apprentissage dont la structure est modelée par la taille et le secteur d'activité de l'entreprise. Chaque étape de ce processus d'apprentissage comporte des défis différents pour les PME. Souvent, les entreprises qui ne sont pas déjà activement exportatrices sous-estiment les barrières externes présentes dans leur environnement : facteurs financiers, problèmes d'accès aux marchés, etc. Elles peuvent aussi méconnaître, et mal évaluer, leur propre aptitude à relever les défis d'une activité sur les marchés internationaux. Cependant, quand ces entreprises sont engagées dans une activité de commerce international, il leur apparaît plus clairement que les barrières principales sont davantage l'environnement de l'entreprise et sa propre capacité de gestion que la finance et l'accès aux marchés.

Détection des débouchés commerciaux internationaux, localisation et analyse des marchés appropriés

Faute de temps, de compétences et de ressources financières, les PME ont rarement la possibilité de recenser puis de s'orienter vers de nouveaux débouchés sur les marchés internationaux. Même lorsqu'elles ont identifié un nouveau marché possible, elles éprouvent souvent de réelles difficultés à disposer de données même limitées pour estimer sa rentabilité et ses risques potentiels. Et même dans les cas où les PME sont en mesure d'obtenir des données sur le nouveau marché, celles-ci manquent trop souvent de fiabilité – quand elles ne sont pas caduques –, exposant ainsi l'entreprise à des risques supplémentaires si elle fonde son action sur ces données. La détection d'informations appropriées, issues du secteur privé comme des pouvoirs publics, et l'accès à ces informations demeurent donc un défi majeur pour les PME désireuses de s'internationaliser. Souvent, celles qui sont déjà présentes à l'international ont accumulé des compétences plus affirmées et des réseaux nécessaires à l'évaluation de marchés nouveaux.

Établissement de contacts avec les clients étrangers potentiels

Lorsqu'elles ont identifié une possibilité d'internationalisation, les PME se trouvent confrontées à une grande variété d'obstacles dont la plupart sont propres à leur activité ou

leur secteur. Celles qui sont nouvellement internationalisées, en particulier, ne savent pas comment pénétrer le marché le plus efficacement, ni comment y exploiter au maximum un engagement commercial. Il leur manque aussi l'aptitude à identifier des clients potentiels à forte valeur sur les nouveaux marchés. Elles peuvent alors soit décider de ne pas saisir l'opportunité, soit adopter une stratégie d'entrée qui se solde par un échec.

Mise en place d'une représentation fiable à l'étranger

La capacité d'accès aux bons clients est un problème pour toute entreprise désireuse de pénétrer un marché mal connu. Souvent, les entreprises engagent des agents pour les représenter et défendre leurs intérêts sur leurs marchés cibles. Si les grandes entreprises utilisent leurs collaborateurs internationaux pour pénétrer de nouveaux marchés, les PME ont rarement la possibilité de faire ce choix. Le processus consistant à recruter des représentants adéquats puis à les gérer effectivement à distance est complexe, et exige du dirigeant de la PME une forte disponibilité et de solides capacités supplémentaires. De plus, ces agents étant très demandés, une PME peut très bien n'en être qu'un client parmi d'autres. Les agents peuvent aussi pratiquer des méthodes commerciales n'ayant pas l'aval de la PME, ou faire sciemment passer leurs intérêts avant ceux de cette dernière. Du fait de l'éloignement, il est fréquent que la PME prenne conscience de l'existence d'un problème lorsqu'il est déjà trop tard, sans compter que les recours qu'elle peut invoquer devant une juridiction étrangère peuvent aussi s'avérer problématiques. Dans certains cas, les gouvernements fournissent un soutien sur place aux entreprises de leur pays présentes à l'étranger. Mais, là encore, le service fourni et le temps alloué à la défense des intérêts de telle ou telle PME par les agents ainsi désignés peuvent être limités. La gestion d'une représentation à l'étranger est néanmoins une compétence qu'une PME peut, avec l'expérience, acquérir.

Financement de l'internationalisation

Les entreprises qui cherchent à pénétrer des marchés étrangers peuvent être confrontées à des insuffisances de fonds de roulement. Ces difficultés peuvent être imputables à un accès difficile aux financements dû au fait que les bailleurs redoutent – et perçoivent comme des facteurs de risque – l'instabilité des taux de change, les réglementations différentes sur le marché visé, les difficultés culturelles apparentes et, dans certains cas, le risque politique. Par ailleurs, l'entrée sur de nouveaux marchés intensifie le besoin de compétences en gestion et en finance de l'entreprise concernée, y compris pour l'usage d'instruments financiers plus sophistiqués, la capacité d'évaluation des risques, l'octroi des crédits aux clients, le recouvrement des créances et l'exécution des contrats. L'accès aux financements semble devenir moins problématique pour les PME une fois qu'elles sont devenues actives sur les marchés internationaux.

Affectation de temps managérial à l'internationalisation

Le temps est probablement la ressource la plus limitée de tout patron de PME. Le combat quotidien qu'il mène pour préserver la viabilité de l'entreprise relègue souvent au second rang la réflexion sur les possibilités nouvelles et la prospective. En conséquence, le fait de consacrer du temps et des efforts à la pénétration de marchés internationaux risque fortement de compromettre la viabilité de l'entreprise dans son ensemble, et l'aversion du propriétaire de PME pour le risque l'empêche de chercher à s'implanter sur ces marchés.

Recrutement de personnel spécialisé pour aider à gérer les activités internationales

Il est difficile et coûteux pour n'importe quelle entreprise de pénétrer, puis de s'établir, sur un nouveau marché. Même lorsque cela est nécessaire, les PME peuvent rarement se permettre d'engager des spécialistes (ou des experts externes) pour monter et gérer leurs opérations à l'international. Si l'on veut que ces opérations soient couronnées de succès, il faut des compétences pointues en technique, droit, marketing, commerce électronique et gestion de la chaîne d'approvisionnement. Or il y a pénurie de compétences de cette nature à l'échelle mondiale, et les entreprises multinationales sont souvent les seules à en disposer.

Prise en charge des coûts d'accès aux marchés

Souvent, la gestion des coûts sur lesquels l'entreprise a peu prise (frais locaux de transport et de distribution, par exemple) est problématique, même si l'intensité du problème varie selon le marché auquel la PME souhaite accéder. À la différence de ses concurrents locaux, la PME en voie d'internationalisation doit faire face à des coûts de déplacement du personnel et d'acheminement des produits jusqu'au marché étranger.

Prise en compte de pratiques anticoncurrentielles

Les PME peuvent se heurter à un comportement anticoncurrentiel de la part des entreprises ou des autorités locales (facturation aux entreprises étrangères de frais dont les producteurs locaux sont exemptés, autorisation spéciale pour les prestataires de services étrangers, etc.), ou des entreprises étrangères concurrentes (dumping sur les produits, par exemple).

Difficultés pour accéder ou identifier le soutien des pouvoirs publics

Dans certaines économies, le soutien et l'assistance offerts par les pouvoirs publics aux entreprises désireuses de prendre pied sur les marchés internationaux sont peu développés. Dans d'autres économies, des dispositifs sont en place mais, souvent, les PME n'en connaissent pas l'existence ou les modalités d'accès. Lorsqu'elles ont cette connaissance, le processus permettant d'obtenir ces aides semble souvent complexe, fastidieux et laborieux. En conséquence, il est fréquent qu'elles renoncent à s'en prévaloir alors même que la majorité de celles qui choisissent d'y recourir jugent cette aide précieuse. De la même façon, il arrive que des aides soient disponibles pour attirer des entreprises sur un nouveau marché mais, en règle générale, elles ne s'adressent qu'aux grandes entreprises ou à certains groupes de petites entreprises.

Recommandations concernant l'aide des pouvoirs publics aux PME en voie d'internationalisation

Selon les participants, là où l'argument de la carence du marché ouvre la voie à une action appropriée pour eux, **les pouvoirs publics devraient s'employer à aider les PME à s'internationaliser** en raison des répercussions globales positives que ce soutien aurait pour la croissance économique. Ce faisant, toutefois, les pouvoirs publics doivent admettre que les besoins des PME qui s'internationalisent varient en fonction de l'âge et de l'expérience de chacune d'elles et de son secteur d'activité, et définir leur intervention en conséquence.

Pour élargir l'éventail des opportunités d'échange et d'investissement au niveau international, les pouvoirs publics devraient envisager les actions suivantes :

1. terminer les négociations commerciales non achevées propices à l'ouverture des marchés, la réduction des barrières commerciales et un environnement commercial stable et transparent ;
2. s'employer activement à supprimer les barrières non tarifaires freinant les échanges internationaux (au moyen, par exemple, de la reconnaissance mutuelle des normes de produits, des licences d'exploitation et des licences d'exercice d'une profession ; de la mise en place de systèmes juridiques efficaces et de procédures douanières améliorées ; et de la facilitation des voyages d'affaires) ;
3. promouvoir des mécanismes de consultation publique clairs et accessibles facilitant la participation des PME au processus d'élaboration des politiques commerciales ;
4. encourager la coopération intergouvernementale en matière de réglementation afin de réduire le coût du respect des règles commerciales ;
5. fournir aux entreprises un environnement réglementaire intérieur simplifié, transparent et non discriminatoire (par exemple : permettre aux fournisseurs étrangers et nationaux des secteurs autorisés un accès égal aux marchés publics) ;
6. veiller à l'existence de cadres d'action de grande qualité favorisant les investissements privés.

Le soutien proactif des pouvoirs publics devrait concerner prioritairement les domaines suivants :

1. L'amélioration de la qualité du soutien et la facilitation des opérations pour les PME désireuses de prendre pied sur les marchés internationaux, à savoir par exemple :
 - des avis éclairés et actualisés sur les débouchés commerciaux ;
 - des mesures de lutte contre la pénurie de collaborateurs capables de conseiller les PME sur la manière d'accéder aux marchés internationaux ;
 - une formation spécifique et un soutien sous forme de conseils, c'est-à-dire par exemple des financements permettant d'élaborer des plans de commercialisation, d'avoir recours à des experts de l'accès aux marchés internationaux, de disposer de conseils sur la gestion de la chaîne d'approvisionnement et la protection de la propriété intellectuelle, et de

bénéficier d'un appui technique pour créer des franchises, des co-entreprises ou des alliances transfrontières ;

2. L'amélioration de la qualité et du ciblage des aides fournies aux *PME déjà implantées à l'étranger*. Il s'agit notamment de faciliter les choses localement, mais aussi dans le pays d'origine de la PME grâce à des actions de ses autorités et organismes gouvernementaux, au moyen par exemple d'aides permettant d'assister à des foires commerciales et de mises en contact avec des agents étrangers qualifiés et bien informés ;
3. L'élaboration de données et de statistiques de meilleure qualité sur les marchés internationaux, ainsi que sur la population de PME accédant régulièrement à ces marchés.

Dans ces activités de soutien, les pouvoirs publics doivent veiller à la mise en phase, l'intégration et la mise en œuvre efficace de toutes les politiques et de tous les programmes : politique des échanges, procédures douanières et de sécurité, soutien ciblant les PME, réglementation des entreprises, etc. L'intégration efficiente des services de soutien aux PME est considérée comme une bonne chose, notamment lorsque des efforts ont été déployés pour veiller à ce qu'elles puissent accéder à l'information.

Pour aider les PME à prendre pied sur les nouveaux marchés internationaux de manière plus efficace, les pouvoirs publics ont notamment appliqué avec succès des politiques et programmes visant à :

1. Encourager la formation de grappes de PME (et d'autres formes de coopération ou de collaboration entre PME) manifestant de l'intérêt pour le partage d'informations sur la manière de mieux saisir les débouchés internationaux qu'offrent certains domaines de produits ou certains marchés, ou visant le même marché, ou encore désireuses d'offrir des produits ou services complémentaires sur les marchés internationaux ;
2. Encourager toutes les formes propices de coopération et de maillage entre PME, ou entre PME et entreprises de plus grande taille, afin que l'expérience de celles qui travaillent déjà avec les marchés étrangers puisse être partagée avec les PME désireuses d'accéder à ces marchés. En fonction des circonstances, les pouvoirs publics pourraient envisager de prendre des mesures incitatives (entre autres financières) en faveur des initiatives qui stimulent la coopération entre les PME et les entreprises multinationales ;
3. Diffuser des informations sur les initiatives qui facilitent l'accès des PME aux marchés internationaux, comme l'Initiative du Comité consultatif économique et industriel auprès de l'OCDE (BIAC). Cette initiative comprend la création d'un portail Internet pour les PME qui permet d'accéder à des informations en libre diffusion sur la réglementation du commerce et le soutien du marché dans différents pays, et qui répertorie les entreprises multinationales membres du BIAC désireuses de coopérer avec les PME⁴ ;
4. Aider à l'organisation de forums au sein desquels les responsables gouvernementaux (ou d'autres institutions telles que les chambres de commerce ou les organisations professionnelles) pourront diffuser, recenser et publier les meilleures pratiques visant à :
 - apporter une aide aux PME pour les préparer à accéder aux marchés internationaux ;

- élaborer une réglementation des entreprises qui soit de qualité, transparente et efficiente ;
 - fournir des informations sur les marchés afin d’aider les PME ;
 - encourager et faire appliquer une éthique internationale des entreprises ;
 - fournir un soutien (sous la forme par exemple de documents juridiques) pouvant être mis à profit pour nouer des relations avec des clients ou des partenaires sur les marchés internationaux ;
 - constituer un vivier suffisant de personnes ayant les compétences nécessaires pour conseiller et épauler les PME désireuses de prendre pied sur les marchés internationaux ;
 - développer des instruments de diagnostic permettant d’évaluer les capacités des entreprises qui veulent entrer sur de nouveaux marchés ;
 - soutenir les PME dans leur économie d’origine et sur le marché local pour les aider à s’établir sur de nouveaux marchés internationaux ;
 - assurer une représentation gouvernementale de qualité sur le marché local ;
 - aider les PME méritantes à disposer des instruments financiers nécessaires à leur internationalisation ;
 - utiliser le commerce électronique comme outil permettant de s’affranchir des distances, de réduire le coût du respect de la réglementation et d’encourager l’adoption de pratiques commerciales efficaces.
5. Encourager l’élaboration de sites Internet offrant aux PME la possibilité, pour un coût minime, de présenter les produits ou les services qu’elles souhaitent commercialiser sur les marchés internationaux ;
 6. Mettre sur pied des programmes aidant les PME à accéder aux fonds que nécessite le financement de la pénétration prometteuse de nouveaux marchés et, en tant que de besoin, élaborer ou créer d’autres instruments financiers (comme par exemple des fonds pour l’innovation) afin de financer l’internationalisation des PME ;
 7. Associer de manière plus effective les organisations professionnelles et non gouvernementales à l’élaboration et la mise en place de politiques et de programmes visant à aider les PME à accéder aux marchés internationaux ;
 8. Utiliser et promouvoir de manière plus effective (y compris en profitant des ressources du secteur privé : fédérations d’entreprises, chambres de commerce, associations professionnelles, etc.) toute la panoplie des soutiens gouvernementaux et non gouvernementaux mis à la disposition des PME qui cherchent à accéder aux marchés internationaux, et assurer la parfaite intégration des activités des différents organismes gouvernementaux de soutien aux PME. De leur côté, les organisations internationales regroupant des entreprises doivent jouer un rôle actif pour mettre en avant à l’intention des PME des outils simplifiés telles que des lettres de crédit.

Lorsqu’ils élaborent de tels programmes, les pouvoirs publics devraient tenir compte du fait que c’est la polyvalence de l’approche retenue pour traiter le problème générique (de capacités) que rencontrent les PME dans leur accès aux marchés internationaux qui

est susceptible de profiter le plus rapidement à ces entreprises. Ils doivent aussi, afin d'élaborer des programmes de soutien plus efficaces, étudier la façon dont les obstacles à l'internationalisation se renforcent mutuellement.

Les pouvoirs publics devraient instaurer des cadres d'évaluation de leurs programmes, et ne jamais cesser de soumettre à examen les dispositifs de soutien qu'ils prévoient pour les PME sur le point ou en train de s'internationaliser. Les recherches menées pour cette Conférence indiquent que de tels examens pourraient être menés dans le cadre suivant : **maintenir** les programmes qui, actuellement, prennent en charge les obstacles recensés comme importants tant par les pouvoirs publics que les PME ; **revoir** les programmes visant les obstacles considérés comme importants par les pouvoirs publics mais peu importants par les PME ; et **renforcer** les appuis face aux obstacles considérés comme importants par les PME, mais peu importants par les pouvoirs publics. Ces derniers peuvent aussi concevoir leur propre cadre d'évaluation des programmes.

Recommandations concernant la suite des travaux menés par l'OCDE et l'APEC (en partenariat avec d'autres institutions internationales)

Les participants appellent l'OCDE et l'APEC à poursuivre leur coopération (en partenariat avec d'autres institutions internationales) afin d'approfondir les travaux visant à supprimer les obstacles à l'accès des PME aux marchés internationaux et à étayer les politiques de promotion de l'internationalisation et de la compétitivité des PME. À partir des travaux très utiles conduits par le *Groupe de travail sur les PME et l'entrepreneuriat de l'OCDE* (en collaboration étroite avec le *Groupe de travail du Comité des Échanges* et le *Comité sur l'investissement*) et le *Groupe de travail sur les PME de l'APEC*, les participants invitent l'OCDE et l'APEC à approfondir les domaines suivants (sous réserve de la disponibilité des ressources nécessaires) :

1. inventaire et examen des bonnes pratiques, dans les économies membres, en matière de programmes de soutien des pouvoirs publics à l'internationalisation des PME, comprenant un examen des pratiques et de l'expérience des PME ayant réussi leur internationalisation ;
2. inventaire et évaluation des meilleures pratiques dans la mise au point d'indicateurs clés de performance et d'autres méthodologies permettant d'évaluer et de contrôler l'efficacité des programmes de soutien à l'internationalisation des PME ;
3. amélioration de la qualité des données et statistiques disponibles afin de mieux comprendre les difficultés que rencontrent les PME pour accéder aux marchés internationaux et, partant, d'élaborer des politiques publiques fondées sur les faits et l'analyse ;
4. poursuite des travaux actuels sur les bénéfices retirés par les PME de leur participation à des chaînes mondiales d'approvisionnement.

Notes

1. Il n'existe pas de définition uniforme de ce qu'est une PME. Les pays de l'OCDE et de l'APEC utilisent différentes définitions qui ne se résument pas au critère de l'effectif. Les PME sont considérées comme des entreprises indépendantes et non filialisées dont l'effectif est inférieur à un certain seuil.
2. Il ne s'agit là que des entreprises du secteur formel.
3. Dans ce Plan d'action, les activités internationales des PME englobent toutes les formes d'échange transfrontalier de biens et de services : exportation, co-entreprises, alliances stratégiques sans participation au capital, octroi de licences, transferts de technologie, création de filiales ou de succursales, systèmes de franchise. L'importation est aussi une forme d'internationalisation.
4. Ce portail n'est toutefois pas conçu comme une plate-forme d'échange d'informations confidentielles : si des entreprises reconnaissent entre elles l'existence d'autres opportunités d'affaires, elles doivent s'en saisir indépendamment de cette initiative BIAC-OCDE. En tout état de cause, le portail ne saurait remplacer ni détrôner des initiatives similaires prises par les pays membres.

Annex 3.3.

Proposal for a BIAC-OECD Initiative to Facilitate SME Access to International Markets

BIAC submitted this proposal to the OECD-APEC Global Conference on “Removing Barriers to SME Access to International Markets” held in Athens 6-8 November 2006 in support of the initiative proposed by Mr. Dimitris Sioufas, Minister of the Development for Greece, in his letter (dated 24 March 2006) to OECD Deputy Secretary-General Dr. Herwig Schlögl.

Preamble

In a globalised economy, maximal access to international markets is essential for companies of all sizes to prosper and generate economic growth, which in turn creates prosperity in both their country of origin and the country that is the site of investment. While large firms often have the necessary resources to expand into new markets, numerous internal and external barriers still hamper small and medium-sized enterprises (SMEs) access to international markets. This is unfortunate, because there are mutual benefits when both multinational enterprises (MNEs) and SMEs are present and can thrive in international markets.

The OECD has been a pathfinder in its efforts to assist governments and the business community in improving market access through a series of very important studies on trade, investment, governance and in many other areas. Many of these analyses have been the precursors for policies that have improved investment and trade environments that are beneficial to both MNEs and SMEs.

Setting the right framework conditions to ensure open markets and attractive investment environments is certainly the foundation for helping remove barriers to SME internationalisation and are complemented by correctly targeted government policies to facilitate SME growth abroad. The OECD and APEC’s joint project on “Removing Barriers to SME Access to International Markets” and the outputs from the related conference in Athens, Greece on 6-8 November should be helpful in bringing forward best practices in this respect.

However, it is important to note that there are also other initiatives in which policy makers and other stakeholders may engage that can be beneficial to spurring SME internationalisation, and that can be engaged in on a voluntary, mutually beneficial manner.

A business–government initiative to support SMEs in internationalising their operations

To better understand the needs of the SME business community in this respect and to ensure that they are taken into account by policy makers, the OECD and the Business Industry Advisory Committee to the OECD (BIAC)¹ have joined efforts to help reduce barriers to SME internationalisation. Beyond an ongoing dialogue between BIAC and OECD on the issue, one of the concrete outcomes of this cooperation is the “BIAC-OECD Initiative to Facilitate SME Access to International Markets”. The proposed initiative can be considered as an additional step to facilitate SMEs access to international markets, providing the existence in countries of policies and an institutional framework that contribute to a conducive business environment.

In this context -- and building upon the larger principles set down in existing OECD instruments, several of which were mentioned above, and in the “*OECD Athens Action Plan for Removing Barriers to SME Access to International Market*” -- BIAC and the OECD propose to promote the potential benefits of leveraging upon the resources and support provided by governments as well as the experience of MNEs to support the internationalisation of SMEs. This would involve creating a mechanism to improve information flows to SMEs about potential opportunities for internationalisation as well as to create a platform to foster interaction between MNEs and SMEs about opportunities and challenges within these new markets. Both types of communication would be strictly voluntary and based on the mutual needs of both parties on a case-by-case basis.

A mechanism to improve information flows to SMEs: the BIAC SME Web Portal

In the OECD’s analyses of key barriers to SME internationalisation, it was shown that one of the key obstacles that smaller companies face, which is much less of a problem for large multinationals, was access to information. In the OECD survey, SMEs cited “Obtaining reliable foreign representation”, “Identifying foreign business opportunities”, “Limited information to locate/analyse markets” and “Lack of home government assistance/incentives” in their top list of barriers. SMEs clearly need a reliable, centralised source of information to learn more about business environments on the ground in potential investment sites as well as about what their governments can offer them in terms of assistance in internationalising.

In support of this aim, BIAC is creating a SME Web Portal. While the BIAC SME Web Portal will not be a panacea for all barriers, it will provide SMEs with information and contacts they need to help support their internationalisation. This platform would work off the current BIAC website (www.biac.org), where a specific SME portal would be added from the home page, allowing SMEs to access the relevant information. The SME site would be divided into two parts, a public site with general information available to all, and eventually a members-only password-protected site to link BIAC SMEs to willing BIAC MNEs.²

A public website to provide information to SMEs in a single window basis

The public part of the BIAC SME portal, accessible to all, will aim to provide SMEs with available public information and guidance (from OECD study sources among others) on some of the following areas:

- commercial contacts (including trade counsellors);
- general country information, *e.g.*
 - business environment/opportunities,
 - regulations,
 - political regimes,
 - security concerns,
 - labour practices,
 - market analysis,
 - status of rule of law (including corruption environment),
 - tariffs and customs,
 - procedures to establish business,
 - types of contracts,
 - existing support programmes and incentives,
 - infrastructure (port, rail, road, air services),
 - climate,
 - topography,
- public procurement;
- access to finance;
- technical regulations and standards;
- intellectual property.

Visitors to the site would open a scroll down menu where they could click on their country of origin (or any country if they wish) to be given access to the available sources of information for SMEs to support them in the internationalisation process. The bulk of the information would certainly be based on their home government's programmes/incentives, but this would be complemented by information from other sources in their country, such as local SME associations, partnering associations, etc. The links would then send the visitor to the related source, where the SME would gather the necessary information. It could also be foreseen to include links to international programmes, where they exist.

A members-only password-protected site to allow SME–MNE interaction

The second part of the SME Web Portal identifies willing BIAC member MNEs who would be available to provide BIAC member SMEs knowledge regarding opportunities and difficulties in markets where SMEs envision beginning operations. MNEs would provide information on a voluntary basis and within the constraints of their internal management policies.

If mutually beneficial, this could naturally lead to extended business relationships between MNEs and SMEs in such areas as subcontracting and business partnerships, and potential commercialisation of SMEs' products or services.

BIAC would recruit multinational companies who would wish to participate in the members-only password-protected part of the site, and who would engage in keeping their involvement in the site active and up to date. However, the type/depth of information provided by the MNE would be entirely left to its discretion. Moreover, any arrangement concluded between an MNE and SME via the website would be entirely at the discretion of the two parties, with no oversight by BIAC.

Development of the BIAC SME Web Portal

Given the ambitious nature of this project, the construction of the BIAC SME Web Portal must be undertaken in a step-wise fashion and be based on the success of the preceding stage. After the launching of the concept in Athens, the construction of the site will follow the following stages:

1. **Development of the public site.** The first focus in constructing the site will be to obtain all available information from OECD, as well as APEC, governments about existing information, programmes, and incentives, both governmental and non-governmental, to facilitate SME development on the international level. This would be complemented by information gleaned from BIAC members and other sources.
2. **Development of the members-only password-protected site.** In the second phase, BIAC will work to develop the members-only section of the site. As mentioned above, this first involves recruiting willing MNEs to participate in the site to offer SMEs information and advice about investment conditions in target countries. BIAC must also put in place a screening mechanism for SME access. The screening function is essential to fostering trust with MNEs to share information and contacts with visitors to the site.

The site will begin construction after the Athens conference. As the site develops, it will be important to get feedback from users to ensure that the site is viable and works effectively.

Conclusion

The objective of the BIAC-OECD Initiative is to create a real working mechanism to support SMEs in their internationalisation, as to this date SMEs remain an untapped source of potential growth. The BIAC SME Web Portal is a concrete mechanism to enable SMEs to access the information necessary for them to internationalise. The site will provide SMEs both with information and contacts about conducting business abroad which can support them in their efforts. In addition, for BIAC member SMEs, it will allow an opportunity for dialogue with BIAC member MNEs in their target areas about the realities of business in those areas.

BIAC very much looks forward to working with the OECD and its governments in building this mechanism, and perhaps to meeting at a future date to take stock of the success of the initiative.

Notes

1. Founded in 1962 as an independent organisation, the Business and Industry Advisory Committee to the OECD (BIAC) is the officially recognised representative of the OECD business community. BIAC's members are the major business organisations in the 30 OECD member countries, comprising over 8 million companies. Via its 31 standing committees and policy groups, BIAC mirrors all economic policy issues the OECD covers and their impacts on both member and an increasing number of non-member countries like Russia, China and India. BIAC's main objective is to positively influence the direction of OECD policy initiatives so that all resulting recommendations to governments contribute to fostering a competitive business environment which allows companies to flourish in the global economy. Every year, more than 1500 business representatives are actively involved in the work of the OECD through BIAC.
2. Companies, firms and associations who are members of BIAC's member organisations are eligible to receive access to the members-only password-protected site. For further details about BIAC membership, please contact the BIAC Secretariat.

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Removing Barriers to SME Access to International Markets

Although SMEs are a major source of growth and job creation, SMEs appear to be under-represented in the international economy relative to their contribution in national and local economies. Two original OECD-APEC surveys investigated how SME policy makers and SMEs perceive the barriers to SME access to international markets. For the most part, support programmes offered by governments are appropriate to the key barriers identified, particularly at the earlier stages of the firm's international experience. The report supported the case for continued and improved government support for SMEs seeking to internationalise; however, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers does the SME regard as important.

Presented at the OECD-APEC Global Conference on "Removing Barriers to SME Access to International Markets", held in Athens, Greece, in November 2006, the report is useful to both policymakers and entrepreneurs to shed light on facilitating SME internationalisation. This book also presents a synthesis of the Conference discussions and the main outcome of the Conference "the Athens Action Plan for Removing Barriers to SME Access to International Markets".

The full text of this book is available on line via this link:

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