Executive Education Programs

Preparing Leaders for a Global Community

SMEs' Participation in Global and Regional Value Chains: Greater Mekong Subregion

Workshop on International Trade Finance, Logistics and Business Development UMFCCI, Yangon, Myanmar 27-29 November 2015

George Abonyi

Visiting Professor

Department of Public Administration and Executive Education Program

Maxwell School, Syracuse University

28 November 2015

Overview of "the story"

Challenge

- *Expanding GMS SME exports to regional and global markets*
  - Overcoming barriers to SME internationalization (supply side)
  - Exporting in slow-growth global and regional economy (demand side)

Opportunity

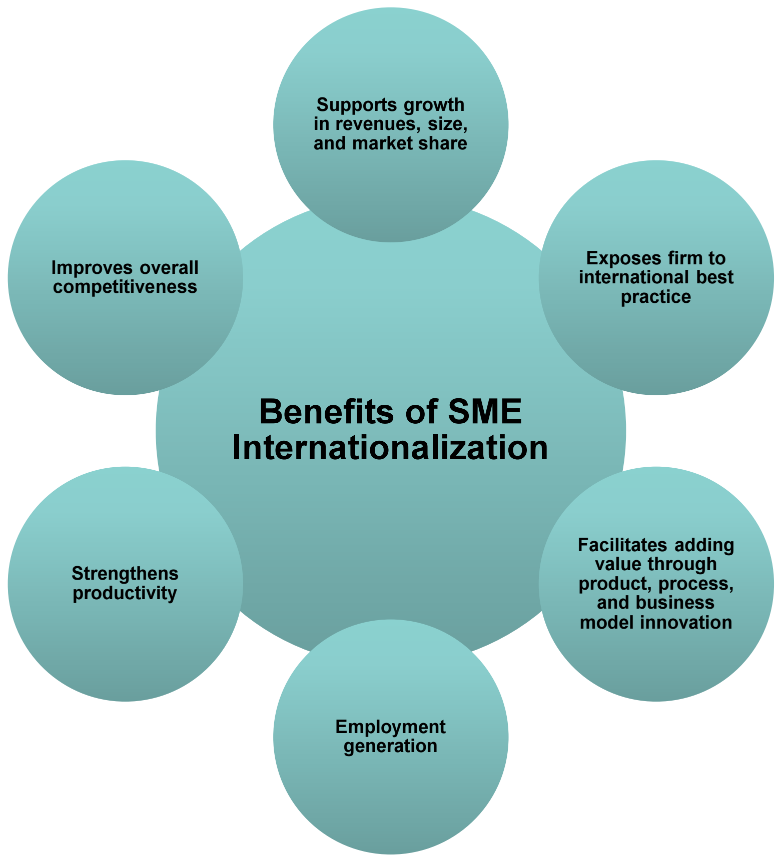
- *Regional and global export markets for long-term growth – but with a difference*
  - Growing Asian emerging markets: for now mostly at lower end of income scale
  - Slow developed economies: continuing importance, but more difficult markets

Response

- *Expanding GMS SME exports to regional and global markets on 3 tracks*
  - Exporting existing (final) products/services
  - *Innovating for Asian emerging markets and beyond*
  - ***Promoting SME suppliers in global (regional) value chains (GVC)***

CHALLENGE (1)

- ***Overcoming barriers to SME internationalization (supply side perspective)***


Benefits of SME Internationalization
Supports growth in revenues, size, and market share
Exposes firm to international best practice
Facilitates adding value through product, process, and business model innovation
Employment generation
Strengthens productivity
Improves overall competitiveness

Why not: significant barriers to SME Internationalization

e.g. SME export share of 5 ASEAN economies around 23%

Source: Abonyi (ERIA, 2015)

- ***Internal barriers**:* relate to firm-level capability and resource constraints
  - *Seen as most important*, e.g. mind set, information, finance, skills
- ***External barriers:*** relate to business environment both national and international
  - E.g. general domestic SME-related business environment, logistics, clustering, trade facilitation

Barrier			Factors
Internal	*Managerial mindset*		• Limited appreciation of potential benefits of and tangible opportunities for internationalization
	Information		• Limited information on markets, consumers/buyers;
			• Problems with using available data/information
			• Limited understanding of market conditions, and customers/context (e.g. economic, socio-cultural)
			• Difficulties seeing foreign business opportunities
			• Constraints on contacting foreign customers
			• Limited knowledge of related government initiatives
			• Limited awareness of supporting regional initiatives (e.g. ASEAN)
	Finance		• Shortage of working capital
			• Limited access to trade and supply chain finance
			• Constraints on creditworthiness
			• Shortage of start up/early stage financing
	Functional		• Lack of managerial skills for internationalization
			• Limited managerial time
			• Insufficient trained personnel for foreign business
			• Constraints on production capacity/scale
			• Difficulty meeting product/process standards
			• Constraints on product and process innovation for new markets and customers
	Logistics		• Lack of logistical (e.g. shipping) capabilities
			• Lack of warehousing facilities in foreign markets
			• Excessive transportation/insurance costs
	Marketing	*Price*	• Ability to offer competitive pricing to customers
			• Constraints on providing credit to customers
		Distribution	• Limited knowledge of foreign distribution channels
			• Constraints on using foreign distribution and marketing channels
			• Problems identifying and arranging reliable foreign market representation
		Promotion	• Constraints on effective promotional activities (e.g. to retail customers; to GVC-related buyers)
External	*Procedural*		• Lack familiarity with procedures, documentation
			• Difficulties communicating with foreign customers
			• Constraints on collecting payment (e.g. time)
	Government		• Limited effectiveness of support for key aspects of internationalization (e.g. financing, information)
			• Limited effectiveness of communications on existing support for internationalization
			• Differences in perspective on firm-level needs
	Market		• Strong competition in foreign markets
			• Fragmented foreign (national) markets
			• Unfamiliar foreign business practices and language
			• Barriers, e.g. tariff, especially non-tariff barriers
	Business Environment		• *General domestic SME-related business environment*, e.g. business registration, customs and tax refund, technology acquisition, support for innovation
			• State of domestic infrastructure and logistics to support international business
			• Limited effective support for enterprise clustering
			• Foreign currency exchange risk
			• Difficulties with procedures of firms supporting cross-border business, e.g. banks, insurance companies, shippers

CHALLENGE (2)

- ***Internationalization in slow-growth and uncertain global and regional economies (demand side perspective)***

Market challenge – where will global demand for GVCs come from: **"New normal" and "greater divergence" in the global economy**

Source: IMF WEO, October 2015; October 2008

- Slow-growth global economy esp. developed economies; also slowing but *relatively* faster growth in Asian emerging economies
  - Especially ASEAN, China, India (ACI)
- And political uncertainty of economic management (e.g. EU, China)

Note: IMF has continually overestimated growth since 2009

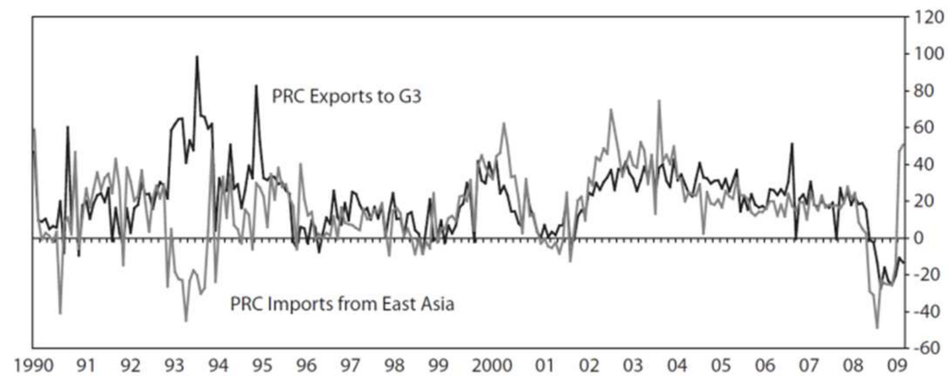
	2006	2007	2009	2010	2011	2012	2013	2014	2015 (P)	2016(P)
World Output	5.1	5.0	-0.7	5.1	3.9	3.4	3.4	*3.4*	*3.1 (OECD: 3.0 Sept. 2015)*	*3.6 (OECD: 3.6 Sept. 2015)*
United States	2.8	2.0	-3.1	2.4	1.8	2.3	2.2	*2.4*	*2.6*	*2.8 (US Conf. Board Sept/2015: 2.4)*
Euro Area	2.8	2.6	-4.4	2.0	1.5	-0.7	-0.4	*0.9*	*1.5*	*1.6*
Japan	2.4	2.1	-5.5	4.5	-0.6	1.5	1.6	*-0.1*	*0.6*	*1.0*
Developing Asia	9.9	10.0	7.0	9.5	7.8	6.7	7.0	*6.8*	*6.5*	*6.4*
People's Republic of China	11.6	11.9	9.2	10.4	9.3	7.7	7.7	*7.3*	*6.8*	*6.3*
India	9.8	9.3	5.9	10.1	6.3	4.7	6.9	*7.3*	*7.3*	*7.5*
ASEAN 5	5.7	6.3	1.7	7.0	4.5	6.2	5.1	*4.6*	*4.6*	*4.9*

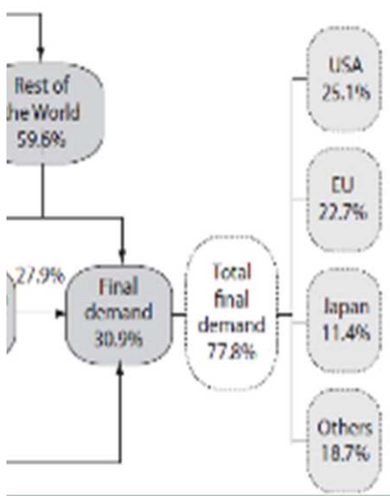
预览已结束，完整报告链接和二维码如下：
https://www.yunbaogao.cn/report/index/report?reportId=5_3733

onomies and China markets: *slow, uncertain*
nal (East Asian) value chains:
oped economies: primary final market
: intermediate market – key role in GVCs

s (particularly US)
:h as final markets
ess than 25% of its total trade
slow uncertain growth

- ***China*** has imported 50% of all intra-regional intermediate exports (parts, components); but for final export to developed economies economies, e.g. iPhones to US and EU (source: ADB, 2011)





- *China: rebalancing and extended slow growth*
- *From high (national) savings and related investment- and export-driven model;*
  to domestic consumption driven growth
- *Challenge of "political economy"*