



**Asia-Pacific  
Economic Cooperation**

## **SME Market Access and Internationalization: Medium-term KPIs for the SMEWG Strategic Plan**

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**APEC Policy Support Unit**  
June 2010

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**Produced for:**

Small and Medium Enterprises Working Group  
Asia-Pacific Economic Cooperation

APEC#210-SE-01.2



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The authors would like to thank Philip Gaetjens, Director, and Akhmad Bayhaqi, Analyst, of the APEC Policy Support Unit for their helpful comments. We are also grateful to Luis Tsuboyama, Program Director for the APEC SME Working Group, for his support. The views expressed in this paper are those of the authors and do not necessarily represent those of APEC Member Economies.

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## HIGHLIGHTS

- Definitions of SMEs vary across APEC economies and are based on several different criteria. They include number of employees and maximum levels of capital, assets, or sales, which may vary according to sector.
- SMEs account for over 90% of all enterprises in every APEC economy and employ more than half the workforce in most APEC economies. However, SMEs generally contribute less to GDP relative to large enterprises.
- Sectors that have large proportions of SMEs, such as wholesale and retail trade, also tend to have the highest shares of total SMEs in an economy. In many APEC economies, sectors such as mining and quarrying often have the lowest proportions of SMEs and account for the lowest shares of total SMEs.
- 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, franchising, and importing. Exporting, either directly or indirectly, has been the most common and traditional form of internationalization.
- Barriers to SME access to international markets can be characterized as being contingent and dynamic. Two firms in the same stage of export development will have different perceptions on the same barrier and thus different responses to it. Additionally, the same firm may perceive the same barrier in many ways across time and in relation to different export destinations.
- Since barriers are not uniform and constant to all SMEs, it is important to understand the nature of the SME and its stage of international operations, and the corresponding barriers to internationalization for the SME.
- The results from a joint OECD-APEC survey found that both policy makers and SMEs identified the following four barriers among 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/analyze markets; and inability to contact potential overseas customers.
- The same survey found that although the trading operations of international SMEs now tend to be far more diverse than only exporting, the predominant perception of internationalization is that it still consists mainly of exporting activities. Only a small number of support programs appeared to take a holistic approach by providing support for other forms of internationalization.
- Data on SME exports of APEC economies are limited. Where available, data show that although the number of SMEs as a share of total exporters is usually high, SMEs typically contribute a small amount to total export value, with SMEs in most APEC economies contributing less than 30%. The share of exporting SMEs to total SMEs is also relatively low at less than 15%, indicating considerable scope to increase internationalization through direct exports.

- SMEs tend to export more to economies with geographic proximity and socio-cultural similarities, but over time, firms do expand their export markets. Available data on SME export destination for APEC economies confirm this pattern.
- Of the agreed Medium-term KPIs for the Market Access and Internationalization priority area of the SMEWG Strategic Plan, the most suitable outcome indicators include the number of SME exporters and real export value; SME exporters as a share of total SMEs; and SME exports/overseas sales as a share of total SME sales. These indicators are not yet widely collected by APEC economies, which may impact the ability of the SMEWG to evaluate progress and outcomes of the Strategic Plan in the future.
- Current measurement of the agreed KPIs focuses on direct exports in goods trade. Given the various forms of SME internationalization activities, the SMEWG may also wish to exchange knowledge and experience in developing key performance indicators to capture nontraditional, but increasingly important forms of internationalization.

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# 1. INTRODUCTION

## A. BACKGROUND

The mission of the APEC Small and Medium Enterprises Working Group (SMEWG) is to help create a policy environment that fosters the growth and development of small businesses and improves their access to the international market. To better provide focus for the work of the SMEWG, Ministers at the 15<sup>th</sup> SME Ministerial Meeting (SMEMM) in Chiclayo, Peru in August 2008 endorsed a four-year (2009-2012) SMEWG Strategic Plan.

The SMEWG's Strategic Plan focuses on six priority areas:

- Business Environment;
- Building Management Capability and Promoting Entrepreneurship;
- Market Access and Internationalization;
- Innovation;
- Financing; and
- Sustainable Business Practices.

The Strategic Plan describes actions to be taken under the six priority areas to best stimulate SME growth – continue to enhance the business environment to promote stable regulatory frameworks; build management capability and promote entrepreneurship by SMEs; enhance SME access to markets through information and capability development; accelerate and promote innovation as a key competitive advantage of SMEs; and encourage sustainable business practices by SMEs.

It is recognized that entrepreneurship by micro enterprises and women will help with the overall economic recovery following the Global Financial Crisis and also reduce poverty and inequalities in the APEC region. As a result, the development of women, youths, and indigenous peoples is a cross-cutting priority of the SMEWG's Strategic Plan.

Best Practice Key Performance Indicators (KPIs) were developed by the SMEWG to show the progress and initiatives in driving SME development among APEC economies, and were endorsed by Members at the 28<sup>th</sup> SMEWG Meeting in Chinese Taipei in June 2009 for five of the six priority areas.<sup>1</sup> Two types of Best Practice KPIs were identified to monitor and evaluate progress under the Strategic Plan – Project KPIs and Medium-term KPIs. The Project KPIs list any relevant outcomes or deliverables from current and proposed projects supported by the SMEWG and the Medium-term KPIs measure eventual outcomes. The endorsed list of Project and Medium-term KPIs for the five priority areas includes a mix of both output and outcome style deliverables which allow for the flexibility of quantitative and qualitative indicators.

This report by the APEC Policy Support Unit (PSU) is in response to the request by the SMEWG to examine the availability of data to support the Medium-term KPIs and measurable outcomes of the Market Access and Internationalization priority area.

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<sup>1</sup> Discussion on the sixth priority area of “Sustainable Business Practices” is ongoing.

## **B. SCOPE**

An overview of the SME landscape in the APEC region is presented first to provide a general picture of their economic importance. This is followed by a review of the literature on the nature of SME internationalization and barriers to market access in order to better understand the factors that affect the achievement of the desired outcomes.

The report then focuses on its key objective to analyze the Medium-term KPIs for the Market Access and Internationalization priority area, which the SMEWG has identified as growth in exports by SMEs (e.g. increase in number/percentage of SME exporters, overseas sales, export figures). Available data are assessed to try to establish baseline figures and trends as well as determine the suitability of the indicators to measure outcomes.

A key limitation in undertaking this report has been data availability. As observed elsewhere, “the empirical base for the analysis of ‘international SMEs’ is poor and that major deficiencies are apparent in terms of international comparability which prevent meaningful, high-quality empirical analysis” (OECD 2008:15). This report is no exception. Ideally, standardized data from international sources would be used, but such data for SMEs do not exist. The PSU gathered information from both primary sources, such as statistics bureaus or agencies in charge of promoting SMEs within member economies, and secondary sources, including relevant research and studies on SMEs in the APEC region. The compiled data were circulated to SMEWG members on 31 March 2010 (Progress Report) for verification. The Draft Report was then submitted and presented at the 30<sup>th</sup> Meeting of the SMEWG in Hong Kong, China on 9-10 June 2010. Of the 21 members, 12 economies responded with updated data or comments. Of the 20 economies for which data are presented in this report, data for 14 economies are based on primary sources; data for 3 economies are drawn from both primary sources and secondary sources; while data for 2 economies are entirely from secondary sources. (See Appendix A for details on data sources.) All data compiled for this report are submitted separately, for reference.

## 2. OVERVIEW OF THE SME SECTOR IN THE APEC REGION

### A. DEFINITION OF SMES

SMEs can be defined based on several criteria, such as number of employees or maximum levels of capital, assets, or sales, and can also be further defined by sector. There is no single definition of an SME adopted across all APEC economies. In some cases, there are several definitions within an economy as different agencies may define SMEs based on different measures. Some APEC economies define SMEs based on a single criterion while others use a combination of criteria (Table 1). Many APEC economies also further classify SMEs into micro, small, and medium enterprises. (See Appendix B for detailed definitions of SMEs in all APEC economies.)

Given the differences in how each economy defines an SME, comparing statistics on SMEs across APEC economies can be problematic. For example, using only the number of employees as the criterion, China defines an SME in the industry sector as having 2,000 or fewer employees, while New Zealand's Ministry of Economic Development defines an SME in any sector as having fewer than 20 employees. Additionally, the definition of an SME may evolve over time within an economy, making it difficult to analyze historical trends.

**Table 1. SME Definition Criteria – Summary Table**

	Number of Employees	Sales / Revenue	Assets	Capital / Investment	Sector
Australia <sup>1</sup>	X				
Brunei Darussalam	X				
Canada <sup>2</sup>	X	X			X
Chile <sup>3</sup>	X	X			
China <sup>4</sup>	X	X	X		X
Hong Kong, China	X				X
Indonesia <sup>5</sup>	X	X	X		
Japan	X			X	X
Korea <sup>6</sup>	X	X		X	X
Malaysia <sup>7</sup>	X	X			
Mexico	X				X
New Zealand <sup>8</sup>	X				
Papua New Guinea				X	
Peru <sup>9</sup>	X	X			
Philippines <sup>10</sup>	X		X		
Russia	X	X			
Singapore <sup>11</sup>	X		X		X
Chinese Taipei <sup>12</sup>	X	X		X	X
Thailand	X		X		X
United States <sup>13</sup>	X	X			X
Viet Nam <sup>14</sup>	X			X	

Notes:

1. The Australian Bureau of Statistics (ABS) recognizes that an employment based sizing measure may not be applicable to businesses in certain sectors, such as agriculture, and therefore financial measures, based on turnover or asset holdings for example, may also be used to classify businesses as SMEs.
2. There is no unique definition of an SME in Canada. Industry Canada defines SMEs based on sector and employment, while Statistics Canada defines SMEs based on employment and revenue.
3. There is no unique definition of an SME in Chile. The Ministry of Planning and Cooperation (MIDEPLAN) defines SMEs based on employment, while the Ministry of Economy (MINECON) defines SMEs based on sales.
4. For China, only SMEs in certain sectors are further defined based on assets.
5. There is no unique definition of an SME in Indonesia. The State Ministry of Cooperatives and SMEs defines SMEs based on assets and sales. Statistics Indonesia (BPS) defines SMEs based on employment.
6. SMEs in Korea are defined based on employment and, depending on the sector, on either sales or capital.
7. SMEs in Malaysia can be defined based on either sales or revenue or on employment.
8. There is no unique definition of an SME in New Zealand. The Ministry of Economic Development (MED) defines SMEs based on employment. Other agencies define SMEs based on turnover, taxes on employee salaries or wages, or an employment classification different to that of MED.
9. There is currently no definition of medium enterprises in Peru.
10. SMEs in the Philippines can be defined based on either assets or employment.
11. SMEs in Singapore are defined based on either employment or assets depending on the sector.
12. SMEs in Chinese Taipei are defined based on either sales revenue or capital depending on the sector. Agencies may also use an employment measure to define SMEs.
13. SMEs in the United States are defined based on either employment or revenue depending on the sector. A general definition of SMEs is based on employment.
14. SMEs in Viet Nam are defined based on capital and/or on employment.

## **B. SIZE AND CONTRIBUTION TO ECONOMY**

Although definitions of SMEs vary across the APEC region, most enterprises within each economy are classified as SMEs. Using the latest data available for each APEC member, the share of SMEs in the total number of enterprises ranges from around 92% in Russia to nearly 100% in Indonesia (Table 2). Canada, Korea, and the United States also have a very high share (99.9%) of SMEs as a proportion of total enterprises.

However, although more than half of the workforce in most APEC economies is employed by SMEs, this proportion varies significantly across economies. The share of employment by SMEs as a proportion of total employment ranges from nearly 37% in New Zealand to 97% in Indonesia (Table 2).

**Table 2. SMEs as a Share of Total Enterprises and Total Employment<sup>1</sup>**

APEC Economy	No. of SMEs	% of Total Enterprises	Year	% of Total Employment	Year
Australia <sup>2</sup>	2,005,894	99.7	Jun-07	...	...
Brunei Darussalam	9,150	98.4	2008	≈ 58.0	2008
Canada <sup>3</sup>	2,286,338	99.9	Jun-09	...	...
Chile <sup>4</sup>	741,299	98.6	2008	59.7	2007
China <sup>5</sup>	269,332	99.1	2005	77.1	2005
Hong Kong, China	282,413	> 98.0	Dec-09	≈ 48.0	Dec-09
Indonesia	51,257,537	99.99	2008	97.0	2008
Japan <sup>6</sup>	5,797,681	99.3	2006	79.0	2006
Korea	2,974,185	99.9	2007	88.4	2007
Malaysia	548,267	99.2	2005	56.4	2005
Mexico	2,992,178	99.6	2003	65.1	2003
New Zealand	457,219	97.1	Feb-08	36.8	Feb-08
Peru <sup>7</sup>	880,963	98.7	Nov-06	83.7	2006
Philippines	758,436	99.6	2008	61.2	2008
Russia <sup>8</sup>	6,891,000	≈ 92.0	2005	≈ 25.0	2006
Singapore	168,470	99.1	2009	≈ 60.0	2009
Chinese Taipei	1,234,749	97.7	2008	76.6	2008
Thailand	2,827,633	99.7	2008	76.0	2008
United States <sup>9</sup>	27,567,233	99.9	2006	50.2	2006
Viet Nam	109,738	96.8	2005	40.5	2005

## Notes:

1. Data cover the private sector only and exclude the public sector. For some economies, the share of establishments rather than the share of enterprises is used.

2. For Australia, non-employing establishments (those without an Income Tax Withholding obligation, including sole proprietorships and partnerships without employees) are considered as SMEs in the analysis, consistent with the Australian Bureau of Statistics, which recognizes them as small businesses.

3. For Canada, establishments of indeterminate size, which consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account, are considered as SMEs in the analysis.

4. For Chile, enterprises for which the amount of sales is unknown have been excluded from the analysis. If they are included and considered as SMEs, then SMEs as a share of total enterprises rises to 98.8%.

5. For China, data cover only the Industry sector, which includes Manufacturing, Mining, and Utilities.

6. For Japan, data are available only for Wholesale and Retail Trade as a whole, so the analysis considers fewer than 100 employees in Wholesale and Retail Trade as an SME (in contrast with the official definition of an SME in Retail Trade as having fewer than 50 employees). Establishments hiring only temporary dispatched workers or subcontracted employees have been excluded from the analysis. If these establishments are included in the analysis and considered as SMEs, then SMEs as a share of total enterprises remains the same (99.3%).

7. For Peru, there is currently no definition of medium enterprises. SMEs as a share of total enterprises cover only the formal sector. If enterprises in the informal sector are included, then the share rises to 99.6%. For SMEs as a share of total employment, the self-employed are considered as SMEs, but domestic workers have been excluded from the analysis. If domestic workers are included in the analysis and considered as SMEs, then the share rises to 84.4%.

8. For Russia, SMEs as a share of total employment covers only small enterprises.

9. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used and non-employers are considered as SMEs in the analysis.

In all APEC economies that further classify SMEs by size, most SMEs are micro enterprises, followed by small enterprises (Table 3). Medium-sized enterprises account for the smallest share of total SMEs, ranging from just 0.1% in Indonesia to 4% in Australia. Some economies also have a statistical category for non-employers, which typically tend to be sole proprietorships or partnerships, and are classified as SMEs. For economies in which there are data on non-employers, most SMEs fall within this category – 58% of SMEs in Australia and 75% of SMEs in the United States are non-employers.

**Table 3. Distribution of SMEs by Size<sup>1</sup>**

% of total SMEs	Non-employing	Micro	Small	Medium	Year
Australia <sup>2</sup>	58.4	26.3	11.4	3.9	Jun-07
Brunei Darussalam	...	53.2	44.5	2.3	2008
Canada <sup>3</sup>	52.9	25.9	19.4	1.8	Jun-09
Chile <sup>4</sup>	...	79.4	17.9	2.8	2008
Indonesia	...	98.9	1.0	0.1	2008
Malaysia	...	79.4	18.3	2.3	2005
Mexico	...	95.4	3.8	0.9	2003
Peru <sup>5</sup>	...	96.1	3.9	...	Nov-06
Philippines	...	91.9	7.7	0.4	2008
United States <sup>6</sup>	75.3	...	24.3	0.3	2006

Notes:

1. Data cover the private sector only and exclude the public sector. For some economies, the share of establishments rather than the share of enterprises is used.
2. For Australia, non-employing establishments (those without an Income Tax Withholding obligation, including sole proprietorships and partnerships without employees) are considered as SMEs in the analysis.
3. For Canada, non-employing refers to establishments of indeterminate size, which consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account, and are considered as SMEs in the analysis.
4. For Chile, enterprises for which the amount of sales is unknown have been excluded from the analysis.
5. For Peru, there is currently no definition of medium enterprises. The distribution of SMEs covers only the formal sector. If enterprises in the informal sector are included, then the share of micro enterprises in total SMEs rises to 97.0% and the share of small enterprises in total SMEs falls to 3.0%.
6. For the United States, the general definition of a small business as a firm having fewer than 100 employees and a medium-sized business as a firm having fewer than 500 employees is used. Non-employers are considered as SMEs in the analysis. If non-employers are excluded from the analysis, then the share of small firms in total SMEs rises to 98.7% and the share of medium-sized firms in total SMEs rises to 1.3%.

Since the majority of enterprises in an economy are SMEs, it is not surprising that growth in the number of SMEs is closely linked to growth in the total number of enterprises (Table 4). Some APEC economies have recently seen a high rate of annual growth in the number of SMEs, including China (13.4% between 2001 and 2005 for SMEs in the industry sector), Peru (16.6% between 2004 and 2006), Thailand (8.1% between 2005 and 2008), and Viet Nam (22.4% between 2000 and 2005).

In contrast, a few APEC economies have experienced an annual decline in the number of SMEs, including Russia (-4.9% between 2002 and 2005) and Japan (-1.5% between 2001 and 2006). For many APEC economies, the number of SMEs tends to grow at a rate of between 1% and 2% per year.

**Table 4. Annualized Growth Rate in Number of Enterprises <sup>1</sup>**

%	SMEs	Total Enterprises	Period
Australia <sup>2</sup>	1.9	1.9	2003-07
Chile <sup>3</sup>	1.3	1.4	2005-08
China <sup>4</sup>	13.4	12.2	2001-05
Indonesia	2.7	2.7	2006-08
Japan <sup>5</sup>	-1.5	-1.5	2001-06
Korea	1.4	1.2	2000-07
Peru <sup>6</sup>	16.6	16.4	2004-06
Philippines	-0.7	-0.7	2004-08
Russia	-4.9	-4.5	2002-05
Singapore <sup>7</sup>	5.9	5.8	2007-08
Chinese Taipei	1.5	1.5	2003-08
Thailand	8.1	8.0	2005-08
United States <sup>8</sup>	3.4	3.4	2002-06
Viet Nam	22.4	21.8	2000-05

Notes:

1. Data cover the private sector only and exclude the public sector. For some economies, the annualized growth rate of establishments rather than enterprises is used.
2. For Australia, non-employing establishments (those without an Income Tax Withholding obligation, including sole proprietorships and partnerships without employees) are considered as SMEs in the analysis.
3. For Chile, enterprises for which the amount of sales is unknown have been excluded from the analysis. If they are included and considered as SMEs, then the annualized growth rate of SMEs falls to 1.2% and the annualized growth rate of total enterprises falls to 1.3%.
4. For China, data cover only the Industry sector, which includes Manufacturing, Mining, and Utilities.
5. For Japan, data are available only for Wholesale and Retail Trade as a whole, so the analysis considers fewer than 100 employees in Wholesale and Retail Trade as an SME (in contrast with the official definition of an SME in Retail Trade as having fewer than 50 employees). Establishments hiring only temporary dispatched workers or subcontracted employees have been excluded from the analysis. If these establishments are included in the analysis and considered as SMEs, then the annualized growth rate is -1.4% for both SMEs and total enterprises.
6. For Peru, there is currently no definition of medium enterprises. Annualized growth rate of enterprises covers only the formal sector. If enterprises in the informal sector are included, then the annualized growth rate is 13.3% for both SMEs and total enterprises.
7. For Singapore, data cover enterprises in the Manufacturing sector only.
8. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used and non-employers are considered as SMEs in the analysis.

SME intensity<sup>2</sup> (measured as the number of SMEs per 1,000 people) varies widely within the APEC region. However, given the differences in the definition and measurement of SMEs, comparing SME intensity across APEC economies could be misleading. Changes over time within an economy can be examined, assuming that the definition and measurement of SMEs used by the economy is the same throughout the period. In the economies where historical data on the number of SMEs are available, SME intensity has increased in the majority of them (Table 5).

<sup>2</sup> This measure has also been referred to as SME density.

**Table 5. SME Intensity <sup>1</sup>**

per 1,000 people	SMEs	Year	SMEs	Year
Australia	95.2	2007	93.7	2003
Brunei Darussalam	23.3	2008	...	...
Canada	68.6	2009	...	...
Chile <sup>2</sup>	44.1	2008	43.7	2000
China <sup>3</sup>	0.2	2005	0.1	2001
Hong Kong, China	40.5	2009	...	...
Indonesia	225.5	2008	219.0	2006
Japan <sup>4</sup>	45.4	2006	49.1	2001
Korea	61.4	2007	57.6	...
Malaysia	21.4	2005	...	...
Mexico	29.6	2003	...	...
New Zealand	107.1	2008	...	...
Peru <sup>5</sup>	31.3	2006	23.6	2004
Philippines	8.4	2008	9.3	2004
Russia	48.1	2005	55.1	2002
Singapore	34.8	2009	...	2007
Chinese Taipei	53.6	2008	50.8	2003
Thailand	42.0	2008	34.0	2005
United States	92.4	2006	83.7	2002
Viet Nam	1.3	2005	0.5	2000

Notes:

1. Population data are from the World Bank's World Development Indicators online database; data for Chinese Taipei are from the Ministry of the Interior. For Canada; Hong Kong, China; and Singapore, population data for 2008 are used instead of 2009.

2. For Chile, enterprises for which the amount of sales is unknown have been excluded from the analysis. If they are included and considered as SMEs, then SMEs per 1,000 people rises to 53.1% in 2008 and 52.7% in 2005.

3. For China, the number of SMEs in the Industry sector only (Manufacturing, Mining, and Utilities) per 1,000 people is shown.

4. For Japan, data are available only for Wholesale and Retail Trade as a whole, so the analysis considers fewer than 100 employees in Wholesale and Retail Trade as an SME (in contrast with the official definition of an SME in Retail Trade as having fewer than 50 employees). Establishments hiring only temporary dispatched workers or subcontracted employees have been excluded from the analysis. If these establishments are included in the analysis and considered as SMEs, then SMEs per 1,000 people rises to 45.6% in 2006 and 49.3% in 2001.

5. For Peru, there is currently no definition of medium enterprises. The analysis includes micro and small enterprises in the formal sector only. If micro and small enterprises in the informal sector are included, then SMEs per 1,000 people rises to 114.8 in 2006 and 91.6 in 2004.

Even though most enterprises in an economy are SMEs, their economic contribution is often less than that of large enterprises. In Indonesia, which has the highest share of enterprises that are SMEs in the APEC region, SMEs contributed 56% to GDP in 2008, while in Russia, which has the lowest share of enterprises that are SMEs in the APEC region, SMEs contributed about 15% to GDP in 2006 (Table 6). In terms of value added, the contribution of SMEs differs from 36% (Mexico in 2003) to about 51% (Singapore in 2009).



**Table 6. Economic Contribution of SMEs**

% of total	Measure	SMEs	Year
Chile	Total Annual Sales	18.0	2005
China <sup>1</sup>	Output	63.7	2005
Indonesia	GDP	55.6	2008
Malaysia <sup>2</sup>	GDP	≈ 32.0	2005
Mexico	Value Added	35.7	2003
New Zealand	Total Value Added Output	40.7	Mar-07
Russia <sup>3</sup>	GDP	≈ 15.0	2006
Singapore	Value Added	≈ 51.0	2009
Chinese Taipei	Domestic Sales	34.2	2008
Thailand	GDP	37.8	2009

Notes:

1. For China, data cover only the Industry sector, which includes Manufacturing, Mining, and Utilities. Note that SMEs in the Industry sector also contributed 62.3% of total sales revenue in 2005.
2. For Malaysia, note that SMEs in the Manufacturing sector contributed 30.9% of total output and 26.5% of value added in 2008.
3. For Russia, the economic contribution of SMEs to GDP covers only small enterprises. Note that SMEs contributed around 46% of total annual turnover in 2005.

### C. DISTRIBUTION BY SECTOR AND GENDER

Given the large number of SMEs in an economy, most sectors are dominated by SMEs, usually accounting for over 90% of all enterprises within a sector. In most APEC economies, the sectors that tend to have large proportions of SMEs (over 99%) include wholesale and retail; agriculture, forestry and fishing; and construction. Sectors in which SMEs comprise the lowest share of total enterprises include mining and quarrying; oil and gas extraction; and utilities – sectors which typically require a large amount of startup capital and can have natural or regulatory barriers to entry.

Sectors dominated by SMEs, like the wholesale and retail sector, also tend to have the largest share of total SMEs in an economy, while sectors like oil and gas extraction and utilities tend to have the lowest share of total SMEs (Table 7). In Indonesia, the agriculture, livestock, forestry, and fisheries sector has the highest share of total SMEs at 51.5%; however, in Japan and Korea, this sector (agriculture, forestry, and fisheries) has one of the lowest shares of total SMEs at 0.4% and 0.02%, respectively.

Historical data on the distribution of total SMEs across sectors are limited, but when they are available, a shift is sometimes evident. In Peru between 2001 and 2006, there was a shift in the distribution of SMEs engaged in trading activities as a share of total SMEs (from 53% to 32%) to the services and manufacturing sectors. In Thailand, the share of total SMEs in the manufacturing sector declined from 31% in 2005 to 19% in 2008, while wholesale and retail trade and the services sector increased their shares of total SMEs over this period. In contrast, the sectoral distribution of SMEs has remained relatively constant over the past few years in Indonesia, Japan, the Philippines, Chinese Taipei, the United States, and Viet Nam.

**Table 7. Sectors with the Highest and Lowest Share of Total SMEs <sup>1</sup>**

% of total SMEs	Highest Share		Lowest Share		
	Sector	SMEs	Sector	SMEs	Year
Australia	Property and Business Services	25.3	Electricity, Gas, and Water Supply	0.1	Jun-07
Brunei Darussalam	Wholesale and Trading	21.1	Oil and Gas	0.2	2008
Canada <sup>2</sup>	Retail Trade	12.3	Utilities	0.1	Jun-09
Chile	Wholesale and Retail	39.3	Electricity, Gas, Water	0.2	2000
Hong Kong, China <sup>3</sup>	Import/Export Trade and Wholesale	38.9	Mining, Quarrying; Electricity, Gas, Waste Mgmt; Construction	0.4	Dec-09
Indonesia	Agriculture, Livestock, Forestry, Fisheries	51.5	Electricity, Gas, Water Supply	0.02	2008
Japan <sup>4</sup>	Wholesale and Retail Trade	27.5	Mining	0.1	2006
Korea	Wholesale and Retail	28.4	Electricity, Gas, Steam, Water	0.01	2007
Mexico <sup>5</sup>	Retail	49.8	Management of Companies and Enterprises	0.01	2003
Peru <sup>6</sup>	Services	47.0	Agriculture and Fishing	2.0	2006
Philippines	Wholesale and Retail Trade	49.9	Mining and Quarrying	0.04	2008
Russia <sup>7</sup>	Trade and Mass Catering	50.0	Science and Informational Technologies	2.0	2006
Singapore	Wholesale and Retail Trade	32.0	Accommodation and Food & Beverage	3.0	2008
Chinese Taipei	Wholesale and Retail Trade	52.5	Electricity and Gas Supply	0.02	2008
Thailand	Wholesale and Retail Trade	46.7	Manufacturing	19.3	2008
United States <sup>8</sup>	Construction	13.2	Utilities	0.1	2006
Viet Nam	Trade	40.7	Agriculture and Forestry	1.0	2004

**Notes:**

1. Sector classifications differ between economies, therefore limiting cross-economy comparisons.
2. For Canada, SMEs engaged in the Retail Trade sector together with SMEs engaged in the Wholesale Trade sector accounted for 18.2% of total SMEs in June 2009.
3. For Hong Kong, China, SMEs engaged in the Import/Export Trade and Wholesale sector together with SMEs engaged in the Retail sector accounted for 54.1% of total SMEs in December 2009.
4. For Japan, data are available only for Wholesale and Retail Trade as a whole, so the analysis considers fewer than 100 employees in Wholesale and Retail Trade as an SME (in contrast with the official definition of an SME in Retail Trade as having fewer than 50 employees).
5. For Mexico, establishments with 250 employees or fewer in the following industries were considered as SMEs in the analysis: Agriculture, Forestry, Fishing and Hunting; Mining; Electricity, Water and Gas; Construction; Manufacturing. For all other industries, establishments with 100 employees or fewer were considered as SMEs. Note that SMEs engaged in the Retail Trade sector together with SMEs engaged in the Wholesale Trade sector accounted for 52.7% of total SMEs in 2003.

6. For Peru, there is currently no definition of medium enterprises. The sector shares of small and medium enterprises cover only enterprises in the formal sector.
7. For Russia, the sector shares cover only small enterprises.
8. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used. Note that SMEs engaged in the Retail Trade sector together with SMEs engaged in the Wholesale Trade sector accounted for 17.6% of total SMEs in 2006.

**Box 1. SMEs & Women**

Although women are becoming increasingly engaged in economic activity, the share of businesses owned by women remains relatively low. A recent World Bank report used anecdotal evidence to illustrate how the costs of starting a business are often higher for women than for men (World Bank, 2010). The report identified three key factors that hamper the development of women-owned businesses: lack of information on administrative procedures to start a business, difficulty in gaining access to finance, and the dual role of women to care for family and operate a business. Enterprises owned by women therefore tend to be small, unincorporated, or informal, with only a limited number having the ability and opportunity to grow to medium-sized or large enterprises.

Women indeed account for a smaller share of business owners in some APEC economies for which data on ownership by gender are available. In Peru, 29% of formal and informal micro and small employers in 2006 were women. In New Zealand in 2008, 29% of employers and 34% of the self-employed were women. In Chinese Taipei, 36% of SMEs and 18% of large enterprises were owned by women in 2008. In China, women accounted for 25% of all newly started businesses (Debroux P., 2008), while women accounted for about 19% of business owners in Korea in 2005 (World Bank).

However, in some economies, the disparity between male- and female-owned businesses is relatively small. Canada estimates that in 2007, 46% of all SMEs had some degree of female ownership – 16% of SMEs were majority-owned by women and a further 19% were equal partnerships between male and female owners. (Additionally, one third of all self-employed persons in Canada in 2008 were women.) Statistics for Australia show the ratio between operators of unincorporated enterprises and incorporated enterprises – 61% of women and 59% of men were operators of unincorporated small businesses in 2006. In the United States between 2008 and 2009, businesses in which women had at least 50% ownership accounted for 40% of all privately held firms (Center for Women's Business Research).

A recent study showed that there is a significantly higher share of women-owned enterprises in consumer-oriented sectors (Allen E., et al., 2008). In Canada, the accommodation and food services industry had the highest share of SMEs that were majority-owned by females in 2007 (22%), whereas SMEs in agriculture and primary industries had the lowest share (5%). In Peru, formal and informal micro and small enterprises in the trade sector had the highest proportion of female employers (44%) in 2006, followed by the services sector (38%), while the construction sector had the lowest proportion of women employers (3%).

In Chinese Taipei, the accommodation and food services industry had the highest proportion of women-owned SMEs in 2008 (49%), while electricity and gas supply had the lowest proportion (21%). In terms of total SMEs owned by women, the wholesale and retail sector had the highest share (55%), while the electricity and gas supply industry had the lowest share (0.01%). Additionally, women-owned SMEs in Chinese Taipei accounted for 24% of SME exports in 2008 (9% of total exports). Of the export sales from SMEs owned by women, 47% were from those engaged in wholesale and retail trade.

A report prepared for APEC discusses the vital role of intermediary institutions in enabling women-owned enterprises in Indonesia, Korea, Thailand, and Viet Nam to export to international markets by reducing otherwise unaffordable transaction costs (Gibb H., 2004).

Similarly, the Canadian International Women's Business Initiative and the "Connect Canadians" policy provide assistance for women-owned businesses to explore opportunities abroad (Lever A., 2000). Thus, policies that promote business ownership by women often lead to increased economic activity in an economy and assist towards achieving inclusive growth.



### 3. MARKET ACCESS AND INTERNATIONALIZATION OF SMES

#### A. FORMS AND DRIVERS OF INTERNATIONALIZATION

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 internationalization.<sup>3</sup>

Exporting has been the most common and traditional form of internationalization. UNCTAD (2004) describes various strategies for SMEs to access external markets through exports: (1) independent and highly skilled SMEs that have strong export capacity; (2) SMEs that engage in indirect exporting activity by linking up with transnational corporations (TNCs) or large domestic exporting firms; and (3) SMEs that engage in clustering and networking. With the growing role of TNCs and the rising number of SMEs involved in international production networks, it has been suggested that much of the growth of exports in the future will be situated in or around TNC production systems.

The internationalization of SMEs has been facilitated by the reduction in trade barriers and transport costs as well as the prevalence of ICTs. These trends have accelerated the phenomenon of internationalization via outsourcing, offshoring and subcontracting activities. The process has weaved enterprises of various sizes into global value chains and associated production networks in a range of product groups, such as garments, agro-industry, furniture, automobiles/automotive parts, consumer electronics, telecommunications and ICT, as well as services.<sup>4</sup>

An increasing number of SMEs have become partners, suppliers and distributors of multinational enterprises. Some are even taking bolder steps to conduct international business by themselves, exploring the sales platform as well as the physical and intellectual capital in foreign countries. Usually, firms can source activities to affiliate companies (in-house sourcing) or outsource them to external suppliers. In both cases, they can refer to firms domestically or abroad (offshoring). Subcontracting corresponds to production outside the enterprise, which takes place between non-affiliate firms, and is often in a relationship of cooperation or partnership. In the case in which it occurs outside the economy of the contractor, this involves foreign subcontracting (offshore outsourcing or subcontracting abroad).

It is worthwhile to note that although SMEs can appear on either side of the contract, they are most commonly seen as the recipients of outsourcing or subcontracting work. In recent years, a significant increase in outsourcing activities has been taking place in the services trade sector. Although there are no comprehensive data to capture the international outsourcing of services, anecdotal evidence suggests that it has increased substantially, especially in the IT and business process services.

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<sup>3</sup> The Athens Action Plan for Removing Barriers to SME Access to International Markets, Adopted at the OECD-APEC Global Conference in Athens, on 8<sup>th</sup> November 2006

<sup>4</sup> See Chapter 2 “Primer on Global Value Chains and International Production Networks” (Abonyi G., 2007)

Through outsourcing, offshoring and subcontracting, SMEs can integrate into global value chains, which bring a number of benefits. The most important one is to internationalize through a gradual learning process. Compared with directly exploring international markets, participation via global value chains helps SMEs gain experience through indirect involvement, which minimizes the cost and risk, and in due course achieve a sustainable way to expand business. In the meantime, SMEs benefit from knowledge spillovers, efficiency gains and upgraded human and technological capital through cooperation with partners upstream and downstream. In addition, due to fragmentation of production, new niches for the supply of products and services continuously emerge from the global value chains, which provide small firms enormous opportunities to quickly position themselves, exploiting their flexibility and ability to move fast. Last but not least, based on the accumulated knowledge of international markets, SMEs will also be able to outsource and offshore to rationalize their production and optimize their resource allocation (OECD 2007).

In general, some of the benefits of internationalization for a firm include spreading business risks across different markets and ventures; improving technological quality and service standards in the organization; generating more revenues and funds for reinvestment and further growth; exploiting idle operating capacity and improving production efficiency; and attracting and rewarding shareholders and employees through the creation of a better profit base (Czinkota and Ronkainen 2001 and Terpstra and Sarathy 2000 as cited in Leonidou 2004: 280). For an economy, the benefits include an increase in foreign exchange reserves and jobs creation. Over time, a move to higher value added exports and better paying jobs would contribute to further economic development. More recent economy-specific research findings highlight the drivers behind SME internationalization (Table 8).

**Table 8. SME Internationalization Drivers**

<b>APEC Economy</b>	<b>Motive/Stimulus</b>	
Australia	--Grow market --Control supply chain	--Reduce cost
Canada	--Growth --Management capacity factors --Social capital --Immigrant links	--R&D investment --Firm size/age/experience --Limited domestic market
Chile	--Firm-specific factors (technology content and size) and sector	
Indonesia	--Firm size/resource base --Presence of foreign buyers and firm export orientation	--Sector-level export intensity
United States	--Profits --Weak dollar --Immigrant links	--Internet global reach --Global trade infrastructure

Source: OECD (2009)

Note: United States – list is based on three different studies



## B. BARRIERS TO SME ACCESS TO INTERNATIONAL MARKETS

Leonidou (2004) conducted a comprehensive analysis of export barriers based on a review of empirical studies conducted over four decades. Barriers to exporting refer to “all those constraints that hinder the firm’s ability to initiate, to develop, or to sustain business operations in overseas markets” (p. 281). These are further classified as either *internal* (associated with organizational resources/capabilities and company approach to export business) and *external* (those stemming from the home and host environment within which the firm operates (Table 9).

**Table 9. Classification of Export Barriers**

Barriers Internal to the Firm	Barriers External to the Firm
<b>Informational</b>	<b>Procedural</b>
--Limited information to locate/analyze markets	--Unfamiliar exporting procedures/paperwork
--Problematic international market data	--Problematic communication with overseas customers
--Identifying foreign business opportunities	--Slow collection of payments from abroad
--Inability to contact overseas customers	<b>Governmental</b>
<b>Functional</b>	--Lack of home government assistance/incentives
--Lack of managerial time to deal with exports	--Unfavorable home rules and regulations
--Inadequate/untrained personnel for exporting	<b>Task</b>
--Lack of excess production capacity for exports	--Different foreign customer habits/attitudes
--Shortage of working capital to finance exports	--Keen competition in overseas markets
<b>Marketing</b>	<b>Environmental</b>
<i>Product</i>	<i>Economic</i>
--Developing new products for foreign markets	--Poor/deteriorating economic conditions abroad
--Adapting export product design/style	--Foreign currency exchange risks
--Meeting export product quality standard/specs	<i>Political-Legal</i>
--Meeting export packaging/labeling requirements	--Political instability in foreign markets
--Offering technical/after-sales service	--Strict foreign rules and regulations
<i>Price</i>	--High tariff and nontariff barriers
--Offering satisfactory prices to customers	<i>Socio-Cultural</i>
--Difficulty in matching competitors' prices	--Unfamiliar foreign business practices
--Granting credit facilities to foreign customers	--Different socio-cultural traits
<i>Distribution</i>	--Verbal/nonverbal language differences
--Complexity of foreign distribution channels	
--Accessing export distribution channels	
--Obtaining reliable foreign representation	
<i>Logistics</i>	
--Unavailability of warehousing facilities abroad	
--Excessive transportation/insurance costs	
<i>Promotion</i>	
--Adjusting export promotional activities	

Source: Leonidou (2004:283)

The impact of these barriers varies widely among three groups of firms: non-exporters (but with future potential), current exporters, and ex-exporters. Thus, there is a need for different treatment by export promotion programs. Moreover, constraints alone will neither prohibit nor inhibit the firm’s progress in exporting since other factors usually associated with

idiosyncratic characteristics of the manager, organization, and operating environment also come into play. With these factors, it was observed that the impact of a barrier is situation specific such that two firms in the same stage of export development will have different perceptions and responses to the same barrier. Additionally, the same firm may perceive the same barrier in a different way at different points in time and in relation to different export destinations.

Building on the work of Leonidou, two surveys, one aimed at policymakers and another for SMEs, were conducted among OECD and APEC economies (OECD 2008). The results from the survey conducted among policymakers show that problems which are internal to the firm (e.g. capabilities) rather than external factors (e.g. business environment) were deemed to be the main barriers to internationalization. The results from the survey conducted among SMEs also indicate internal capabilities and access to be most important, while barriers in the business environment were of less importance. Moreover, these barriers tend to change depending on the international experience of the SMEs. The barriers reported by SMEs vary according to the age and experience of each firm and their sector. 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 greater obstacles. The observation that perceptions of barriers to SME access to international markets can be characterized as *contingent* and *dynamic* reinforces Leonidou’s earlier conclusion.

When the perceptions between SMEs and policymakers are compared, some differences appear, but a close agreement on the key barriers also emerges. Four barriers are among the top six most serious impediments from both lists, namely: shortage of working capital to finance exports; identifying foreign business opportunities; limited information to locate/analyze markets; and inability to contact potential overseas customers (Table 10).

**Table 10. Perceptions of Barriers to SME Internationalization**

Description of Barrier	Ranking by SMEs	Ranking by Policymakers
Shortage of working capital to finance exports	1	2
Identifying foreign business opportunities	2	4
Limited information to locate/analyze markets	3	3
Inability to contact potential overseas customers	4	6
Obtaining reliable foreign representation	5	7
Lack of managerial time to deal with internationalization	6	5
Inadequate quantity of and/or untrained personnel for	7	1
Difficulty in matching competitors’ prices	8	15
Lack of home government assistance/incentives	9	23
Excessive transportation/insurance costs	10	19

Source: OECD (2008: 36 & 47)

The survey also sought to gain a better understanding of the range of support programs to assist the internationalization of SMEs. It found that although the trading operations of international SMEs now tend to be far more diverse than just exporting (often comprising a complex mix of exporting, importing and/or establishing and maintaining foreign operations

and collaborating with foreign partners), the predominant government perception of internationalization is that it consists mainly of exporting activities. This could be due to the belief that exporting is where most economic benefit from international activity can be derived. The information gathered revealed that only a small number of programs appeared to take a holistic approach by providing support for other forms of internationalization such as foreign direct investment or importing. The majority of programs continued to place a strong emphasis on supporting those SMEs involved in exporting.

In addition to the OECD/APEC-wide survey, several firm-level surveys have been undertaken to further identify the top barriers in individual economies (Table 11).

**Table 11. SME Internationalization Barriers**

APEC Economy	Barrier
Australia	Shortage of working capital to finance exports Limited information to locate/analyze markets
Canada	Shortage of working capital to finance exports
Canada and USA	Lack of managerial time, skills and knowledge
China	Shortage of working capital to finance exports
Indonesia	Shortage of working capital to finance exports
Korea	Lack of managerial time, skills and knowledge
Russia	Shortage of working capital to finance exports Inability to contact potential overseas customers Lack of managerial time, skills and knowledge

Source: OECD (2009)

Other barriers identified were deemed to be essentially perceptual or psychological in nature which tends to decrease in incidence as firms develop further experiential knowledge in international markets. In addition to the key findings which were generally consistent with the earlier study, two additional points were highlighted: the presence of sector- or industry-specific barriers and the prevalence of resource limitations, particularly of a financial kind, among smaller and newly internationalizing firms. This provides a rationale for the segmentation- or needs-based approach adopted by export credit agencies and trade promotion agencies. Moreover, the characteristic lack of key resources among SMEs underscores the need to facilitate the integration of SMEs into production/supply systems of larger firms and foreign affiliates as such linkages may represent the way to access critical missing resources and be part of mutually beneficial relationships (OECD, 2009).

As with any survey exercise, the results need to be interpreted with caution since responses may be biased towards certain types of economies or SMEs. The overall message from the OECD-APEC 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.”* (OECD 2008:62). This key message is instructive for developing the market access and internalization component of the APEC SMEWG Strategic Plan and for evaluating outcomes.



## **4. ANALYSIS OF MEDIUM-TERM KEY PERFORMANCE INDICATORS**

### **A. KEY PERFORMANCE INDICATORS FOR THE MARKET ACCESS AND INTERNATIONALIZATION PRIORITY AREA<sup>5</sup>**

As discussed in the introductory chapter, KPIs were developed by the SMEWG to show the progress and initiatives in driving SME development among APEC economies. Under the Strategic Plan, two types of KPIs were identified to monitor and evaluate progress – Project KPIs and Medium-term KPIs. The Project KPIs will list any relevant outcomes or deliverables from current and proposed projects supported by the SMEWG and the Medium-term KPIs will measure eventual outcomes. Due to the different stages of SME development among APEC economies, the SMEWG agreed that target setting be excluded from the usage of these KPIs.

The SMEWG also agreed that all Project and Medium-term KPIs developed shall be taken as Best Practice KPIs. Members are not required to report on every KPI listed under each of the priority areas. Each Member can choose one or more KPIs from the list developed to measure, track, and report progress resulting from the work of the SMEWG. The SMEWG also agreed that at least one or more of the Project KPIs and/or Medium-term KPIs developed should be used to measure the outcome and effectiveness of SMEWG supported projects. The KPIs for the priority areas are non-binding, for voluntary reporting by economies, and are solely for use in reporting the work of the SMEWG.

Under the priority area of Market Access and Internationalization, the following actions were identified:

- increase access to information on market opportunities;
- enhance market development and promotion of skills; and
- identify and work to address barriers to SMEs' and MEs' full participation in international trade/markets within the APEC region.

The SMEWG selected growth in exports by SMEs (e.g. increase in number/percentage of SME exporters, overseas sales, export figures) as the medium-term or outcome KPI for measuring success of the market access and internationalization priority area.

### **B. ESTABLISHING BASELINE FIGURES AND TRENDS**

Data on exporting SMEs are not available for most APEC economies. In the economies for which data are available, the number of SMEs as a share of total exporters is over 50% – ranging from 55% in Peru in 2004 (which does not include medium-sized enterprises in its definition of SMEs) to 97% in the United States in 2007 (Table 12). A high share of SME exporters is to be expected given the large share of SMEs in total enterprises for most APEC economies.

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<sup>5</sup> This section is based on the Summary Report from the 28<sup>th</sup> Meeting of the APEC SMEWG 10-12 June 2009 held in Chinese Taipei.

However, the share of total SMEs that are exporters is relatively low. In New Zealand, 12% of SMEs were engaged in exporting in 2008 (compared to 15% of all businesses) and 13% of SMEs in Russia in 2005 were estimated to be involved in exporting, either directly or indirectly. In Peru, just 0.2% of all micro and small enterprises were exporters in 2006.

**Table 12. SME Exporters as a Share of Total SMEs and Total Exporters**

APEC Economy	No. of SME Exporters	% of Total SMEs	% of Total Exporters	Year
Australia <sup>1</sup>	37,327	12.2	86.3	2008-09
Chile <sup>2</sup>	4,852	0.7	64.6	2009
New Zealand <sup>3</sup>	...	≈ 12.0	...	Aug-08
Peru <sup>4</sup>	2,007	0.2	54.8	Nov-06
Philippines	...	...	≈ 60.0	2001
Russia <sup>5</sup>	...	13.1	...	2005
United States <sup>6</sup>	252,289	...	97.3	2007
Viet Nam <sup>7</sup>	2,810	3.2	...	2004

Notes:

1. For Australia, data cover only exporting small and medium enterprises. SME exporters as a share of total SMEs is calculated using the number of small and medium enterprises in June 2007.
2. For Chile, SME exporters as a share of total SMEs is calculated using the number of SMEs in 2008.
3. Note that 15% of all businesses in New Zealand exported goods or services in August 2008.
4. There is currently no definition of medium enterprises in Peru. The analysis includes micro and small enterprises in the formal sector only. Note that SME exporters as a share of total exporters uses export data from November 2004.
5. The figure for Russia is an EBRD estimate of the share of SMEs that were involved in exporting, either directly or indirectly.
6. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used. Companies in which the number of employees is unknown, which includes non-employers, are considered as SMEs in the analysis. If this group is excluded from the analysis, then the number of exporting SMEs falls to 173,873; SMEs as a share of total exporters falls to 96.1%.
7. For Viet Nam, data cover exporting SMEs in the Manufacturing sector only. Note that in 2004, exporting manufacturing SMEs as a share of total manufacturing SMEs was 17.1%; manufacturing SMEs as a share of total SMEs was 18.6%; and exporting manufacturing SMEs as a share of total enterprises was 3.1%.

In terms of total export value, the contribution of exports from SMEs is quite small, ranging from only 2.4% in Chile in 2009 to 31% in Korea in 2008. Out of the nine APEC economies for which data covering all sectors of the economy are available, SMEs contributed less than 20% of total export value in five economies (Table 13).

**Table 13. SME Export Value as a Share of Total Sales of SMEs and Total Export Value**

APEC Economy	Value of SME Exports	% of Total Sales of SMEs	% of Total Export Value	Year
Australia <sup>1</sup>	11,435	...	5.0	2008-09
Chile <sup>2</sup>	1,179,424	...	2.4	2009
China <sup>3</sup>	3,008,767	19.4	63.0	2005
Indonesia <sup>4</sup>	183,759	...	16.7	2008
Korea <sup>5</sup>	130,527	...	30.9	2008
Malaysia	...	...	≈ 19.0	2005
Philippines <sup>6</sup>	...	...	≈ 25.0	2001
Singapore <sup>7</sup>	37,432,663	56.4	22.3	2008
Chinese Taipei <sup>8</sup>	1,644,707	15.7	17.4	2008
Thailand <sup>9</sup>	1,589,200	...	30.6	2009
United States <sup>10</sup>	306,600	...	29.9	2007

Notes:

1. For Australia, the value of SME exports is in AUD millions.
2. For Chile, the value of SME exports is in USD thousands.
3. For China, data cover only the Industry sector, which includes Manufacturing, Mining, and Utilities. The value of SME exports is in RMB millions.
4. For Indonesia, data include oil and gas exports. If the value of these exports is excluded from the analysis, then SME exports as a share of total export value increases to 20.2%. The value of SME exports is in IDR billions.
5. For Korea, the value of SME exports is in USD millions.
6. For the Philippines, SMEs as a share of Total Export Revenue is shown.
7. For Singapore, data cover direct exports from establishments in the Manufacturing sector only. Value of SME exports is in SGD thousands.
8. For Chinese Taipei, the value of SME exports is in TWD millions.
9. For Thailand, the value of SME exports is in THB millions.
10. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used. Companies in which the number of employees is unknown, which includes non-employers, are considered as SMEs in the analysis. If this group is excluded from the analysis, then the value of SME exports falls to 236,293 and their share of total export value falls to 24.7%. Value of SME exports is in USD millions.

In many APEC economies, growth in the value of exports from SMEs outperforms growth in the value of total exports (Table 14). For example, in Thailand, the value of exports from SMEs grew 3.4% annually between 2006 and 2009, while annual growth in the value of total exports was 1.7% over the same period. And in the United States, the value of SME exports grew 18% from 2006 to 2007, while total export value grew 13% over the same period.

However, SME exports can also be more susceptible to global economic conditions than total exports. In Australia, for example, the value of SME exports fell by 9% from 2008 to 2009, while total export value grew by 28%. During the global economic crisis, manufactured goods exports declined sharply, while primary resources, such as thermal coal and liquefied natural gas, which account for over half of Australia's export value, actually grew during this period (Reserve Bank of Australia, 2009). Since the share of SMEs in these capital-intensive

sectors tends to be relatively small, we see a decline in the value of SME exports, while at the same time, an increase in total export value.

**Table 14. Annualized Growth Rate in Number of Exporters and in Export Value**

%	SMEs		Total		Period
	Exporters	Export Value	Exporters	Export Value	
Australia	-3.5	-9.0	0.4	27.6	2007/8-2008/9
Chile	1.3	7.4	2.1	6.7	2005-09
China <sup>1</sup>	...	31.7	...	30.9	2001-05
Indonesia <sup>2</sup>	...	22.8	...	18.8	2006-08
Korea	...	12.3	...	14.1	2005-08
Singapore <sup>3</sup>	...	1.0	...	10.3	2007-08
Chinese Taipei	...	3.2	...	2.8	2004-08
Thailand	...	3.4	...	1.7	2006-09
United States <sup>4</sup>	7.8	17.6	7.7	12.8	2006-07
Viet Nam <sup>5</sup>	34.6	...	...	...	2002-04

Notes:

1. For China, data cover only the Industry sector, which includes Manufacturing, Mining, and Utilities.
2. For Indonesia, data includes oil and gas exports. If the value of these exports is excluded from the analysis, then the annualized growth rate of total export value increases to 22.5%.
3. For Singapore, data cover direct exports from establishments in the Manufacturing sector only.
4. For the United States, the general definition of an SME as a firm having fewer than 500 employees is used. Companies in which the number of employees is unknown, which includes non-employers, are considered as SMEs in the analysis. If this group is excluded from the analysis, then the annualized growth rate of SME exporters falls to 6.2% (annualized growth rate of total exporters falls to 6.1%) and the annualized growth rate of SME export value rises to 18.1% (annualized growth rate of total export value falls to 12.6%).
5. For Viet Nam, the annualized growth rate of manufacturing SMEs that are exporters is shown.

Generally, SMEs that account for a high proportion of enterprises within a sector also account for a high proportion of exporters within that sector – these sectors, such as wholesale trade, can also account for a large share of total SME exporters within an economy. Likewise, the mining, utilities, and construction sectors, which tend to have low proportions of SMEs, also tend to have small shares of total SME exporters in APEC economies. In Australia, for example, 89% of exporters engaged in wholesale trade were SMEs, accounting for 29% of total SME exporters in 2008, the highest share across sectors. Additionally, 57% of the exporting firms in the mining sector were SMEs, accounting for just 0.8% of total exporting SMEs in Australia in 2008, the lowest share across sectors.

Sectors with a large share of the total SME exporters in an economy also tend to account for a high share of the total export value from SMEs in that economy. In Australia, for example, SME exporters in the wholesale sector accounted for 29% of total SME exporters and 38% of total SME export value, the largest contribution to SME export value of any sector in 2008. In other economies, SMEs engaged in manufacturing contribute the largest share to total SME export value. For example, manufacturing SMEs contributed 89% of total SME export value in Indonesia and 71% in Chinese Taipei, the highest share of any sector in both economies in 2008.

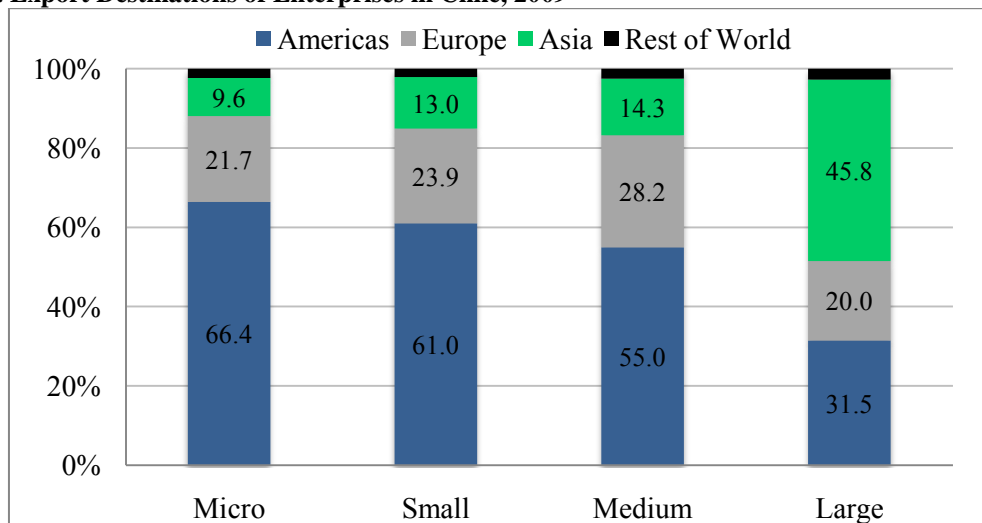


### Box 2. SMEs & Export Destination

SME internationalization strategies can also include entering new foreign markets and diversifying export destinations (Majocchi A. and Zucchella A., 2003). Studies show that, similar to large firms, SMEs also tend to export more to economies with geographic proximity and socio-cultural similarities (Calof J., 1993), but that over time, firms do expand their export markets (Barringer R. and Greening W., 1998). Available data on SME export destinations for APEC economies confirms this pattern.

In 2008, 61% of export value from Korean SMEs went to Asia (compared with 51% of total exports), with the largest share going to China (21%), followed by Japan and the United States (11% each). In 2002, 33% of exports from micro and small enterprises in the formal sector of Peru went to the United States, followed by 15% to Canada. In Chile, 56% of SME exports went to destinations within the Americas in 2009, with the United States taking the largest share (19%), while just 14% went to Asia. In contrast, 46% of exports from large enterprises in Chile went to Asia, with China taking the largest share (24%).

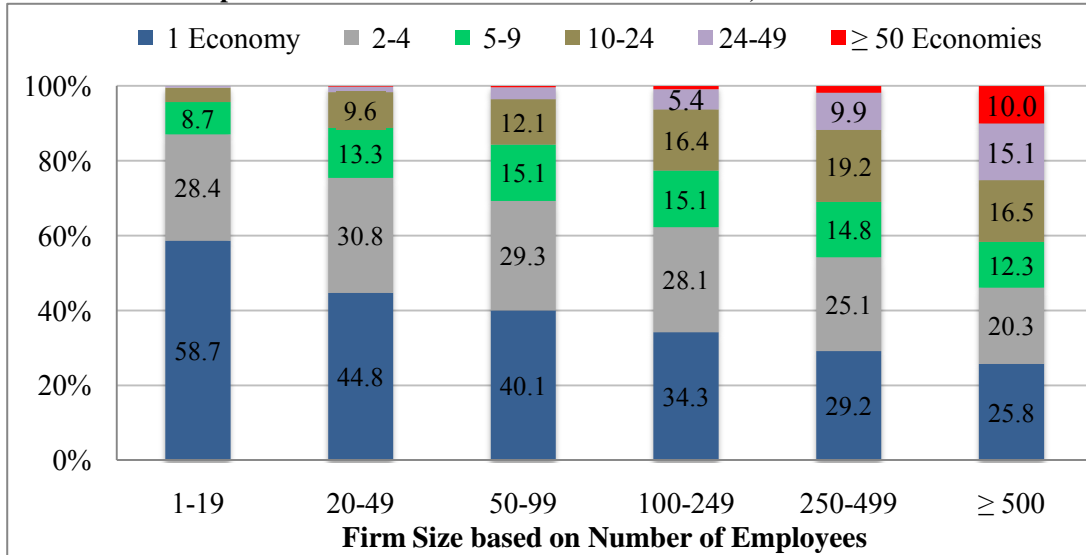
**Figure 1. Export Destinations of Enterprises in Chile, 2009**



Note: Shares of less than 5% are not labeled in the chart.

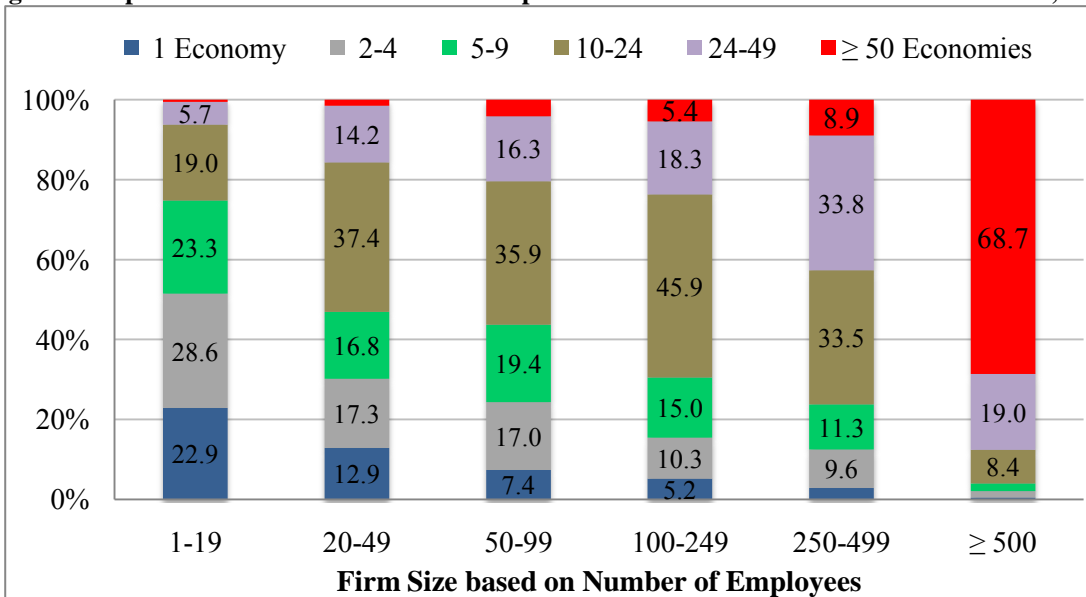
Data from the United States show that as the size of a firm increases, its export markets tend to be more diversified. In 2007, 87% of enterprises with 1-19 employees exported to four or fewer economies (with 59% of those exporting to just one economy), accounting for 52% of the export value from firms of that size. In comparison, 46% of enterprises with more than 500 employees exported to four or fewer economies, contributing just 2% of the export value from firms of that size; 10% of these large firms exported to more than 50 economies, contributing 69% of the export value.

**Figure 2. Number of Export Destinations of Firms in the United States, 2007**



Note: Shares of less than 5% are not labeled in the chart.

**Figure 3. Export Value based on Number of Export Destinations of Firms in the United States, 2007**



Note: Shares of less than 5% are not labeled in the chart.

### C. ASSESSMENT OF KPIs FOR MEASURING OUTCOMES

Indicators are signposts of change. Among other things, indicators can help to inform decision making for ongoing program or project management; measure progress and achievements; and clarify consistency between activities, outputs, outcomes and impact (UNDP 2009: 61). A standard set of criteria for selecting indicators is based on the SMART principle: Specific, Measureable, Attainable, Relevant and Time-bound. Where appropriate, indicators should also be disaggregated to be able to track whether or not specific groups have experienced the positive change being measured.

A data collection system for measuring the indicator should also possess certain qualities. According to Kusek & Rist (2004: 108-110) the three key criteria are reliability, validity, and

timeliness. *Reliability* is the extent to which the data collection system is stable and consistent across time and space. This means that measurement of the indicator is conducted the same way every time. *Validity* refers to the extent to which indicators clearly and directly measure the performance intended to be measured. *Timeliness* covers frequency (how often are data collected), currency (how recently have data been collected), and relevance (are data available frequently enough to support management decisions).

Given the criteria described above, we can see why national statistics on SME exports alone may not provide decision-makers with all the information needed to determine if actions have achieved positive change in improving market access and internationalization of SMEs.

There are several data issues related to the use of national statistical indicators to track exports by SMEs as part of the SMEWG Strategic Plan's Medium-term KPI for Market Access and Internationalization. Most problematic is that many economies do not collect or publish data on exports classified by firm size. For economies that do collect export data based on firm size, there is often a time lag of at least a year before data are released, and given the resources necessary to collect data at that level of detail, it is also uncertain whether an economy will continue to collect such export data. Table 15 shows the availability of data for the outcome indicators agreed by the SMEWG, which excludes secondary sources used in this report.

**Table 15. Agreed Medium-Term or Outcome Indicators**

Indicators	Metric	Assessment of availability	
		Coverage (no. of economies with data)	Currency (year of latest available data)
SME Exporters	Number	4	2009: AUS, CHL 2007: US 2006: PE
	Percentage	as share of Total SMEs: 2	2008: NZ 2006: PE
		as share of Total Exporters: 4	2009: AUS, CHL 2007: US 2004: PE
SME Exports	Value	9	2009: AUS, CHL, THA 2008: INA, ROK, SIN, CT 2007: US 2005: PRC
	Percentage	as share of Total Sales of SMEs: 3	2008: SIN, CT 2005: PRC
		as a share of Total Exports: 10	2009: AUS, CHL, THA 2008: INA, ROK, SIN, CT 2007: US 2005: PRC, MAS

Based on the existing data, only a partial picture of the APEC region can be established. If the above pattern continues, it can be expected that at the time of assessment, say 2013, data covering the entire APEC region that matches the timeframe of the Strategic Plan (2009-2012) will not be available. On the one hand, the SMEWG agreed that reporting on the KPI is voluntary, but on the other hand, it was also agreed that KPIs developed should be used to measure the outcome and effectiveness of the APEC SMEWG Strategic Plan and not the

performance of individual economies. A region-wide perspective of the outcome would not be possible if data for most of the economies are not available.

Another shortcoming of the selected outcome KPIs is that they are not reflective of the range of SME internationalization activities. As discussed in the previous chapter, exporting is not the only form of internationalization. Other channels can include, for example, engaging in indirect exporting through subcontracting arrangements with large firms or as a supplier to exporting companies. If SME exports data were to be used as an indicator, the ability to measure the indirect involvement of SMEs in exporting would be limited since many statistical agencies collect data only on direct exports. Therefore, outcomes from improving market access and internationalization via other channels would not be captured. Also, some of the SME exports data reported by economies include only those SMEs in the goods-producing sector of the economy, such as Manufacturing, and exclude those SMEs exporting services. Even with data that cover only direct exports and goods trade, it would be more useful if the data could be disaggregated for decision-makers to determine which types of SMEs and in which sectors are experiencing contraction or growth.

An additional issue can occur depending on the type of national statistical indicator used. For example, if exporting SMEs as a share of total exporters is to be used as an indicator of SME internationalization, then this would be affected by changes in the number of exporting large enterprises. A more suitable metric for determining success in promoting market access and internationalization of SMEs is exporting SMEs as a share of total SMEs. Similarly, the share of SME export value in total export value would also be affected by the export performance of large enterprises so it would be better to look at SME exports (or overseas sales) as a share of total sales of SMEs. Growth in the value of SME exports is also a more direct measure of success in promoting market access and internationalization of SMEs. As a general rule therefore, decision-makers must be aware of how an indicator is measured and be careful in interpreting the figures.<sup>6</sup>

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<sup>6</sup> Here, we are only looking at export performance measures at the macro level. Sousa (2004) surveyed various empirical research on export performance measurements that examined exporting from a micro-business perspective rather than a macro-economic one. He finds that there is no uniformly accepted conceptualization and operationalization of the construct and that about 50 different performance indicators have been used indicating a lack of consensus with regard to the concept. There are generally two types of measures: *objective* measures which are based mainly on absolute values and *subjective* measures which are indicators that measure perceptual or attitudinal performance. The frequently utilized measures were export intensity (export-to-total sales ratio), export sales growth, export profitability, export market share, satisfaction with overall performance, and perceived export success. Of these, export intensity was the most common measure. However, Sousa notes that there has been some criticism regarding the use of this indicator to assess export performance. For example a firm doing an inadequate export job with a new product having a very large foreign market might appear to be a superior performer to another firm with a large market share of a relatively small foreign market. The second most common measure was export sales growth but it is also criticized for overstating performance because of price escalation and market growth, or understating performance due to experience curve effects and deteriorating demand (page 9).

## 5. CONCLUSION AND RECOMMENDATIONS

The main objective of this report was to examine the availability of data to support the medium-term KPIs for market access and internationalization, which the SMEWG has identified as growth in exports by SMEs (e.g. increase in number/percentage of SME exporters, overseas sales, export figures). The value of having an outcome indicator is in being able to convey whether a significant change has occurred as a result of initiatives or interventions. Of the agreed medium-term indicators, (1) the number of SME exporters and real export value; (2) SME exporters as a share of total SMEs; and (3) SME exports or overseas sales as a share of total SME sales are the most useful, but the data are not widely available. Thus, this will affect the ability of the SMEWG to evaluate outcomes of the Strategic Plan. If SME exports data could be disaggregated by sector, destination, gender or other grouping of interest, decision-makers would also be better equipped with valuable insights and evidence on priorities for further support or action.

The preceding chapter discusses the limitations in relying on the agreed Medium-term KPIs solely to measure the outcome and effectiveness of the APEC SMEWG supported projects under the Market Access and Internationalization priority area. As such, other ways to evaluate the impact of the Strategic Plan should be explored to augment the agreed KPIs. Indeed, one of the recommendations for further work by OECD and APEC under the “Athens Action Plan for Removing Barriers to SME Access to International Markets” is the “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 internationalization of SMEs.” Within APEC, the exchange of experience and know-how of individual economies in measuring progress, outcomes, and impact should be encouraged. Indicators that capture the nontraditional but increasingly important forms of internationalization would be a good starting point for discussion.



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## APPENDIX

### A. DATA SOURCES OF SME STATISTICS - SUMMARY TABLE

APEC Economy	Primary Source	Secondary Source	Primary Source	Secondary Source
Australia	X		Australia Bureau of Statistics	
Brunei Darussalam	X		Labor Department, Ministry of Home Affairs; Department of Economic Planning and Development, Prime Minister's Office	
Canada	X		Statistics Canada	
Chile	X		Ministry of Economy	
China	X		China International Cooperation Association of Small and Medium Enterprises	
Hong Kong, China	X		Trade and Industry Department	
Indonesia	X		State Ministry for Cooperatives and SMEs; Statistics Indonesia	
Japan	X		Ministry of Internal Affairs and Communication	
Korea	X		Small and Medium Business Administration	
Malaysia	X		Malaysia Department of Statistics; National SME Department Council	
Mexico	X		National Institute of Statistics and Geography	
New Zealand	X		Ministry of Economic Development	
Peru	X	X	Ministry of Labor and Promotion of Employment	Herrero, Alvaro and Keith Henderson, 2004. <i>The cost of resolving small-business conflicts: the case of Peru</i> . Inter-American Development Bank.
Philippines	X	X	Industry & Trade Statistics Office, National Statistics Office	Small Enterprises Research and Development Foundation
Russia		X		1. Borisov, Sergey R., 2007. Small and medium-sized entrepreneurship is a resource of modernization of industry and competitiveness of economy. In: OECD Global Conference <i>Enhancing the Role of SMEs in Global Value</i>

APEC Economy	Primary Source	Secondary Source	Primary Source	Secondary Source
				<i>Chains</i> . Tokyo. 2. Aidis, Ruta, et al., 2008. Entrepreneurship in Russia. Center for the Study of Economic and Social Change in Europe, UCL School of Slavonic and East European Studies, <i>Economics Working Paper</i> No. 88.
Singapore	X		Singapore Department of Statistics; Economic Development Board	
Chinese Taipei	X		Small and Medium Enterprise Administration, Ministry of Economic Affairs	
Thailand	X	X	White Paper on SMEs 2008 and Trend of 2009	Techacham, Jhitraporn, 2007. Cooperation mechanisms between MNEs and SMEs: issues and policies. Office of SMEs Promotion.
United States	X		U.S. Small Business Administration, Office of Advocacy; U.S. Department of Commerce	
Viet Nam		X		1. General Statistics Office, <i>Enterprise Survey 2000-2005</i> . Cited in: Tran Quoc Trung, et al., 2008. Performance of export-oriented small and medium-sized manufacturing enterprises in Viet Nam. Asia-Pacific Research and Training Network on Trade, <i>Working Paper Series</i> , No. 54. 2. General Statistics Office, <i>Enterprise Census 2000-2004</i> . Cited in: Nguyen Ngoc Anh, et al., 2007. Innovation and export of Vietnam's SME sector. Development and Policies Research Center, <i>MPRA Paper</i> No. 3256.

Note: Primary sources include statistical bureaus, SME support and development agencies, and official national reports. Secondary sources include relevant studies and presentations.

## B. SME DEFINITIONS IN APEC ECONOMIES

APEC Economy	SME size	Employees	Sales / Revenue	Assets	Capital / Investment	Sector
Australia <sup>1</sup>	Micro	< 5				
	Small	5-19				
	Medium	20-199				
Brunei Darussalam	Micro	1-5				
	Small	6-50				
	Medium	51-100				
Canada <sup>2</sup>	Micro	1-4				
	Small	5-99				Goods-producing
		5-49				Services-based
	Medium	100-499				Goods-producing
		50-499				Services-based
SME	< 500	< CAD 50 million				
Chile <sup>3</sup>	Micro	1-9	< UF 2,400			
	Small	10-49	UF 2,400 – UF 25,000			
	Medium	50-199	UF 25,001 – UF 100,000			
China <sup>4</sup>	Small	< 300	< RMB 30 million	< RMB 40 million		Industry
		< 600	< RMB 30 million	< RMB 40 million		Construction
		< 100	< RMB 10 million			Retail
		< 100	< RMB 30 million			Wholesale
		< 500	< RMB 30 million			Transport
		< 400	< RMB 30 million			Postal Service
		< 400	< RMB 30 million			Hotel and Catering Service
	Medium	≤ 2000	≤ RMB 300 million	≤ RMB 400 million		Industry

APEC Economy	SME size	Employees	Sales / Revenue	Assets	Capital / Investment	Sector
		≤ 3000	≤ RMB 300 million	≤ RMB 400 million		Construction
		≤ 500	≤ RMB 150 million			Retail
		≤ 200	≤ RMB 300 million			Wholesale
		≤ 3000	≤ RMB 300 million			Transport
		≤ 1000	≤ RMB 300 million			Postal Service
		≤ 800	≤ RMB 150 million			Hotel and Catering Service
Hong Kong, China	SME	< 50				Non-manufacturing
		< 100				Manufacturing
Indonesia <sup>5</sup>	Micro	1-4	< IDR 300 million	< IDR 50 million		
	Small	5-19	< IDR 2.5 billion	< IDR 500 million		
	Medium	20-99	< IDR 50 billion	< IDR 10 billion		
Japan	SME	≤ 300			≤ JPY 300 million	Manufacturing, Construction, Transportation
		≤ 100			≤ JPY 100 million	Wholesale Trade
		≤ 100			≤ JPY 50 million	Service Industry
		≤ 50			≤ JPY 50 million	Retail Trade
Korea <sup>6</sup>	Micro	< 10				Manufacturing
		< 10				Mining, Construction, Transportation
		< 5				Selected Retail, ICT, Tourism, Entertainment
		< 5				Selected Extraction, Professional Services

<b>APEC Economy</b>	<b>SME size</b>	<b>Employees</b>	<b>Sales / Revenue</b>	<b>Assets</b>	<b>Capital / Investment</b>	<b>Sector</b>	
		< 5				Selected Wholesale, Environmental Services	
		< 5				Other Sectors	
	Small	< 50					Manufacturing
		< 50					Mining, Construction, Transportation
		< 10					Selected Retail, ICT, Tourism, Entertainment
		< 10					Selected Extraction, Professional Services
		< 10					Selected Wholesale, Environmental Services
		< 10					Other Sectors
		SME	< 300				≤ USD 8 million
	< 300					≤ USD 3 million	Mining, Construction, Transportation
	< 300		≤ USD 30 million				Selected Retail, ICT, Tourism, Entertainment
	< 200		≤ USD 20 million				Selected Extraction, Professional Services
	< 100		≤ USD 10 million				Selected Wholesale, Environmental Services
	< 50		≤ USD 5 million				Other Sectors
	Malaysia <sup>7</sup>	Micro	< 5	< MYR 250,000			Manufacturing and related services, Agro-based
			< 5	< MYR 200,000			Services, Primary Agriculture, ICT
Small		5-50	MYR 250,000 – <			Manufacturing and	

APEC Economy	SME size	Employees	Sales / Revenue	Assets	Capital / Investment	Sector	
			MYR 10 million			related services, Agro-based	
		5-19	MYR 200,000 – < MYR 1 million			Services, Primary Agriculture, ICT	
	Medium	51-150	MYR 10 million – < MYR 25 million			Manufacturing and related services, Agro-based	
		20-50	MYR 1 million – < MYR 5 Million			Services, Primary Agriculture, ICT	
Mexico	Micro	0-10				Industry	
		0-10				Trade	
		0-10				Services	
	Small	11-50					Industry
		11-30					Trade
		11-50					Services
	Medium	51-250					Industry
		31-100					Trade
51-100						Services	
New Zealand <sup>8</sup>	SME	≤ 19					
Papua New Guinea	SME				< PGK 100,000		
Peru <sup>9</sup>	Micro	≤ 10	≤ 150 UIT				
	Small	≤ 100	≤ 1,700 UIT				
Philippines <sup>10</sup>	Micro	1-9		≤ PHP 3 million			
	Small	10-99		> PHP 3 million – < PHP 15 million			
	Medium	100-199		> PHP 15 million – < PHP 100 million			
Russia	Micro	1-15	≤ RUB 60 million				

<b>APEC Economy</b>	<b>SME size</b>	<b>Employees</b>	<b>Sales / Revenue</b>	<b>Assets</b>	<b>Capital / Investment</b>	<b>Sector</b>
	Small	16-100	≤ RUB 400 million			
	Medium	101-250	≤ RUB 1 billion			
Singapore <sup>11</sup>	SME	≤ 200				Non-manufacturing
					≤ SGD 15 million	Manufacturing
Chinese Taipei <sup>12</sup>	Micro	< 5				
	SME	< 200			≤ TWD 80 million	Manufacturing, Construction, Mining, Quarrying
		< 100	≤ TWD 100 million			Other Sectors
Thailand <sup>13</sup>	Small	≤ 50		≤ THB 50 million		Manufacturing
		≤ 50		≤ THB 50 million		Services
		≤ 25		≤ THB 50 million		Wholesale
		≤ 15		≤ THB 30 million		Retail
	Medium	51-200		> THB 50 million – ≤ THB 200 million		Manufacturing
		51-200		> THB 50 million – ≤ THB 200 million		Services
		26-50		> THB 50 million – ≤ THB 100 million		Wholesale
		16-30		> THB 30 million – ≤ THB 60 million		Retail
United States <sup>14</sup>	SME	< 500				most Manufacturing and Mining industries
		< 100				all Wholesale Trade industries
			< USD 6.5 million			most Retail and Service industries
			< USD 31 million			most General and Heavy Construction industries

APEC Economy	SME size	Employees	Sales / Revenue	Assets	Capital / Investment	Sector
			< USD 13 million			all Special Trade Contractors
			< USD 0.75 million			most Agricultural industries
Viet Nam <sup>15</sup>	SME	< 300			< VND 10 billion	

## Notes:

1. Non-employed businesses in Australia are sole proprietorships and partnerships without employees, and are considered as small businesses by the Australian Bureau of Statistics (ABS). The ABS also recognizes that an employment based sizing measure may not be applicable to businesses in certain sectors, such as agriculture, and therefore financial measures, based on turnover or asset holdings for example, may also be used to classify businesses as SMEs.
2. There is no unique definition of an SME in Canada. Industry Canada defines SMEs based on employment size and by sector. Statistics Canada defines an SME as any business establishment with fewer than 500 full-time-equivalent employees and less than CAD 50 million in gross annual revenue.
3. There is no unique definition of an SME in Chile. The Ministry of Planning and Cooperation (MIDEPLAN) defines SMEs based on the number of persons employed using data from the National Socio-economic Survey (CASEN), while the Ministry of Economy (MINECON) defines SMEs based on the level of annual sales using data from the Internal Tax Service (SII). Unidades de Fomento (UF) is a unit of account indexed to the Consumer Price Index; the average of the daily values for 2009 of one UF was CLP 21,007.4.
4. For China, only SMEs in certain sectors are further defined based on total assets.
5. There is no unique definition of an SME in Indonesia. The State Ministry of Cooperatives and SMEs defines SMEs based on net assets, excluding land and buildings, and annual sales. Statistics Indonesia (BPS) defines SMEs based on employment.
6. SMEs in Korea are defined based on the number of workers and, depending on the sector, on either sales or capital. Selected Retail, ICT, Tourism, Entertainment includes Large general retail stores; Hotel, recreational, condominium operations; Communications; Information processing and other computer-related industries; Engineering services; Hospitals; Broadcasting. Selected Extraction, Professional Services includes Seed and seedling production; Fishing; Electrical, gas, waterworks; Medical and orthopaedic products wholesale; Fuel and related products wholesale; Mail order sales; Door-to-door sales; Tour agencies; Warehouses and transportation-related services; Professional, science, technology services; Business support services; Movie, amusement, theme park operations. Selected Wholesale, Environmental Services includes Wholesale and product intermediation; Machinery equipment rental for industrial use; R&D for natural sciences; Public performance; News provision; Botanical gardens, zoos, natural parks; Waste water treatment; Waste disposal and cleaning related services.
7. SMEs in Malaysia can be defined based on either total annual sales or revenue or on the number of full time employees.
8. There is no unique definition of an SME in New Zealand. The Ministry of Economic Development (MED) defines SMEs based on the number of employees. Other agencies define SMEs based on annual turnover, taxes on employee salaries or wages, or an employment classification different to that of MED.
9. There is currently no definition of medium enterprises in Peru. UIT is the tributary tax unit and is equivalent to PEN 3,600 for the year 2010.
10. SMEs in the Philippines can be defined based on either total assets, excluding land, or on the number of employees.
11. SMEs in Singapore are defined based on either the number of employees or net fixed assets depending on the sector. Non-manufacturing includes Services-producing industries; Construction; Utilities and other goods industries, including agriculture, fishing and quarrying.



12. SMEs in Chinese Taipei are defined based on either sales revenue or paid-in capital depending on the sector. Agencies may also define SMEs based on the number of regular employees. Other Sectors includes Agriculture, forestry, fisheries, animal husbandry; Water, electricity, gas; Wholesale and retail; Transportation; Warehousing and communications; Hotel and restaurant operations; Finance and insurance; Real estate and leasing; Industrial and commercial services; Social and personal services.

13. For Thailand, fixed assets, excluding land and property, are used.

14. SMEs in the United States are defined based on either the number of employees or average annual revenue depending on the sector, with specific size standards for all for-profit industries. Size standards based on the number of employees range from 100 to 1,500 employees and size standards based on average annual revenue range from USD 0.75 million to USD 32.5 million. The size standards shown in the table apply to three-fourths of the total industries. SMEs can also be defined more generally as firms with fewer than 500 employees, with small businesses having fewer than 100 employees.

15. SMEs in Viet Nam are defined based on registered capital at business registration agencies and/or on the average number of annual permanent employees.