



**Asia-Pacific
Economic Cooperation**

**APEC High Level Meeting on
Driving SMEs' Growth to Promote Local Development**

Chinese Taipei, 31 March – 1 April 2008

Session 6
**Building Partnership for
Local Development**



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SE



Todo un Movimiento para la Competitividad de las PYMES en México

SME STRATEGY TO PROMOTE LOCAL DEVELOPMENT

"BUILDING PARTNERSHIP FOR LOCAL DEVELOPMENT"

MR. IVÁN ORNELAS DÍAZ

MEXICO

KAHSIUNG, CHINESE TAIPEI.

APRIL 1, 2008.

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Todo un Movimiento para la Competitividad de las PYMES en México

SME STRATEGY

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“SMEs and Mes: Priorities & Actions”

The contribution of the SMEs to the economic activity in Mexico is very important, since they constitute a fundamental pillar for the creation of jobs, economic growth and local and regional development.



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In order to maximize the impact of the SME policies, the *SME Fund*, operated by the Under Ministry for Small and Medium Enterprises, had been implemented 13 strategic programs grouped around 4 major ‘action routes’.

These programs aimed at making the vast SME sector more efficient, competitive and position SMEs in the local and global markets and are the core of the “integral economic policy for the development of SMEs”, a key component of the Mexican government strategy towards an innovation-based growth model which implies, to a large extent, increasing SMEs’ productivity through technology and innovation.

Under this new innovation-oriented policies, the authorities have rightly placed strong emphasis upon building a coherent institutional infrastructure (collective efficiencies), with a view to stimulating the creation of new firms and strengthening existing ones. Partly inspired by international best practices, a coherent sequence of four institutional

Current situation



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SME's Main Obstacles

- Duplicity and Dispersion of Support Programmes
- Little Capacity of Management and Administration
- Limited and Slow Innovation and Design
- Unequal Competition of Informal Sector
- High Costs of Production
- Financing

SME's Main Demands

- Not to hinder
- More Transparency and Efficiency of the Government
- Greater Support to the SMEs
- Social justice
- Formality
- To Focus and not Duplicity
- Multiplication of Resources
- States, Municipalities and Private Sector Contributions
- Processes and Agile Procedures of Attention together in a single Venue

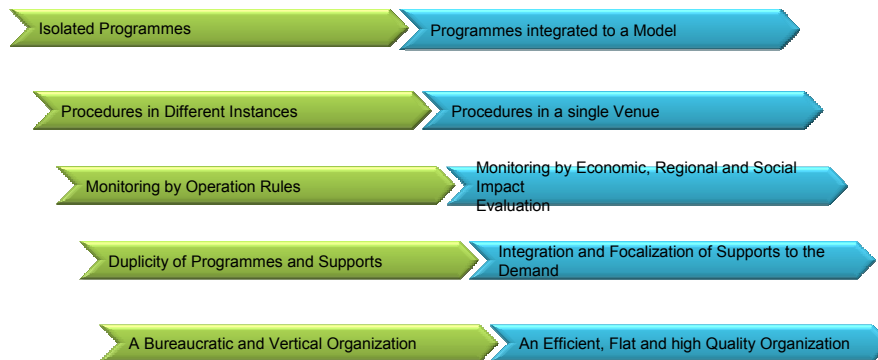
Current situation

For these Reasons we Should Move on



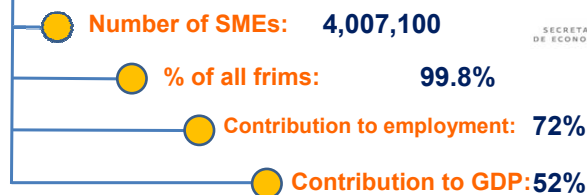
From:

To:



The significance of the SMEs as Motive of Economic Growth

The Context of the SMEs



	Number of SMEs	% of all firms	Contribution to employment	Contribution to gdp
Micro	3,837,000	95.6%	40.6%	15%
Small	138,500	3.4%	14.9%	14.5%
Medium	31,600	.8%	16.6%	22.5%
Large	7,900	.2%	27.9%	48%

Source: ME - INEGI

Actions

- **Creation and strengthening of firms, innovation and technological development**
 1. The Program for Innovation and Technology
 2. The National System of Business Incubators
 3. The Business Development Centres Network
 4. Program for training and strengthening SME capabilities
- **Financing access**
 5. The National SME Guarantee Program
 6. The National Financial Extension Program
 7. The Capital for Development Schemes
- **Regional and sectoral productive articulation**
 8. The National Network of Productive Articulation
 9. The National Program of Suppliers Development
- **Access to foreign markets**
 10. The Impulsoras Program for Exportable Offer Projects
 11. Program for Strategic Products
 12. Program for Commercial Missions
 13. The PYMExporta Centres' Network



Objetive

¿what?

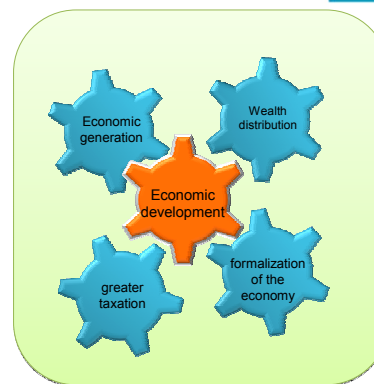
More and better Jobs

More and better SMEs

More and better entrepreneurs

And As Consequence:


A New Approach
"What you measure,
what you obtain"



Reduce poverty

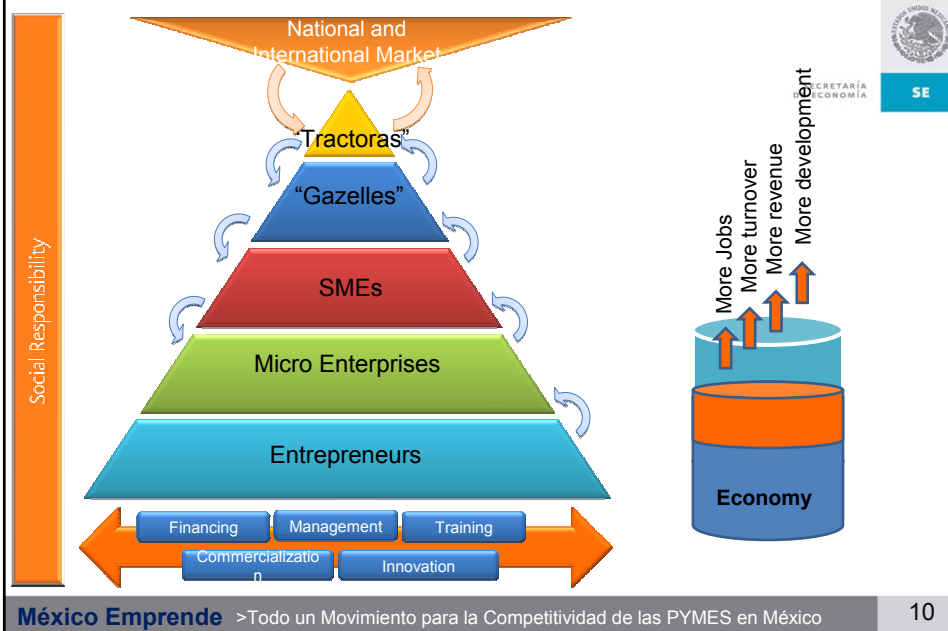


Priorities and Actions: 5 Segments with 5 Services of Overall Attention

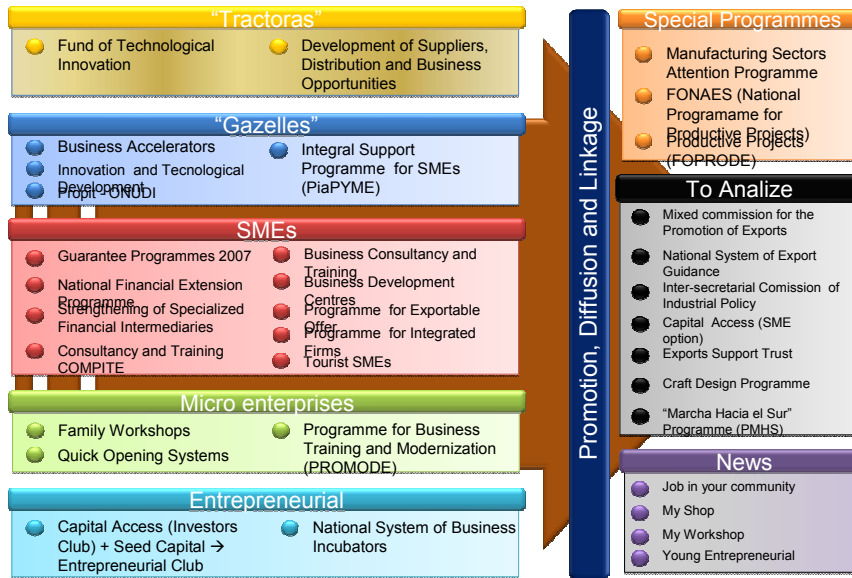
		SERVICES				
		Financing	Management	Training	Commercialization	Innovation
SEGMENTS						
	“Tractoras”		✓		✓	✓
	“Gazelles”	✓	✓	✓	✓	✓
	Small and Mediums	✓	✓	✓	✓	✓
	Micro enterprises	✓	✓	✓	✓	✓
Entrepreneurs	✓	✓	✓	✓	✓	



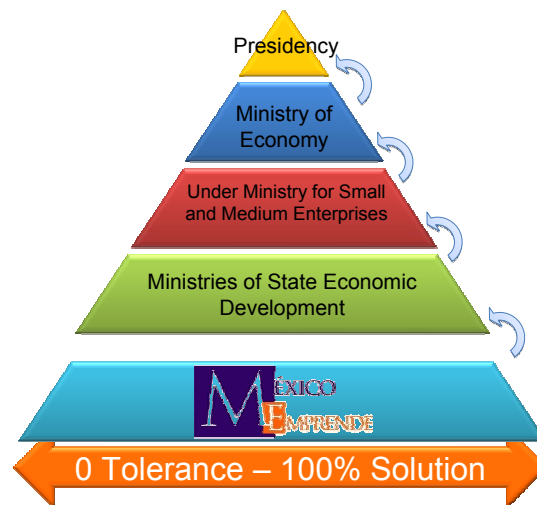
Actions and Priorities



Integral board "México Emprende"



business management



One Village, One Product



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What it is?

- It's a movement that has the objective to promote the regional development from the use of the productive vocations of different regions.
- Principle "Glokal". It promotes the development of products for markets of export respecting the local culture.

Objectives



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- To promote local development and the generation of permanent quality jobs in places with less economic development.
- Advise Mexican micro-entrepreneurs in regional products development with potential to participate in international markets.

Strategy

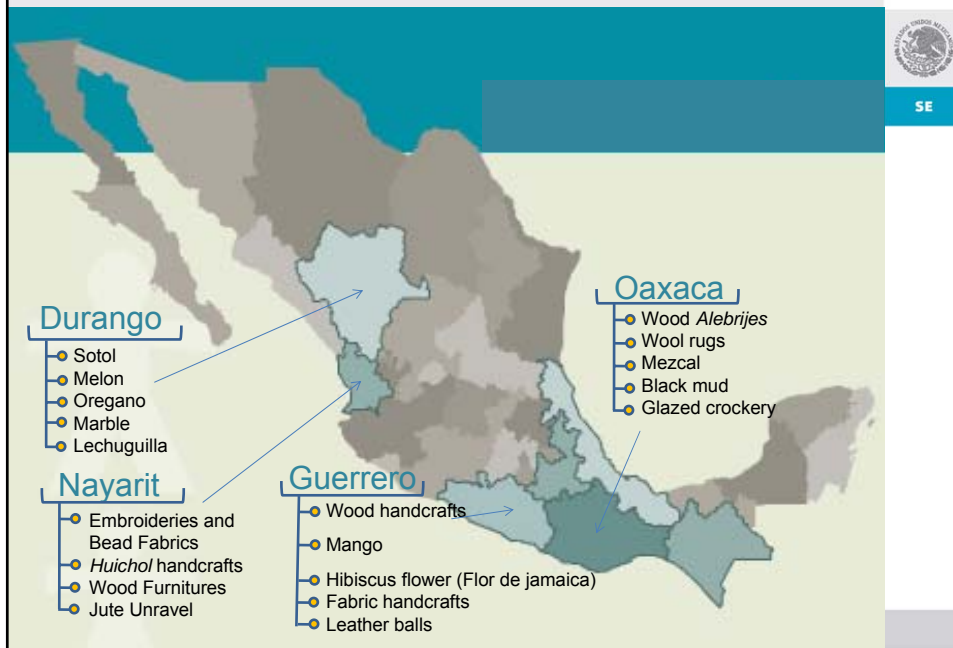
Proposal strategy

- Application of the program in communities of “100 municipalities with less human development rate (HDR)”
- Identify the potential communities to detonate viable projects
- Offer technical and business training
- To develop entrepreneurs
- To promote associations
- Develop channels of marketing

100 municipalities with less HDR



Potential Products



Potential Products





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Todo un Movimiento para la Competitividad de las
PYMES en México

**THANK YOU VERY MUCH FOR YOUR
KIND INVITATION AND ATENTION**

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FOOD PROCESSING INDUSTRY IN MALAYSIA



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

OUTLINE OF PRESENTATION

- Basic Information
 - Profile of SMEs
- SMEs in Food Processing Industry
 - Drivers and Motivation
 - Policy Measures
 - Institutional Support



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

BASIC INFORMATION



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Basic Information

- Area: 330,252 sq. km.
- Population (mil.): 26.6 (2006), 27.2 (2007)
- Kuala Lumpur (mil): 1.6(2006), 1.6(2007)

	2007	2006
Inflation (%)	2.0	3.6
Unemployment Rate (%)	3.3	3.3
Total Labour Force (mil.)	11.8	11.5
Employment by Sector (%)		
Services	51.5	51.3
Manufacturing	29.3	29.1
Agriculture	12.1	12.5
Construction	6.7	6.8
Mining	0.4	0.4



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Basic Information (cont.)

	<u>2007</u>	<u>2006</u>
• GNP in Current Prices (US\$ bil.) (As at 3rd March)	131.5	151.4
• GDP in Current Prices (US\$ bil.)	186.1	156.1
• GDP per Capita (US\$) in Current Prices	6,6867.5	5859.1
	<u>2007</u>	<u>2006</u>
• GDP Growth (%)	6.3	5.9
• Manufacturing	3.1	7.1
• Services	9.7	7.2
• Construction	4.6	-0.5
• Agriculture	2.2	5.2
• Mining	3.2	-0.4



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Basic Information (cont.)

	<u>2007</u>	<u>2006</u>
• Exports (US\$ bil.)	176.0	160.6
• Imports (US\$ bil.)	146.8	131.1
• Total Trade (US\$ bil.)	322.8	291.6
• Trade Balance (US\$ bil.)	29.2	29.5



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PROFILE OF SMEs



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Definition of SMEs

Manufacturing, Manufacturing Related Services and Agro-based Industry

Companies with an annual sales turnover not exceeding RM25 million **OR** full time employees not exceeding 150



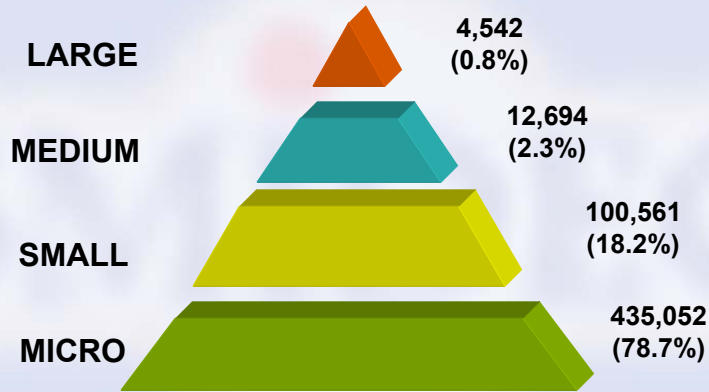
Services, Primary Agriculture, Information And Communication Technology (ICT)

Companies with an annual sales turnover not exceeding RM5 million **OR** full time employees not exceeding 50



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

TOTAL ESTABLISHMENTS OF COMPANIES BY SIZE



Census of Establishments & Enterprises 2005
DOS - Dec 2005

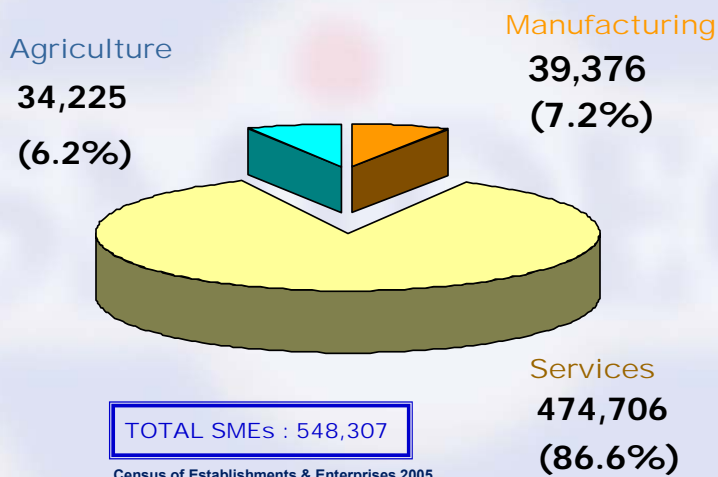
TOTAL ESTABLISHMENTS: 552,849



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9

DISTRIBUTION OF SMEs BY SECTOR



TOTAL SMEs : 548,307

Census of Establishments & Enterprises 2005
DOS - Dec 2005



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STANDARDS

- **HACCP, GMP (Good Manufacturing Practices), and SOPs (Sanitation Standard Operating Procedures)**
- **Halal – focusing on muslim market**
- **CE marking or EU standard - marine products**



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CONTRIBUTION OF SMEs TO THE ECONOMY

- **SMEs establishments - 99.2%**
- **micro enterprises - 80%**
- **Employment for 5.6 million workers**
- **Contribution to GDP – 32%**
- **Contribution to total export - 19%**



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SMEs IN FOOD PROCESSING INDUSTRY



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

SMEs in Food Processing Industry

- **Total establishments - 6,069**
- **SMEs - 5,925**
- **Products:**
 - **Marine Products**
 - **Livestock and Livestock Products**
 - **Fruit and Vegetables**
 - **Cocoa-based Products**
 - **Cereal Products**
 - **Convenience Foods**



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DRIVERS AND MOTIVATION



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DRIVERS AND MOTIVATION

- **Creation of Economic activities contributing to household income**
- **Self Employment**
- **Growing Market**
 - **Halal Market**
 - **Middle East market**
 - **Asian Market**



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Growing Market

Halal Market

- value of Halal market estimated at USD547 billion a year
- Muslim population is 1.79 billion, 28.4 per cent from the world's total population.
- Asian region total Muslim population is 1.3 billion, and potential market of amounting USD 3.7 billion.
- Growth is supported by the expansion of consumers including non-Muslims



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Growing Market

Middle East Market

- Increase of disposable income among the population
- Higher buying power.
- Similarity of taste for food product.



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Growing Market

ASEAN Market

- Population – 567 million
- Increase of disposable income among the population
- Similarity of taste for food product.
- Effect from AFTA



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POLICY MEASURES



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POLICY MEASURES

1. Ninth Malaysia Plan, 2006-2010 (9MP)

□ Strengthening Agriculture & Agro-based Industry

- **New agriculture with focus on total value chain development:**
 - ✓ **To increase value added**
 - ✓ **Expanding agro-based activities**
- **Enhancing private sector and GLCs participation**
- **To be net exporter of food product**
- **Strengthen marketing and rolling out farm accreditation schemes and product safety and standards**
- **ICT as enabler and biotechnology for wealth creation**
- **Developing agricultural & agro-based entrepreneurs as well as SMEs**



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POLICY MEASURES

□ To address persistent socioeconomic inequalities constructively & productively

- **Eradicating hardcore poverty by 2010 as well as reducing overall poverty**
- **Developing less developed regions through regional growth centres**
- **Creating a new generation of competitive rural entrepreneurs**



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POLICY MEASURES

2. Third Industrial Master Plan (IMP3) (2006 – 2020)

- ❖ expansion of food processing industry and diversified towards making Malaysia a regional food production and distribution hub
- ❖ particular emphasis on *Halal* foods.
- ❖ upgrading human resource, and technology, enhancing R&D, undertaking the production and export of high value added and niche products and adopting quality standards.



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POLICY MEASURES

To meet the targets, seven strategic thrusts have been set

- Ensuring the availability of the raw materials
- Expanding and diversifying food processing activities and promoting the growth of the targeted areas
- Enhancing the competitiveness of and increasing the export of Malaysian food products in the regional and international markets
- Intensifying R&D
- Strengthening human resource development (HRD)
- Strengthening the institutional support and delivery system for further development and promotion of the industry



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

INSTITUTIONAL SUPPORT

- **Ministry of Entrepreneur and Co-operative Development (MECD)**
- **Malaysian Agricultural and Development Institute (MARDI)**
- **Federal Agricultural Marketing Authority (FAMA)**
- **Small and Medium Industry Development Corporation (SMIDEC)**



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Institutional Support

1. Ministry of Entrepreneur and Co-operative Development (MECD)

- One District One Industry Programme (SDSI)
- **developing and commercialising a product or service distinctive of a particular district.**
- **Adopt clustering method to mobilise and support the whole value chain ranging from the supply of raw materials and production to distribution and marketing.**
- **Similar to OTOP (Thailand) & OVOP (Japan)**



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Institutional Support

2. Malaysian Agricultural and Development Institute (MARDI)

- **MARDI responsible to conduct R&D in food processing industry and its related support sub-sector (packaging, machinery, etc.)**
- **The major thrusts of research areas**
 - **Food Processing and Product Development**
 - **Food Science and Biotechnology**
 - **Food Packaging and Handling Food Safety**



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Institutional Support

3. Federal Agricultural Marketing Authority (FAMA)

- **Undertake supervision, coordination, regulation and improvement of the marketing of agricultural products.**
- **organises marketing activities, set targets and product standards, monitor performance, develop marketing strategies and tools**
- **Services available :**
 - **Marketing Contract**
 - **Development of Marketing Infrastructure**
 - **Entrepreneur Development**
 - **Market Control and Extension**
 - **Marketing Information**
 - **Branding Promotion**



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Institutional Support

4. Small and Medium Industry Development Corporation (SMIDEC)

- promotes the development of SME in the manufacturing and services sector.
- provides financial assistance and development programmes to SME in accessing their markets, financing, technological capabilities, information and communication technologies and skill training.



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SMIDEC's ASSISTANCE FOR SMEs



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Financial Assistance By SMIDEC

- Matching Grant for Business Start-ups
- Matching Grant for Product and Process Improvement
- Matching Grant for Certification and Quality Management System
- Matching Grant for Enhancing Product Packaging
- Matching Grant for Development and Promotion of *Halal* Product



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T H A N K



Y O U



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION



Partner Relationship Management In Chinese Taipei Industries

- An example from the development of bicycle industry

by

Chin-Ho SU

President

 Corporate Synergy Development Center

2008. 04.01



Outline

- 一. Background of C-S System
- 二. What is C-S System
- 三. The Bicycle Case of A-Team Project
- 四. Concluding Remarks





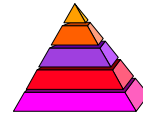
— Background of C-S System

1. Challenges of Manufacturing Sector

export orientation development
strong SMEs - flexible & responsive

2. Competence Strengthening Policy

mergence - original approach
cooperation - right solution



3



Strategic Thinking



1. Network Size vs. Firm Size
2. Inter-Firm vs. Intra-Firm Management
3. Co-opetition vs. Competition

4



= What is C-S System

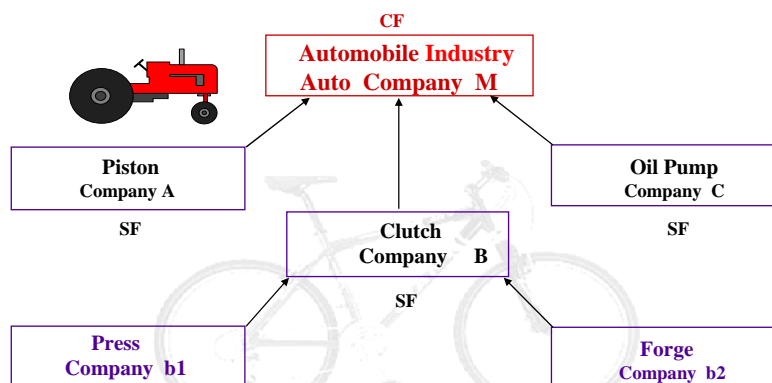
The C-S System is an industrial management program that strengthens the SME dominated industries structure and renders its internationally competitive via the formation of cooperative network, and the development of mutual trust, through the development of comprehensive assistance packages supported by the government .



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TYPE I: Vertical Backward Linkage

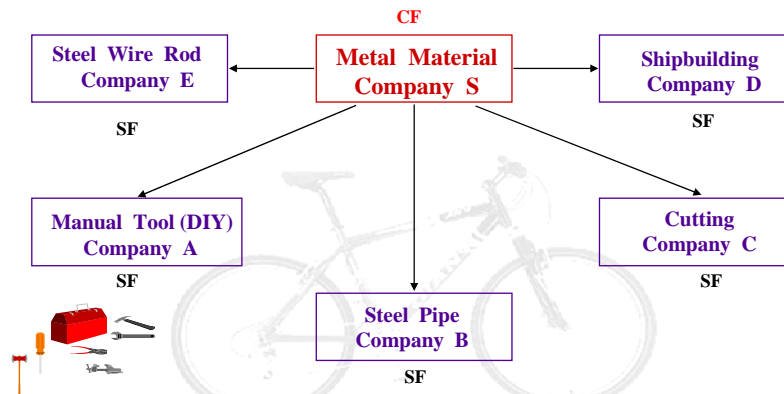


Central firm - down-stream assembler whose components are provided by upstream suppliers.

Satellite firm - company that provide parts directly to central firm.

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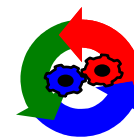
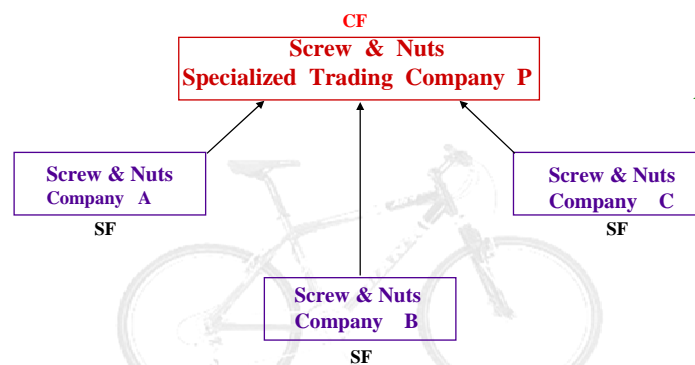
TYPE II : Vertical forward Linkage



- Central firm** - Company that produces intermediate materials, and provides them to downstream factories for processing.
- Satellite firm** - Downstream companies that process materials received from up- and midstream factories into final products.

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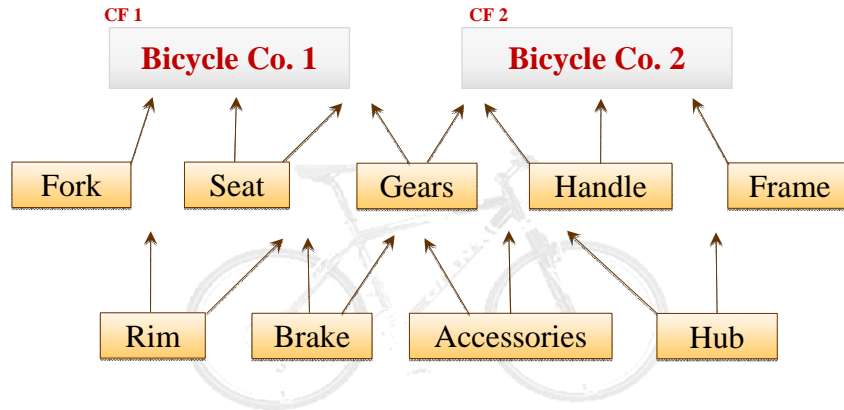
TYPE III : Horizontal Linkage



- Central firm** - Specialized trading company or turn-key project .
- Satellite firm** - Companies that process or manufacture orders from the center.

8

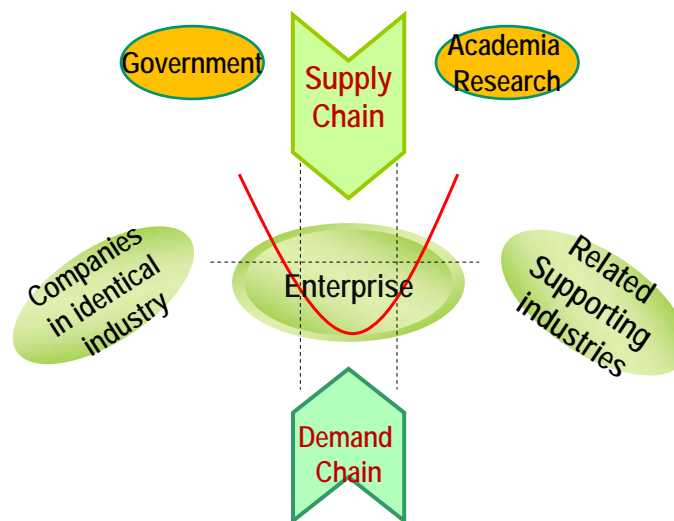
TYPE IV: Co-Development Linkage



- Integrate more than 2 C-S System as a Co-development network
- Use bicycle Industry as an example

9

Diagram of partner Relationship Management



10



The state of Cluster Development -WEF, Chinese Taipei remains world NO.1

	2007-2008		2006-2007		2005-2006	
	Scores	Ranking	Scores	Ranking	Scores	Ranking
Chinese Taipei	5.7	1	5.52	1	5.39	2
United States	5.3	2	5.22	2	5.19	4
Korea	5.1	3	4.19	31	4.38	21
Singapore	5.1	4	4.92	7	5.15	6
Malaysia	5.0	5	4.96	5	4.42	18
Hungary	4.9	6	4.94	6	2.63	92
Romania	4.9	7	4.78	10	2.74	78
Indonesia	4.8	8	4.68	14	4.41	20
U.K	4.8	9	5.06	4	4.63	14
Germany	4.8	10	4.90	8	4.45	17
Finland	4.8	11	5.07	3	5.33	3
Japan	4.7	12	4.33	27	5.46	1
Switzerland	4.7	13	4.67	15	4.31	23
Hong Kong, China	4.7	14	4.75	12	4.68	11
Italia	4.5	21	3.19	85	5.16	5

Sources: WEF ; C.E.P.D

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≡. The Bicycle Case of A-Team Project



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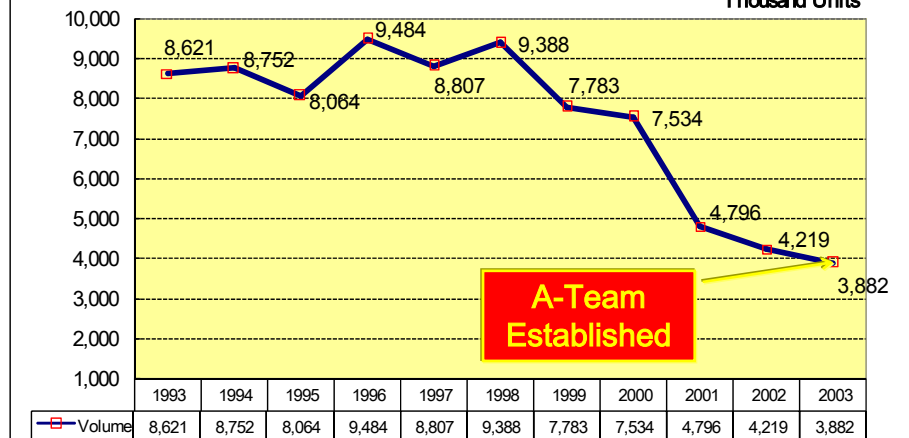
Origin of A-Team

- ✦ Chinese Taipei was once the leading country of bicycle exportation.
- ✦ Industrial supply chain & relevant human sources are well equipped and qualified.
- ✦ Annual exportation volumes dropped rapidly since 1998.
- ✦ Strong crisis-consciousness → Must change the trend.

→ Collective Needs+ Same Goal = A-Team

Export Volumes of Chinese Taipei Bicycles

Thousand Units





Migrations of Global Bike Supply Base

Europe (20 M bicycles)

US (15 M bicycles)

Japan (9 M bicycles)

Chinese Taipei (10 M bicycles)

China (90 M bicycles)



Is TWN marginalized or disappeared??

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A-Team's Mission

- Upgrading the competitiveness of bicycle industry in Chinese Taipei, becoming the global main providers in brilliant product and service, including innovative value, quality and design.
- Focusing on providing more creative products and services, supplying the market in fastest speed to open a new and high value-added market. Ultimately, taking the lead and becoming the creator of bicycle industry's future.

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A-Team Group



Vision

Future of Cycling

Power of Partnership



Joining partners with same vision,
Cultivating TWN Industry, Value-Innovating,
Creating New Riding Life & Funs,
Making wonderful life, Having a healthy Earth.

Strategic Thinking

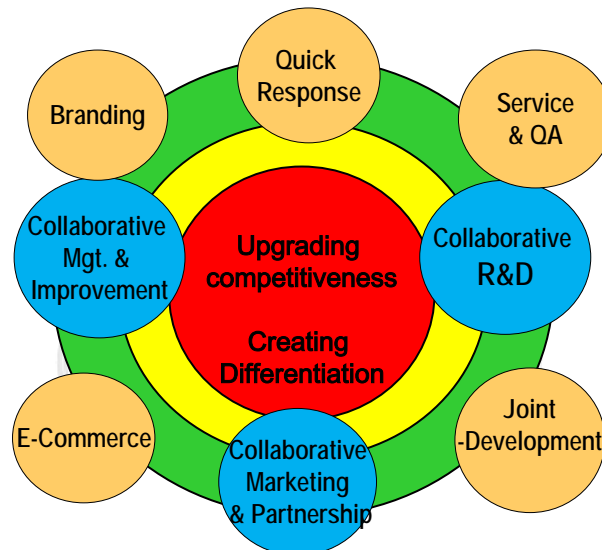
Target Market

- **Position: Global SBR (Specialty Bicycle Retailers)**
- **Chinese Taipei as a Core Region : Implementing joint efforts from industry, government, academy and R&D facility, to build excellent infrastructure(platform) for TWN bike industry. Aligning with global famous companies to upgrade product quality and supply chain level, resulting the cluster effects and expended economy scale. Making Chinese Taipei a key place of high-class bicycle supply and R&D base.**

Strategy

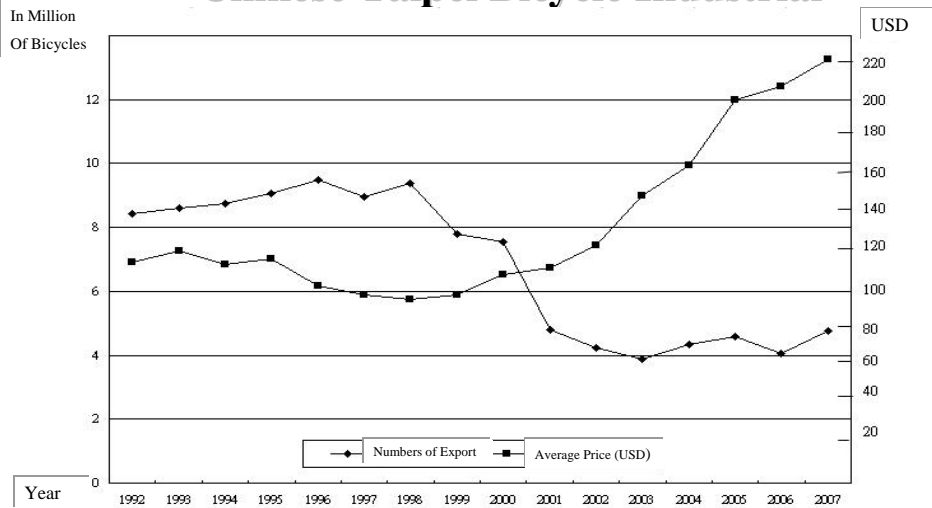
「Differentiation」 → Providing fresh, unique, high value-added, high-quality fancy products, service and assurance.

How A-Team





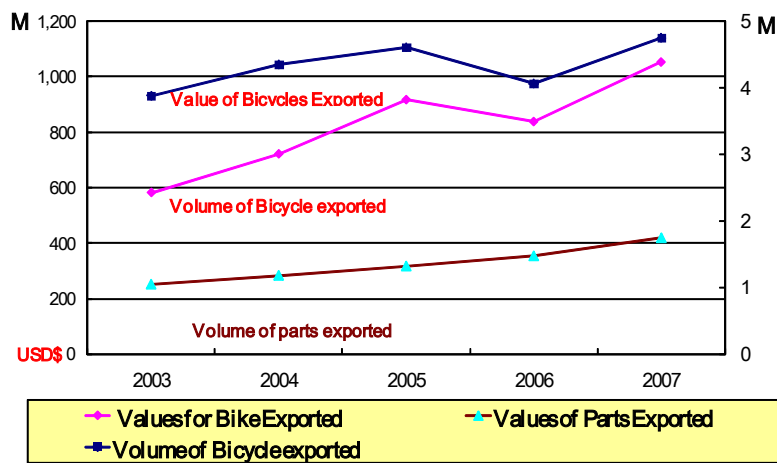
A-team Pull Up the Development of Chinese Taipei Bicycle Industrial



Source : BOFT Information Center ; Chinese Taipei Bicycle Exporters' Association ; Industrial Technology Intelligence Services



Achievements- Exportation Growth (1/2)



Sources: The Bureau of Foreign Trade, TBEA



Achievements- Exportation Growth (2/2)

Export	2003	2004	2005	2006	2007
Volume of Bicycle exported	3,882,835	4,352,967	4,607,287	4,062,740	4,752,345
Values for Bike Exported	582,973,185	722,789,360	918,719,979	839,412,156	1,054,524,358
Average Sale Price	150	166	200	207	222
Values of Parts Exported	252,428,826	284,588,453	318,466,373	355,349,069	421,292,591

Sources: The Bureau of Foreign Trade, TBEA

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Performances of A-Team Bike Plants in Last 3 years

Unit : USD

Item	2005	2006	2007
GIANT Chinese Taipei Turnover	332,806,914	270,540,763	329,231,836
GIANT Average Price of Bike	345	322	333
MERIDA Chinese Taipei Turnover	191,199,911	213,107,692	309,710,229
MERIDA Average Price of Bike	358	378	410

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A-Team's Preliminary Performances

1. Total exportation volume & average price increased.
2. Regain the confidence of industrial development - with global competitiveness.
3. Reconsider the position of TWN Bicycle industry.
4. Built up partnership with Italia Colnago.
5. Transformation on President Shikano's attitude: rejection 、 acceptance and admiration.

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4. Concluding Remarks

- **Value up vs. Cost down**
- **Partners Cure**



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Strategic Thinking Readjustment

Global Competitiveness $\sim f(\text{Value} / \text{Cost})$

Past (cost down)

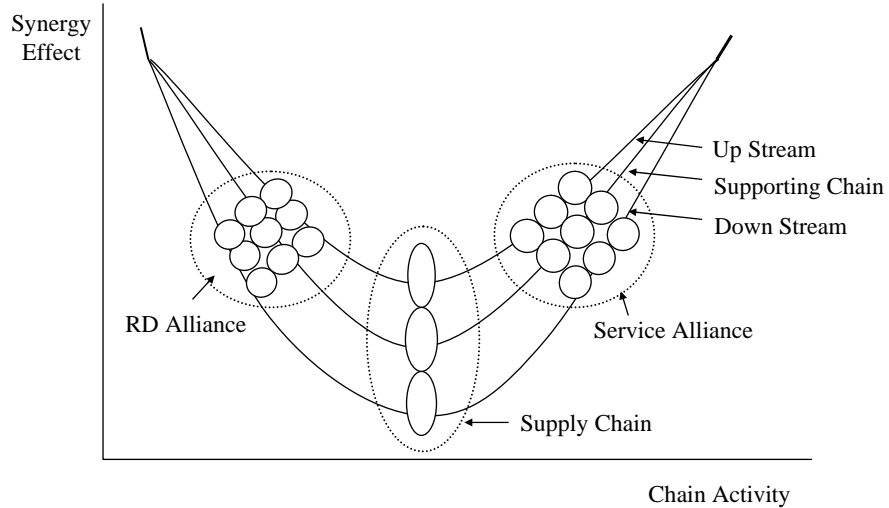
reduce manufacturing cost
increase production efficiency

Now (value up)

high value-added activity
networking capability



Partners Curve





Thank You



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