

APPENDIX 10

DISCUSSION PAPER NEXT GENERATION TRADE AND INVESTMENT ISSUES

Enhancing Small and Medium-Sized Enterprises Participation in Global Production Chains

(Chile; Hong Kong, China; Japan; Mexico; and Peru)

I. Background

In Yokohama, Japan, 2010, Economic Leaders instructed APEC to make an important and meaningful contribution as an incubator of an FTAAP by playing a critical role in defining, shaping, and addressing the 'next generation' trade and investment issues that an FTAAP should contain. In Big Sky, Montana, United States, 2011, Ministers Responsible for Trade identified the following next generation trade and investment issues to be addressed in the current year through substantive and specific outcomes: facilitating global supply chains; enhancing small and medium-sized enterprises participation in global production chains; and promoting effective, non-discriminatory, and market-driven innovation policy.

As Senior Officials discussed in Washington, D.C., 2011, there are traditional trade issues that need to be addressed in new ways given changes to the global trading environment. Chile; Hong Kong, China; Japan; Mexico and Peru consider that small and medium-sized enterprises (SMEs) participation in global production chains¹ is one of these issues.

Recent Free Trade Agreements (FTAs) have begun to include chapters or provisions on cooperation and addressing the development of SMEs, and their results have enabled SMEs to strengthen capacity in their productive processes. However, further efforts could be made to foster the participation of SMEs in global production chains through addressing the issue in next generation trade agreements. This will facilitate the development of SMEs as supporting industries².

Such efforts are well related and could also complement the work to address the SMEs' barriers to trade in Asia-Pacific, as identified by Ministers Responsible for Trade and Ministers Responsible for Small and Medium Enterprises during their joint meeting in Big Sky, Montana in 2011. The objective of this proposal is to promote capacity for SMEs as supporting industries, as indirect exporters at a first stage.

II. Proposal

Chile; Hong Kong, China; Japan; Mexico; and Peru propose to address the issue of enhancing the SMEs participation in global production chains through:

¹ Global production chains may be defined as a cross-border network of companies operating together as an integrated system to design, develop, market, distribute, transport, and deliver products and services to customers.

² Supporting industries may be defined as suppliers of inputs and/or services to be incorporated into the production chain of other enterprises which participate in international trade.

1. Defining core elements that could be considered on a voluntary basis to serve as model guidelines, in the next generation FTAs, including a possible FTAAP, and
2. Developing capacity building activities, such as carrying out seminars, policy dialogues and workshops to exchange experiences and best practices on public policies and collaboration between trading partners, to incorporate SMEs in global production chains.

Core elements

APEC could promote the inclusion of language in FTAs, setting out areas in which parties will cooperate to enhance SMEs' participation in global production chains in order to foster trade and investment in the region. These areas of cooperation could include:

- Enhancing SMEs' ability to take advantage of opportunities throughout the production chain
 - a) Enhancing SMEs' ability to identify commercial partners and direct investment and joint venture opportunities in foreign markets.
 - b) Sharing information on assistance programs the parties have in place to foster SMEs participation as supporting industries.
 - c) Enhancing SMEs' understanding of how to become reliable supporting industries and to establish business ties with other supporting industries, final goods suppliers, and exporting industries.
- Enhancing SMEs' ability to take advantage of trade opportunities
 - d) Enhancing SMEs' human resources development through training programs on international trade, and entrepreneurial and technical education.
 - e) Making publicly available trade-related regulations and other policies relevant to SMEs and their participation in global production chains.
- Promote enhanced use of information and communication technologies (ICTs) and intellectual property protection
 - f) Enhancing SMEs' understanding of how to utilize ICT networks and other innovative technologies to participate in global production chains.
 - g) Enhancing SMEs' understanding of how to acquire and protect their intellectual property rights.
- Facilitate SMEs' access to trade and investment-related information
 - h) Enhancing Parties understanding of how to develop and promote seminars, workshops, trade opportunities and other activities, including establishing and maintaining a publicly available online tool kit to convey information, including text, tariff schedules, and references that can be useful for trading, investing, or doing business, to make it easier for SMEs to take advantage of the benefits of Free Trade Agreements.

Exchange of experience and best practices

APEC economies that have developed programs to foster the participation of SMEs as supporting industries to other enterprises which participate in international trade could share in a seminar their experiences, both positive and negative, so as to allow all APEC economies to learn from such experiences.

The seminar could include items such as: public policies established by governments to develop local providers to international trading companies established within their territory; experience-sharing from the view of FTA negotiators, success SMEs that have been benefited by such kind of cooperation, joint programs agreed between parties of an FTA, both government to government and government to private sector; sectoral experiences; methodologies to measure the results of those public policies and joint programs; government experiences in disseminating information; case studies; among others.

III. Timeline

- Extraordinary CTI meeting, August 2011, Singapore: To discuss the proposed core elements and possible topics for the seminar.
- CTI3/SOM3, September 2011, San Francisco: To reach consensus on the core elements and endorse the proposal to carry out a seminar.
- AMM, November 2011, Hawaii: Ministers to endorse the core elements and take note of the seminar.
- SOM2, May 2012, Russia: To carry out a seminar to exchange experiences and best practices of the enhancement of SMEs in the global production chains, including what is explained above.