



## SUPPORTING APEC SME SERVICE EXPORTERS

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A HANDBOOK OF BEST PRACTICES

*An APEC Business Advisory Council (ABAC) Publication  
to support capacity building in the  
services sector for SME development*

2004

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## PREFACE AND ACKNOWLEDGEMENTS

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Because of the relative lack of systematic attention to the needs of small and very small service exporters in APEC economies, ABAC is pleased to provide this initial glimpse of the kinds of initiatives that have been undertaken. Small and very small service firms comprise at least two-thirds of our private sector enterprises, and many of them already export or have export potential. Much more needs to be done to ensure that these important players in our private sectors receive the recognition and support that will result in sustained economic growth in each of our economies.

We hope that our colleagues in both the public and private sectors will take advantage of the checklists presented in Sections 14 and 15 to examine their own practices and priorities with regard to small and very small service firms. We call on APEC governments to ensure that, in the various APEC fora, the specific needs and challenges of small and very small service enterprises are included in all trade-related initiatives.

We would like to thank Dr. Dorothy I. Riddle, CMC, a former ABAC representative for Canada, for directing the research and compiling the results for this Handbook. We would also like to thank the 20 national trade promotion offices and the 27 private sector trade and industry associations who participated in the survey, as well as the Asia Pacific Foundation Canada for its logistical support.



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## 1. BACKGROUND

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Services SMEs comprise over 75% of all businesses in each APEC economy. Many of these small services companies are involved in international trade – either through their participation in overseas markets or by selling services to foreign firms within their domestic market. Ensuring the continued strength of services SMEs is therefore critical to the APEC region as a whole.

Despite the importance of services SMEs, many governments and business associations in the APEC region have overlooked their contribution and have not adequately taken into account the needs of small services companies when developing their policies and programs.

ABAC believes that there is a need for greater awareness in all APEC economies of the important role of SMEs in services trade – and greater capacity building efforts by governments and business associations alike to support services SMEs.

*Governments* within the APEC region need to assess what they are currently doing to support services SMEs – both in their policies and trade development programs. Many governments have focused their efforts on export promotion of products and do not have specific programs targeted at services companies.

*Business associations and chambers of commerce* provide an important role in business development and export-readiness. Greater awareness of the importance of services trade, and the supportive roles they can play, will assist these groups in advocating and providing business training and ongoing education programs, especially for small companies.

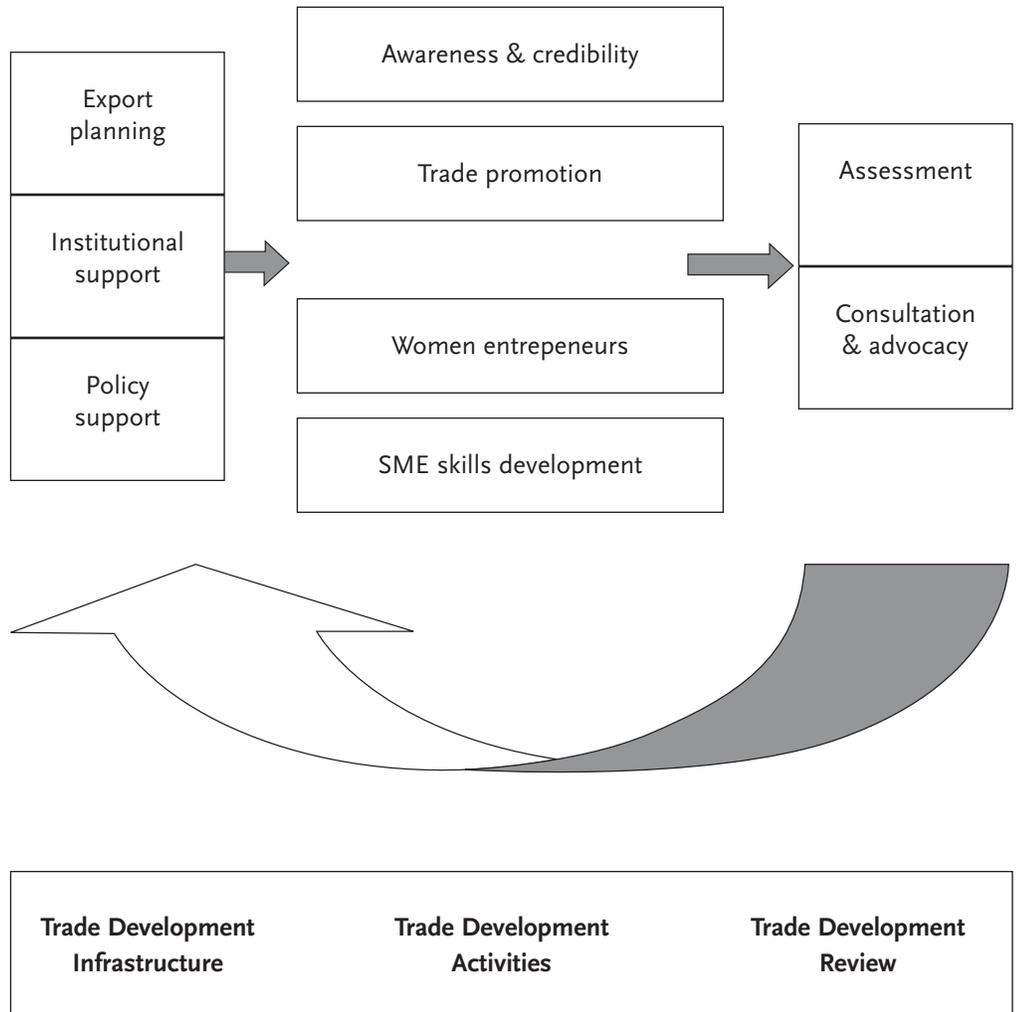
Finally, at the level of the *individual company*, SMEs will benefit from a better understanding of services export opportunities and how they can take advantage of these to grow and expand their business. Services SMEs will also need capacity building to prepare themselves for services exports and/or liberalization of service sectors within their own domestic market.

The first step in capacity building is to get a clear picture of what governments and business associations in the APEC region are currently doing to support services SMEs. To that end, ABAC undertook a survey of all APEC economies that examined the domestic policy framework as well as trade promotion initiatives in order to assess the extent to which policies and programs support the growth of services SMEs. Responses were received from trade promotion agencies in 13 APEC economies and 16 trade and industry associations in 11 APEC economies. The next step is to identify what other initiatives are needed to enhance the success of APEC service SMEs.

## 1. BACKGROUND

This Handbook summarizes the survey results and highlights best practices found in the region, and also provides best practice checklists to guide trade promotion agencies and service industry associations in improving their support to service SMEs. The material is organized using the following model:

### Model for Services Trade Development



## 2. APEC ECONOMIES AND SERVICES EXPORTING

⇒ **KEY POINT:**

*Unless specific initiatives are undertaken to enhance the competitiveness of APEC service SMEs, services trade for the region is likely to remain below the global average.*

Globally, services – especially business-to-business services – are the fastest growing portion of world trade. But APEC’s growth in services trade has lagged behind global averages in all categories of services trade. In fact, between 1995 and 2002, 12 of the APEC economies showed a decrease in the percent of exports from services and two posted an actual decline in volume. With regard to the fastest growing export category of “other services” (which includes business and professional services, communications, construction, educational services, financial services, health-related services, entertainment/cultural, and recreational/sporting services), only the U.S. has been above the global average.

Category of Exports	Percent of 2002 Exports		Average Annual Growth: 1995-2002	
	Global	APEC	Global	APEC
Goods exports	79.7	84.8	3.2	4.3
Services exports:	20.3	15.2	4.0	1.5
Other services	9.1	5.5	6.0	3.2
Travel	5.9	5.5	2.7	1.4
Transportation	4.5	3.7	2.8	-2.7
Government services	0.8	0.5	0.9	-0.8

The slow growth in services trade cannot be attributed to a lack of domestic potential, as services form the largest sector in each of the APEC economies. Since the majority of the SMEs in the region are service SMEs, this lack of export growth is disturbing.

In addition, capacity building initiatives need to take into account the fact that APEC service SMEs compete in the region with major service transnationals. Of the top 100 service companies by revenues in 2002, 60 were from APEC economies – U.S. (38), Japan (18), Republic of Korea (3), and People’s Republic of China (1).

## 2. APEC ECONOMIES AND SERVICES EXPORTING

Discussions in the APEC Group on Services regarding the liberalization of service markets make no mention of the below-average performance in the region, especially in developing economies. Nor has there been a formal analysis of the risks for APEC SMEs if services markets are opened prematurely. Instead, the emphasis has been on accelerating further liberalisation of market access through enhanced commitments under the multi-lateral General Agreement on Trade in Services (GATS). Fortunately, APEC economies are beginning to focus more proactively on services trade issues, fuelled in part by the new round of negotiations under the GATS. This focus provides a window of opportunity for moving forward on initiatives to strengthen the export capabilities of APEC's services SMEs.

APEC Economy	Services as a Percent of:	
	GDP	Exports
Hong Kong (China)	94.4	18.4
U.S.A.	79.8	29.6
Australia	79.1	20.9
Singapore	77.5	18.8
Canada	76.3	12.3
Japan	76.0	14.2
New Zealand	75.7	26.0
Mexico	73.2	7.3
Chinese Taipei	72.8	14.4
Chile	68.3	17.8
Peru	66.8	16.8
Republic of Korea	61.4	14.8
Russian Federation	61.3	10.8
Malaysia	56.8	13.7
Philippines	54.3	8.2
Thailand	51.6	18.7
Viet Nam	51.2	15.0
Indonesia	47.8	10.1
Brunei Darussalam	47.3	6.5
China, People's Republic	40.4	10.9
Papua New Guinea	39.5	14.6

### 3. WHY IS SERVICE EXPORTING DIFFERENT?

A review of trade-related websites, plus comments from the responding economies, indicate that most APEC economies assume that any initiatives for SMEs, such as traditional goods-oriented export training, will automatically work for services firms. However, most services are marketed differently from goods because what is being sold is a “promise to perform” rather than a completed service that can be inspected before the decision to purchase is made. The market selection and market access issues also differ.

Consultations with the private sector have identified the following challenges that confront service exporters, which need to shape any capacity building initiatives:

- Most service exporters are very small firms with limited resources.
- Because service exporters are essentially selling a “promise to perform” and the purchase is risky, they need help establishing credibility in the global market.
- Potential customers use referrals to select new service suppliers, so service exporters need to be skilled in relationship marketing and how to utilize networks of contacts (more than market research).
- Because service opportunities change rapidly and there is no buffer from copyright or patent protection for most services, market information becomes outdated very quickly.
- Few services can be marketed through agents so service principals, who may only be interested in the technical aspects of service design and delivery, need to be trained in marketing skills.
- Private sector associations have typically been focused on regulatory control and domestic policy advocacy, not on services exporting activities or services trade policy advocacy.

Traditional trade support programs have been designed for goods promotion and then applied to services with little or no modification. From a capacity building perspective, the service sector is diverse with over 150 different service subsectors. Governments have, in large part, been unaware of the range of services being actively exported from their economy. Traditionally, service exporters have not relied on government assistance as national trade promotion initiatives have been primarily oriented to goods producers. However, studies by the International Trade Centre UNCTAD/WTO (ITC) show that developing countries are already exporting on average 68 different types of services to at least 33 different export markets, of which two-thirds are other developing countries.

⇒ NOTE:

*ITC's 2004 capacity study for Peru documented 70 categories of services being exported to 38 markets, including 7 APEC economies.*

### 3. WHY IS SERVICE EXPORTING DIFFERENT?

⇒ KEY POINT:

*Capacity building for service SMEs requires tools, training programs for SMEs and for trade support organizations, and trade promotion initiatives that are specifically designed for services.*

#### **Best Practices Resources:**

The International Trade Centre UNCTAD/WTO (ITC) currently represents the ‘best practice’ leader worldwide for developing the export capacity of SME service firms. Its Trade in Services Section has researched and developed specific tools and training for service enterprises, trade and service industry associations, and government trade promotion offices. The technical assistance program for developing and transitional economies includes a capacity study; identification of all associations that could assist in service export promotion; training on successful services exporting for enterprises, associations, and government trade promotion officers; a regional “Bridges Across Borders” networking initiative for associations; and assistance to governments on next steps (including assessments on services trade negotiations issues).

In each section of the report, relevant ITC resources are listed. The publications mentioned can be ordered through <[www.intracen.org/eshop](http://www.intracen.org/eshop)>, and the tools mentioned can be requested by e-mailing [services@intracen.org](mailto:services@intracen.org).

#### 4. SERVICES EXPORTING PLANNING AND SMEs

Within APEC, trends in services trade are difficult to track as the trade statistics posted under Economic Indicators on the APEC website reflect only goods trade. In terms of services exporting activity, only 41 percent of responding governments could point to data that provided them with the specifics of what services SMEs were exporting and to which markets. It is difficult to plan effectively if macroeconomic data are not available to determine whether or not services export revenues are increasing.

⇒ KEY POINT:

*Joint government-association services export planning is critical if APEC economies are to improve their services trade performance, and that planning needs to be based on accurate data about services trade flows and SME service export capabilities.*

Regarding statistical data, only one of the economies reported having at least 50 percent of the resources of their central statistical office dedicated to services industry measurement, though 81 percent of APEC economies have more than 50 percent of GDP from service industries. Of the economies reporting, 59 percent indicated that they did have economic data by size of firm and industry, but only 41 percent indicated that they had an official Business Registry, with adequate service sector coverage, from which private sector surveys could be conducted.

Regarding competitive service sectors, only four economies provided a list that corresponded well to the actual export capacity of their services SMEs. For other reporting economies, either no services were listed in which SMEs were exporting (or could export) competitively or the list was inappropriately short. This raises questions as to whether or not government agencies have adequate data for services export planning.

All but two of the reporting economies include service exports in their national export development strategies. However, only 65 percent reported having an SME development initiative that focuses on services. Of the associations, 67 percent reported addressing SME service issues specifically.

Economies most engaged with services export planning were working in collaboration with service industry associations and included initiatives to strengthen the ability of those associations to assist their members in exporting services.

### Examples of Best Practices:

Successful export planning depends first and foremost on an accurate picture of service sector activity and services trade flows. The Hong Kong Coalition of Service Industries pioneered the production of an annual “Services Sector in Hong Kong Statistical Card” ([www.hkcsi.org.hk/publications/publications.htm](http://www.hkcsi.org.hk/publications/publications.htm)). The Australian Services Roundtable has followed their example and started issuing its of “Services Sector in Australia Statistical Card” ([www.servicesaustralia.org.au/pages/research.html](http://www.servicesaustralia.org.au/pages/research.html)). Statistics Canada has an Advisory Committee on Services Statistics comprised of users to assist in setting priorities regarding the types of data that are needed on domestic and international services activities. The Australian Bureau of Statistics has just established a similar International Trade in Services User Group, which includes both public and private sector users.

New Zealand Trade and Enterprise has commissioned specific research to identify the barriers faced by SME service exporters and has used this research to design the development and delivery of their support to service exporters. It intends to conduct a scoping study in 2004/05 of the New Zealand service sector in order to be better positioned to address constraints to SME services export growth.

The other component for successful services export planning is engaging both government and the private sector in the planning process. Austrade’s development of its Global Teams Export Strategy illustrates that type of collaborative process as it is signed off by 40 government and industry groups. That Strategy, which proposes to double the number of service exporters, includes training of trade officers, public awareness campaigns, research on services, client assistance, train-the-trainer programs, and working with industry associations.

⇒ *BEST PRACTICES RESOURCE:*

*ITC Tool:*

“Capturing and Utilising  
Services Trade Statistics” (2004)

## 5. INSTITUTIONAL SUPPORT FOR SERVICES EXPORTING

⇒ **KEY POINT:**

*In order for services export initiatives for SMEs to be successful, there needs to be a services trade promotion infrastructure in place, in both the public and private sectors, that is linked to SME initiatives in order to give sustained and coordinated focus.*

⇒ **BEST PRACTICES RESOURCE:**

*ITC Publication:*

Successful Services Exporting:  
A Handbook for Firms,  
Associations and Governments  
(2001)

One of the challenges in planning for services trade promotion is that there are typically at least 20 government agencies that need to be involved. Governments differ in their structure but usually have separate departments to deal with foreign affairs, industry and trade, licensing, communications, postal services, construction (public works), education, environmental services, finance, health, culture, sports, tourism, transportation, science & technology, utilities, customs & immigration, women entrepreneurs, SMEs, and statistical compiling. Only 53 percent of economies reported that there was a coordinating body across the various government departments dealing with services, and only 29 percent reported having a designated “services champion” to ensure coordination and focus.

Three-quarters of the economies reported having an official services promotion unit, though such a unit was only visible on five of the trade promotion websites. Of the reporting economies, 82 percent indicated that at least one trade officer was dedicated to services trade promotion. Four economies indicated that they had specific programs to assist SME exporters, but none of those displayed initiatives that were specific to service firms.

In order to provide trade officers with the skills needed to assist service SMEs, 76 percent of the economies reported that they had regular meetings to discuss strategies for assisting SME service exporters. But only 29 percent reported providing training to trade officers on how best to assist SME service exporters. This raises some concerns as experience has shown that the approaches needed to support service exporters are different than those traditionally used with goods exporters.

In terms of the infrastructure provided by associations, 33 percent reported that they had a formal services export committee. In addition, 89 percent reported that they facilitate networking for their members with other service industry associations.

**Examples of Best Practices:**

Malaysia’s MATRADE has a Services Promotion Unit, as well as two organization to assist with building capacity among professional service firms: the National Professional Services Export Council, and the Professional Services Development Corporation ([www.mypsdc.com](http://www.mypsdc.com)). Another example of institutionalized support for service SMEs within trade departments include Thailand’s Office of Services Trade in the Department of Export Promotion. New Zealand Trade and Enterprise manages its work with service exporters largely through two teams: the Education Team, and the Creative and Services Team.

International Trade Canada, Hong Kong Trade Development Council, and the U.S. Department of Commerce have each conducted specialized training for trade officers in how best to assist SME service exporters.

## 6. POLICY SUPPORT FOR SERVICE SMEs

Policy development that addresses the specific issues of SME service exporters, especially small and very small firms, is not yet common within APEC economies. For example, only 62 percent of APEC economies reported providing service firms with the same tax incentives as goods producers.

In terms of support for export competitiveness, 76 percent reported encouraging service firms to become registered to the international quality standard, ISO 9001:2000.

However, only 53 percent reported that their quality system registrars were qualified to audit and register service firms.

Ongoing innovation to gain and protect market share is critical to services export competitiveness because most services cannot be protected through copyright or patent. Only 35 percent of economies indicated that they provide research and development tax credits for services innovation.

Most of the policy support reported for service SMEs was in the form of government departments being able to contract out services to the private sector (82 percent) or governments not competing with private sector exporters (82 percent).

One of the common barriers to export assistance for service SMEs has been minimum size requirements for receiving assistance, based on the goods exporting model that firms grow first in their domestic market and only export when they are of medium size. Service firms, however, are never too small to export; and at least half of service SMEs are launched through export activities. Only 24 percent of responding economies indicated that they now have minimum size requirements for assistance to service exporters.

Export development financing is a challenge for SME service firms, particularly if banks require physical assets as collateral for operating overdrafts. Only 57 percent of APEC economies reported that their banks would accept accounts receivable (i.e., billings for work already performed) as collateral on business loans or operating overdrafts.

Economists predict that a growing percent of service firms will be operated as home-based businesses, with employees teleworking. Only 41 percent of economies reported that they had policies already in place to support home-based service businesses. One of the high growth areas is outsourced back office support services (e.g., call centers, data processing, transcription). Only 47 percent reported having “industrial park” facilities available for back office service operations. In support of distributed work structures and cross-border service exporting, however, only 71 percent of economies reported that low-cost, high speed telecommunication and Internet infrastructure was a government priority.

⇒ **KEY POINT:**

*Policy reviews can help highlight areas where service firms function at a competitive disadvantage, and policy development for service SMEs is most effective when done in conjunction with service industry associations.*

## 6. POLICY SUPPORT FOR SERVICE SMEs

Service SMEs in both developed and developing economies report challenges in finding appropriately skilled staff. Service firms need staff with interpersonal communication, problem-solving and innovation skills; only 65 percent of economies stated that training in such skills was given priority.

### **Examples of Best Practices:**

The Philippines has successfully expanded e-services exports in part by focusing on key areas of policy reform. The new policies cover the adoption of a standard curriculum for medical transcription training; a change in the basic education curriculum to focus on English, math, and science; and a scholarship fund specifically for would-be contact center professionals to ensure sufficient qualified staff.

The APEC Engineer Register is a pioneering initiative to provide mutual recognition among 11 APEC economies for the engineering credentials of registered engineers: Australia, Canada, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Thailand, and the U.S.A.

### ⇒ *BEST PRACTICES RESOURCES:*

#### *ITC Publications:*

Innovating for Success in the  
Export of Services (2001)

ISO 9001:2000:  
A Workbook for Service Firms  
in Developing Countries (2004)

Offshore Back Office  
Operations: Supplying Support  
Services to Global Markets  
(2000)

Successful Services Exporting:  
A Handbook for Firms,  
Associations and Governments  
(2001)

## 7. CREATING AWARENESS AND CREDIBILITY FOR SERVICE SMEs

⇒ KEY POINT:

*Specific private and public sector initiatives are needed to enhance the credibility of services SMEs so that small and very small service suppliers are able to access new export markets.*

The biggest challenge that SME service suppliers face when wishing to export is credibility in the global marketplace as they do not have brand recognition on which to draw. Most customers look for recommendations or referrals before taking a chance on an unknown service supplier. If SME service suppliers are not already known, they face the dilemma of how to become known. Assistance with visibility and credibility from trade support institutions is critical for success.

All but one of the reporting economies indicated that the importance of services and service exports was emphasized in official speeches, and 76 percent that it was highlighted in government trade publications. Success stories of SME service exporters were reported as being published by 82 percent of the economies, though those success stories were not necessarily visible on their trade promotion websites. Similarly, 71 percent reported posting services export statistics and top service exports on national trade promotion websites; however, those data were not necessarily easy to find online.

One of the ways in which SME service exporters can become visible to potential foreign customers is through a searchable database on the economy's trade promotion website. Half of the trade promotion offices reported that they had such a database that included service industry categories. Of the associations that responded, 56 percent indicated that they did have online searchable databases of service suppliers in their industry.

Another way to raise visibility is through radio or TV programs that feature SME service export success stories, and 65 percent of trade promotion offices reported having such initiatives. Alternate visibility options for SME service exporters were reported less frequently: 53 percent have an awards program for service innovations; 53 percent have awards programs for SME services export success; and 35 percent place stories of SME service exporter success in the in-flight magazines of their national carrier.

In order to create profile and links for their members, 59 percent of trade and service industry associations reported having established friendship agreements with sister associations in export markets. As well, 56 percent supplement the initiatives described above by publishing a newsletter that cites members' export achievements. In addition, associations reported that 33 percent were members of their international sister association and displayed that international logo on their website, and 59 percent encourage members to get listed in online directories.

⇒ *BEST PRACTICES RESOURCES:*

*ITC Publications:*

Successful Services Exporting: A Handbook for Firms, Associations and Governments (2001)

Trade Secrets: Trade in Services (2001)

*ITC Tools:*

“Capturing and Utilising Services Trade Statistics” (2004)  
 “Trade Promotion Approaches in Services Trade” (2004)

One of the ways that governments support SME service providers is by helping ensure that they are considered for IFI-funded projects. For APEC economies, only 29 percent indicated that they advocate for SME service suppliers with international financial institutions (IFI) such as the Asian Development Bank.

**Examples of Best Practices:**

Thailand’s Department of Export Promotion’s website ([www.thaitrade.com](http://www.thaitrade.com)) displays a very attractive film clip of three of Thailand’s service exports – restaurants, education, and health care services. Its new Exporter of the Month section includes service firms, with the International School Bangkok as the November 2003 featured firm.

The Philippines’ Department of Trade and Industry ([www.dti.gov.ph](http://www.dti.gov.ph)) has done an excellent job of promoting the Philippines’ e-services industries both through the promotional material regarding IT and IT-enabled services on its own website and through [www.e-servicesphils.com](http://www.e-servicesphils.com).

New Zealand Trade and Enterprise ([www.nzte.govt.nz](http://www.nzte.govt.nz)) has annual Export Awards with “Services” as one of the categories, and service firms can profile their capabilities on [www.marketnewzealand.com](http://www.marketnewzealand.com). It also provides links to NZConnection ([www.nzconnection.govt.nz](http://www.nzconnection.govt.nz)) whose purpose is to link firms with expatriate New Zealanders who can assist with networking in export markets.

Malaysia’s National Professional Services Export Council is compiling a database of Malaysian service providers as part of export promotion strategies.

Hong Kong Trade Development Council ([www.tdctrade.com](http://www.tdctrade.com)) provides immediate profile for 13 service subsectors through the “Services Verticals” on its website – and in 12 different languages. Hong Kong Coalition of Service Industries publishes a “Servicing Economy Newsletter” available online ([www.hkcsi.org.hk/publications/publications.htm](http://www.hkcsi.org.hk/publications/publications.htm)), which highlights successes of Hong Kong service firms. The Hong Kong Awards for Services are overseen by the Hong Kong Productivity Council ([www.hkpc.org/hkas](http://www.hkpc.org/hkas)) and include awards for Customer Service, Export Marketing, Innovation, Productivity, and Tourism Services.

China’s National Association of Engineering Consultants ([www.cnaec.org.cn](http://www.cnaec.org.cn)) and the Association of Consulting Engineers of Hong Kong ([www.tdctrade.com/hksar/466.htm](http://www.tdctrade.com/hksar/466.htm)) both provide examples of how a service industry association can enhance the credibility of its members by displaying the logo for its membership in the equivalent international association (FIDIC) on its website.

## 8. SERVICES TRADE PROMOTION INITIATIVES

⇒ **KEY POINT:**

*A range of services trade promotion initiatives are needed, moving beyond traditional trade missions, if services SMEs are to be successful.*

Because of the usefulness of having some kind of referral or recommendation into a new export market, many service exporters make use of networks of contacts abroad. These contacts may be personal (family and friends) or they may be expatriates or persons who studied in their market and so might be willing to help a small service firm. None of the economies reported keeping a database of foreign students that had returned to their home market, and only 29 percent reported having a database of expatriates abroad who were willing to network with service exporters.

Not surprisingly, the most common trade promotion initiatives, reported by 94 percent of the economies, were sector-specific and multi-sector trade missions, and introductions of SME service suppliers to incoming trade missions. In addition, 76 percent also introduce SME service suppliers to foreign investors, giving them an opportunity for Mode 2 exporting; however, only 47 percent reported promoting SME service suppliers (via a searchable database) to foreign investors on their investment website. In order to be able to target firms for export initiatives, 65 percent have a database of service exporters.

The most common ways for associations to help members increase service exports was by participating in international conferences on behalf of their members (85 percent), and entering into friendship agreements with sister associations in priority export markets (59 percent). While 41 percent of the service industry associations responding stated that their members needed to be licensed in order to practice their profession, only 27 percent of those associations reported negotiating recognition of that license with any export market.

### **Examples of Best Practices:**

Malaysia's MATRADE ([www.matrade.gov.my/trade-mission/special2004.htm](http://www.matrade.gov.my/trade-mission/special2004.htm)) provides specific initiatives for promoting construction and engineering, healthcare, plantation management, and information and communication technology. Examples include sector-specific trade missions to Cambodia and Brunei for health services, and infrastructure/construction services trade missions to Qatar and the Arab Development Bank. Through the Professional Services Development Corporation ([www.mypsdc.com](http://www.mypsdc.com)), it provides pre-tender and tender alerts in a range of professional services.

New Zealand Trade and Enterprise's Creative and Services Team ([www.nzte.govt.nz](http://www.nzte.govt.nz)) has targeted consultancy services in 11 sub-sectors for two special initiatives that have helped small companies win millions of dollars in contracts: a subscription Development Bank Monitoring Package, and an online subscription ProjectLink that provides qualified pre-tender business opportunities and market intelligence for capital projects. NZTE also provides support for the formation and success of service clusters – e.g., Earthquake and Natural Disasters cluster – and for sectoral strategies (e.g., education sector).

## 8. SERVICES TRADE PROMOTION INITIATIVES

### ⇒ BEST PRACTICES RESOURCES:

#### TC Publications:

Offshore Back Office Operations:  
Supplying Support Services to  
Global Markets (2000)

Successful Services Exporting:  
A Handbook for Firms,  
Associations and Governments  
(2001)

Trade Secrets: Trade in Services  
(2001)

#### ITC Tools:

*Export Readiness Diagnostic for  
Service Exporters (1998)*

*“Trade Promotion Approaches in  
Services Trade” (2004)*

Japan Chamber of Commerce and Industry has two initiatives of assistance to service SMEs: a unique business matching portal called CIN (Chambers Information Network, [www.cin.or.jp/trade/front.htm](http://www.cin.or.jp/trade/front.htm)), and a service to match them with retired business persons who can contribute their knowledge and experience concerning export planning. JETRO ([www3.jetro.go.jp/tpppoas/index.html](http://www3.jetro.go.jp/tpppoas/index.html)) and International Enterprise Singapore ([www.iesingaporebiz.com](http://www.iesingaporebiz.com)) also provide online databases that include service firms for business matching.

Thailand’s Department of Export Promotion arranges partially subsidized roadshows for service SMEs. Peru has an initiative to link small service suppliers with large firms as a method to gain experience in export markets. Hong Kong’s Commerce Industry and Technology Bureau ([www.info.gov.hk/cib/psdas/content](http://www.info.gov.hk/cib/psdas/content)) has a Professional Services Development Assistance Scheme to help SME service firms remain competitive.

Hong Kong Trade Development Council provides in-depth market research on market opportunities, and also uses video conferencing to hold virtual trade events (saving SMEs travel costs) and to match service SMEs with partners abroad. The Hong Kong General Chamber of Commerce has an initiative to develop appropriate contacts abroad in order to be able to link SMEs with senior officials in export markets.

Team Canada Inc provides a unique tool for SME service firms on its ExportSource ([www.exportsource.ca](http://www.exportsource.ca)) website – an online services export readiness diagnostic that provides customized recommendations for the service firm on how to improve its export competitiveness.

In addition to its export promotion work with industry associations, Austrade has launched a special initiative with the Franchise Association of Australia to promote franchising as a concept for SME service firms.

## ⇒ KEY POINT:

*Increased participation of women entrepreneurs in services exporting will require specific initiatives.*

## ⇒ BEST PRACTICES RESOURCE:

ITC Forum issue:  
 “Women in the Global Economy”  
 (Issue 4/2003)

Studies by ITC have documented that, without special initiatives to reach out to women or the setting of targets for women entrepreneurs’ participation, they are unlikely to participate in services trade training or services trade promotion initiatives. Often the responsibility for gender issues is housed in a ministry for women and the family, which focuses primarily on social issues rather than on economic development initiatives. In order to support women service exporters, coordination between trade development and other departments responsible for gender issues is critical.

Despite APEC’s emphasis on gender equality in the social and economic life of the region and the high likelihood that women own service firms, only 24 percent of the economies reported any special initiatives for women entrepreneurs in general and only 10 percent reported initiatives to target women entrepreneurs who export services. Of the trade promotion offices participating in the survey, 47 percent indicated that they did liaise with women’s business associations on services trade promotion events.

From a gender policy perspective, 41 percent of responding economies indicated that they still had gender-linked restrictions on business ownership, banking and asset management, etc. Only two economies indicated that child care expenses were an allowable business expense.

**Examples of Best Practices:**

Canada has launched several successful bilateral trade missions specifically for women business owners with the U.S. Regarding data on women service exporters, the Foundation for Canadian Women Entrepreneurs commissioned the first study of women service exporters, documenting that over 70 percent had fewer than 10 employees, 62 percent export more than one service, and 42 percent began exporting immediately at start up. The historic Prime Minister’s Task Force on Women Entrepreneurs recognized the growing importance of women in the service sector and devoted a whole section to recommendations that would support women service exporters.

Austrade has a Women in Export Program targeting SMEs owned by women, many of which are service firms ([www.austrade.gov.au/australia/layout/0,,o\\_S2-1\\_2zd-2\\_-3\\_-4\\_-5\\_-6\\_-7\\_,00.html](http://www.austrade.gov.au/australia/layout/0,,o_S2-1_2zd-2_-3_-4_-5_-6_-7_,00.html)). The case studies provided online help to build awareness of these firms.

⇒ **KEY POINT:**

*There is a pressing need for the training of services SMEs, using services-specific materials, in how to export their services and manage their firms more profitably.*

⇒ **BEST PRACTICES RESOURCES:***ITC Publications:*

*Innovating for Success in the Export of Services (2001)*

*Successful Services Exporting: A Handbook for Firms, Associations and Governments (2001)*

*ITC Tools:*

*"The Competitive Edge in Services: A Benchmarking Tool" (2004)*

*"e-Trade for Services" (2004)*

*ITC Training Materials:*

*"Assisting the SME Service Exporter" [for trade officers]*

*"Managing Professional Services for Global Competitiveness" [executive training]*

*"Successful Services Exporting" [train-the-trainer modules for enterprises, associations, and government]*

In all APEC economies, service firms face the challenge that there are few if any opportunities to learn how to manage and market services. Both entrepreneurial and export training are delivered from a goods production model. 89 percent of associations indicated that their members needed training in how to market their services better, and 74 percent reported that their members needed training in how to manage their service firms more profitably. Inspection of economies' websites did not reveal any services-specific training being offered to service SMEs in order to meet these needs.

Regarding export training needs, 85 percent of associations reported that their members need assistance in how to select appropriate export markets; and only 46 percent of the associations give any export training for service firms.

Regarding export market development, 93 percent of associations also reported that their members need assistance with introductions to potential partners abroad and 93 percent to potential foreign customers. Only 67 percent of associations mentioned members needing assistance with opportunities to speak abroad at conferences, though this can be an excellent business development strategy for gaining entry into new markets as potential customers can see the service supplier "in action."

In terms of ongoing identification of skills development needs, only 41 percent of trade promotion offices indicated that they survey service firms regularly for ideas of what would be helpful to them. In contrast, 74 percent of associations reported that they held forums where members could raise services exporting issues.

**Examples of Best Practices:**

International Trade Canada has sponsored a series of training workshops across Canada specifically for service SMEs on how to export their services successfully.

Austrade has begun providing training workshops for service firms on the management of intellectual property.

In order to be successful in supporting SME service exporters, it is critical to have a regular method for assessing success against targets. Only Austrade reported having specific targets for services trade expansion and regular measurement of customer satisfaction with trade promotion assistance as well as the actual export sales achieved.

Half of reporting economies indicated that they track annual data on service exporters; however, only 35 percent publish such data or track and publish bilateral data on service exports. Of the reporting economies, 47 percent indicated that their statistical office conducts annual surveys of key business-to-business service industries, whose performance affects the competitiveness of the entire economy.

Reporting economies identified the following areas for improved services export planning for SMEs by government: (a) develop a comprehensive strategy for working with SME service firms; (b) build in partnering events to develop consortia of service exporters; (c) promote awareness of global standards and benchmarks for competitiveness; (d) organize conferences for SMEs in support of services exporting; (e) provide training to SMEs on how to market and export their services; (f) provide more self-help tools specifically designed for service firms; and (g) address foreign trade barriers that limit their success.

Associations added the following areas for improvement in services exporting assistance: (a) greater promotion to SMEs of service export opportunities; (b) assistance in developing unique niche services; (c) form service export committees that can link with related organizations; (d) provide training for members in service exporting; (e) provide case models of successful service exporters; (f) provide information on international service quality standards; (g) provide support for e-trade in services; (h) develop specific outreach initiatives to small service firms; and (i) advocate to government on the trade promotion and financing initiatives needed by SME service firms.

#### **Examples of Best Practices:**

Austrade commissions routine independent surveys to measure the impact that it has on client sales and to document client satisfaction.

#### ⇒ KEY POINT:

*Unless data on services SMEs is captured and analyzed against targets, it is impossible to know what is effective in assisting them to export and whether or not service SMEs' participation in services trade is increasing.*

#### ⇒ BEST PRACTICES RESOURCE:

ITC Tool:

*"Capturing and Utilising Services Trade Statistics" (2004)*

⇒ **KEY POINT:**

*A regular consultative process that includes service SMEs is critical for determining policy changes and capacity building initiatives needed to increase service SMEs' participation in services exporting.*

⇒ **BEST PRACTICES RESOURCES:***ITC Publication:*

*Business Guide to the General Agreement on Trade in Services (2000)*

*ITC Tool:*

*"GATS Consultation Kit" (2000)*

In order to make sure that the export-related needs of SME service firms are addressed, there needs to be a regular consultative process between government and private sector. Of the economies responding, 88 percent indicated that government did have a formal procedure for private sector consultations on services trade issues which included service SMEs. In some cases, as with Malaysia's National Professional Services Export Council, the consultation body has been set up by government. Of the private sector associations responding, 81 percent reported that they did have a formal advocacy role with government on services trade issues.

National coalitions of service industries are one of the mechanisms used for participation in services trade negotiation consultations. Only 41 percent of the APEC economies indicated that they had such coalitions. The challenge faced by such coalitions is how best to include and represent small and very small service firms, whose export interests may differ from the large service firms that typically fund such coalitions.

Regarding the content of services trade negotiations, ABAC has noted in successive years the importance of facilitating temporary business travel. However, only 24 percent of APEC economies indicated that their trade negotiators had made requests from major trading partners for Mode 4 temporary business travel concessions.

**Examples of Best Practices:**

Hong Kong Coalition of Service Industries ([www.hkcsi.org.hk](http://www.hkcsi.org.hk)) has been particularly successful in including SME members and representing their issues and concerns as all members of the Hong Kong General Chamber of Commerce can also become members of HKCSI. HKCSI serves as the Chamber's service policy think tank and represents more than 50 service subsectors on public policy issues in order to promote the continued development and competitiveness of Hong Kong's service industries.

The Australian Services Roundtable ([www.servicesaustralia.org.au](http://www.servicesaustralia.org.au)) has successfully recruited small service firms as members by offering a lower Associate Membership rate, and has also explicitly included SME representation on its Board.

In New Zealand, the Chamber of Commerce has an ongoing lobbying campaign with government to ensure that all public policy decisions work towards the goal of regional economic growth targets, including strengthening the competitiveness of SME service firms.

The Singapore Business Federation ([www.sbf.org.sg](http://www.sbf.org.sg)) has an SME committee whose mandate includes the strengthening of Singaporean service SMEs. It has also helped form a Singapore Coalition of Service Industries in which SME interests are represented through seven service industry association members. For consultation on services trade issues, Malaysia has set up the National Professional Services Export Council, comprised of representatives of professional services associations, regulatory bodies, and government departments.

### 13. TECHNICAL ASSISTANCE REQUESTS

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The trade promotion offices in developing economies that responded requested a range of technical assistance, focused primarily on training:

- Build the capacity of SME service firms to export successfully
- Build the awareness and capability of trade promotion officers to assist SME service exporters
- Strengthen the ability of associations to support and train their service firm members
- Provide benchmarking information to help improve the competitiveness of SME service exporters
- Build up a database of SME service exporters

Most of the associations that responded also requested some form of technical assistance, such as the following:

- Training for members in how to market their services better
- for members on how to manage their firms profitably
- Training for members on how to export successfully
- Training for association staff on services exporting issues
- Assistance to the association in how to assist services SMEs to export
- Assistance with financing for services SMEs

**Services Export Planning**

- Include services in the national export development strategy, with the following specifically included:
  - Partnering events to develop consortia
  - Awareness of global standards and benchmarks for competitiveness in services
  - Organizing national conferences for SMEs in support of services exporting
  - Training for SMEs on how to export their services
- Collaborate with key industry associations to plan services export initiatives
- Commission research on the strengths and needs of SME service exporters
- Work with the central statistical agency to improve services statistics
- Set specific targets for increasing SME service exporting activity

**Institutional Support for Services Exporting by SMEs**

- Establish an official services promotion unit
- Resource an initiative within the agency responsible for SMEs to support service exporters
- Establish a coordinating body across ministries dealing with services
- Designate a “services champion” to coordinate services trade issues within government and with the private sector
- Train trade officers in how best to assist SME service exporters
- Schedule regular meetings to discuss strategies for assisting SME service exporters
- Create a database of SME service exporters

**Policy Support for Services Exporting by SMEs**

- Ensure that service firms have the same tax incentives as goods producers
- Encourage service firms to become registered to ISO 9001:2000
- Give priority to low-cost, high speed telecommunications and Internet infrastructure throughout the economy
- Give priority to developing communication, problem-solving, and innovation skills in students
- Align the standard teaching curriculum with the needs of high growth service industries
- Develop “industrial park” facilities for back office operations
- Eliminate any minimum size requirements for service SMEs to receive trade development assistance
- Ensure that R&D tax credits are provided for services innovation
- Work with the banking community on accepting accounts receivable as collateral for business loans
- Make sure that quality registrars are qualified to audit and register service firms
- Ensure that government departments are not prohibited from contracting out to private sector service firms

- Ensure that government departments do not compete with private sector service firms in exporting services
- Institute policies to support home-based service businesses
- Make sure that all mentions of “trade” or “exports” include services trade and services exports
- Remove any gender-linked restrictions on business ownership, management of financial assets, etc.
- Make child care a tax deductible business expense

#### ***Creating Awareness and Credibility for SME Service Exporters***

- Provide information on the top service exports on the national website
- Advocate with development banks on behalf of services SMEs
- Provide services trade statistics and success stories for official speeches
- Provide services trade statistics for the national website
- Collect and publish examples of successful services exporting
- Provide radio/TV programs with information on successful services exporting
- Post stories of services exporting successes on the trade promotion website
- Publish and distribute (online) a directory of service firms and their capabilities
- Establish an awards program for service innovation
- Establish an awards program for services export success
- Provide service SMEs exporting success stories to the national carrier’s in-flight magazine
- Negotiate mutual recognition agreements regarding professional credentials with key export markets

#### ***Trade Promotion for SME Service Exporters***

- Establish links with alumni and expatriates in target service export markets
- Promote the capabilities of service firms to investors on the investment website
- Convene a national or regional conference on services trade, featuring your own exporters
- Establish a partnership database to link service firms with interested partners in export markets
- Convene networking events to promote partnerships among complementary service industries
- Conduct study tours into export markets to determine service needs and standards
- Supply services firms with international benchmarks for performance
- Review various online directories to make sure that SME service suppliers from your economy are listed
- Conduct sector-specific and multi-sector trade missions for SME service suppliers
- Conduct trade missions for SME service suppliers to development banks
- Conduct in-market research for SME service suppliers
- Introduce SME service suppliers to incoming trade missions
- Introduce SME service suppliers to foreign investors
- Use videoconferencing to provide virtual trade events
- Provide online tools specifically for service firms
- Provide support for the development of service clusters (“bundled services”)

***Women Entrepreneurs Who Export Services***

- Design specific trade missions and similar events for women entrepreneurs who export services
- with women's business associations on services trade promotion events
- Provide gender-disaggregated services trade statistics
- Post success stories of women service exporters on the national website

***Skills Development for SME Service Exporters***

- Provide services-specific training for SME service exporters
- Provide training on how to manage small service firms profitably
- Develop case studies to model good business practices in managing service exporting
- Provide workshops on intellectual property protection for service firms
- Provide workshops on international benchmarks for services competitiveness
- Provide workshops on how to design unique niche services and one-stop services

***Assessment of the Effectiveness of Initiatives for SME Service Exporters***

- Set (and meet) specific targets for increasing the number of service exporters
- Track, analyze, and publish data on the number of SME service exporters
- Track, analyze, and publish bilateral data on service exports
- Ensure that the central statistical agency is appropriately resourced for collecting services trade data
- Ensure that there is an up-to-date Business Register
- Measure SME service firm satisfaction with trade promotion services
- Measure the impact of trade promotion initiatives in terms of an increase in SME service exporting
- Monitor SME counselors' activities and accomplishments with service SMEs

***Advocacy for, and Consultation with, SME Service Exporters***

- Form trade advisory groups in order to capture current needs and priorities for service SMEs through their service industry associations
- Engage the private sector directly in consultations on what would increase service exports
- Request temporary business entry concessions of appropriate trading partners

***Services Export Planning***

- Develop a services exports plan for supporting SME members to export their services
- Cooperate with the central statistical agency in improving services trade data
- Publish a services statistics card to provide data for the export planning process

***Institutional Support for Services Exporting by SMEs***

- Establish a Service Exports committee
- Facilitate the networking of members with service firms in other organizations

***Policy Support for Services Exporting by SMEs***

- Advocate for SME service suppliers on domestic policies issues that impede their competitiveness
- Monitor the implementation of new policies
- Work with government on negotiating mutual recognition agreements for professional qualifications
- Promote to government the importance of services and SME service suppliers to the economy

***Creating Awareness and Credibility for SME Service Exporters***

- Join the international sister association & display that logo on website
- Establish friendship agreements with sister associations in export markets
- Establish an awards program for excellence in exporting and in innovation
- Encourage members to get listed in online directories
- Publish and distribute a newsletter about members' service exporting accomplishments
- Identify opportunities for members to speak at international conferences

***Trade Promotion for SME Service Exporters***

- Publish a newsletter about members' achievements
- Establish an awards program for excellence in service exporting
- Publish an online searchable directory of members and their capabilities
- Encourage members to get listed in global and national online directories
- Provide seminars on international trends and quality standards
- Participate in international trade events on behalf of members
- Provide opportunities to network with other industry associations

***Women Entrepreneurs Who Export Services***

- Collaborate with women's business associations to stage services trade promotion initiatives targeting women entrepreneurs

***Skills Development for SME Service Exporters***

- Provide training to members on how to export services
- Provide training to members on how to manage their service firm profitably
- Provide events on global trends and service standards

***Assessment of the Effectiveness of Initiatives for SME Service Exporters***

- Set targets for service exporting promotion activities for SME service suppliers
- Review progress towards targets quarterly
- Survey members on the effectiveness of various trade promotion initiatives and suggestions for improvement

***Advocacy for, and Consultation with, SME Service Exporters***

- Provide a forum where members can raise services exporting issues
- Advocate for members with the government on services trade issues
- Collaborate in forming a national services industry coalition if one does not already exist