

Chapter 6

International Market Expansion

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Chapter 6

International Market Expansion

1. Introduction and Assessment Framework

SMEs face special problems relating to their size and in the context of rapid trade liberalization, they need to develop capacities to take advantage of opportunities arising from a more open regional trading system and production network developments.

Despite cuts in average tariffs, small businesses still have difficulties in fully exploiting opportunities arising from globalization and regional trading agreements. The SME contribution to direct exports has remained static or even declined. Reductions in tariffs have not benefited SMEs, and more emphasis by regional governments needs to be put on tackling non-tariff barriers (customs procedures, mobility of business people, standards of labeling requirements, access to finance, recognition of professional qualifications, consumer protection particularly regarding online transactions, and intellectual property rights) if SMEs are to benefit from trade expansion and enhance their exporting capacity (Abonyi and Supapol, 2012).

SMEs also lack skills in dealing with customers both in the domestic and overseas markets. They have limited knowledge about language and culture as well as the legal and bureaucratic issues involved in participating in export markets and production networks. They may experience a lack of business infrastructure support and in some countries may be discriminated against relative to large firms.

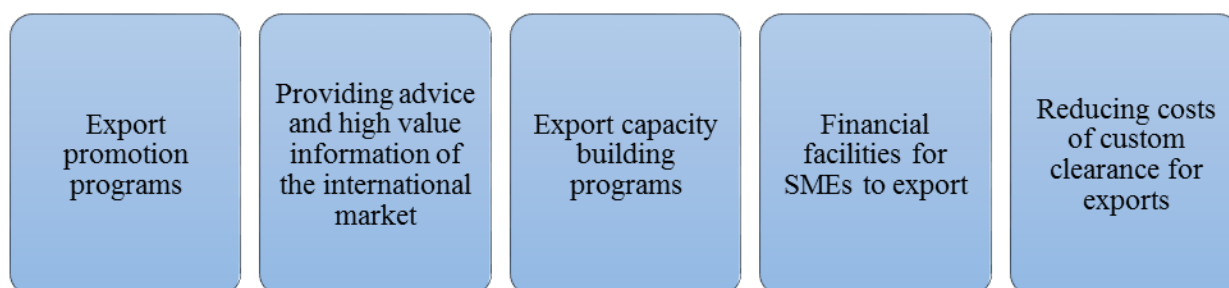
The following five policy sub-dimensions are critical to support SMEs' expansion in the international markets (also shown in Figure 15):

- **Export promotion programs**

A country must have an export promotion strategy and specific support programs for SMEs in internationalization. General export promotion programs can be in the form of information on international trade, assistance to exports, organization and

participation in trade missions, international trade exhibitions, training, and support for technical and quality standard requirements in meeting international standards (OECD, 2009).

Figure 15: Assessment Framework for International Market Expansion



• **Providing advice and high value information of the international market**

The basic support from the government is to provide advice and high value information of the international market such as product features, prices, buyers, distributors, relevant standards and specifications, international best practices, preferential treatments, and related legal requirements and procedures.

Marketing support should include: market information, marketing research, brand promotion, bid intervention, facilitation of participation in trade fairs and exhibitions, strengthening of marketing channels and distribution, organization of buyer-seller matching, logistics systems, preparation of publicity literature, assessment of creditworthiness of importers, business matching, and provision of marketing outlets and consortia formation.

SMEs should be encouraged to gather market intelligence to facilitate entry into new markets by undertaking specific market studies by themselves or accessing secondary sources of information. This will, among others, enhance their awareness on new and emerging aspects of business operations and practices such as innovation, advertising and the changing medium of communication, and strengthen local brands and build market shares.

- **Providing capacity building for potential exporting SMEs**

To compete effectively in the international market, SMEs should be encouraged to equip themselves with knowledge and skills in areas such as financial management and marketing. These skills will enable SMEs to respond to new market trends and requirements of the different market segments, and to leverage upon their core competencies to create and develop market niches.

To improve SMEs' marketing capacity, training modules should focus on areas such as negotiation skills, product planning, merchandising, pricing, brand building and consumer behavior, and logistics management to enable SMEs to keep pace with new market trends and requirements.

Moreover, it is important to train SMEs to develop best business and management practices such as supply chain management, customer relationship management and enterprise resource planning to gain competitive edge. They should also be encouraged to benchmark against their peers and competitors to improve performance. Training programs should be designed, in collaboration with industry associations and chambers of commerce, to encourage the participation of SMEs in benchmarking programs and in exploring their export potentials.

- **Financial facilities for SMEs to export**

It is particularly important for SMEs to have financial facilities for exports, given that bank-dominated financial systems usually constrain available financing for new ventures by small firms. Policy initiatives can therefore play an important role in providing access to financing for internationalization either directly (e.g., export finance programs) or by reducing the perceived risks of commercial lenders and investors. In this context, familiarizing SME managers with different forms of export-related financing is particularly important (e.g., letters of credit, factoring, leasing, trade insurance).

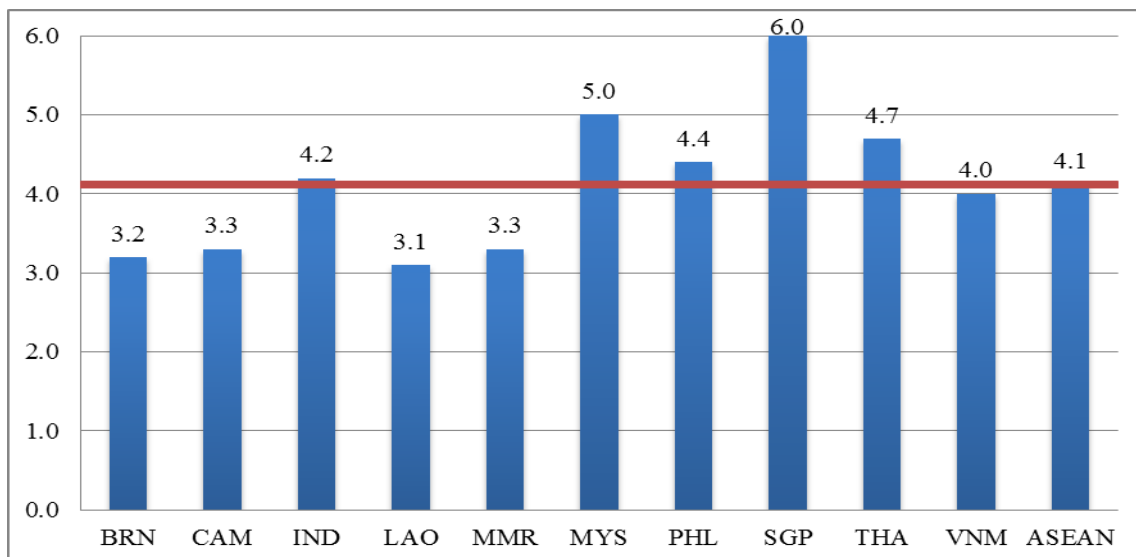
- **Reducing costs of custom clearance for exports**

High costs of custom clearance can be prohibitive and are a deterrent for SMEs to engage in international markets due to their scale and cost disadvantages compared with larger firms. Therefore, making exporting procedures simple and at lower costs is critical in encouraging more SMEs to explore potentials in international markets.

2. Assessment Results

The gap in the capability to provide facilitation support for international market expansion is relatively wide between the two groups of AMSs. It is because export promotion programs and provision of advice and high quality information are better structured in the ASEAN-6. They have also developed and run export capacity building programs nationwide in a well-coordinated manner. At the same time, more financial facilities such as trade credits, grants, and insurance schemes are in place in the ASEAN-6 to encourage SMEs to expand their market overseas with faster and cheaper custom clearance (refer to Figure 16 and Table 7).

Figure 16: Overall Scores for International Market Expansion



- **Singapore**

The International Enterprise (IE) Singapore is the main agency supporting and developing key initiatives for export market development and international brands for domestic companies. There are strong strategies and initiatives for export promotion programs in Singapore. The Global Company Partnership (GCP) program driven by IE Singapore aims to form partnerships and alliances between domestic companies and multinational firms in the region and globally. There is an e-portal and one-stop center for domestic firms to gather information and to form partnership and alliance with

foreign firms. IE Singapore provides grants for training programs, workshops on export markets, trade fairs, and overseas market missions for domestic companies.

There are several financial support for export promotion for domestic firms such as the Internationalization Finance Scheme (IE Singapore), Loan Insurance Scheme (SPRING Singapore), Trade Credit Insurance Scheme (IE Singapore) and Political Risk Insurance Scheme (IE Singapore).

The government maintains very low transaction cost in terms of custom clearance and control in taking one day for approval and with around US\$50 for the cost (WB Doing Business 2013). Singapore is ranked above the top fully functional "ASEAN Single Window".

- **Malaysia**

The Malaysia External Trade Development Corporation (MATRADE) as the external trade promotion arm under the Ministry of International Trade and Industry (MITI) is the agency that is responsible for promoting Malaysian products in export markets, including those produced by SMEs. MATRADE uses several export programs to promote SME exports from Malaysia, such as Overseas Trade Fairs, Trade and Investment Missions, Specialised Marketing Missions, In-Store Promotion, Information Booths, Exhibition Centre and Promotion Services.

MATRADE functions as a focal point for Malaysian exporters and foreign importers to source for trade-related information. By providing market intelligence and relevant advice, MATRADE assists Malaysian exporters to better position their products and services in the highly competitive global markets. MATRADE has an international network of 38 overseas offices located in the major commercial cities around the world to assist in the search for and development of overseas markets for Malaysian products and services.

More specifically, MATRADE provides Malaysian firms advice and high value information on international markets which include matching foreign buyers with Malaysian exporters of value-added products and services, organising trade missions and the participation of Malaysian exporters in international trade fairs and exhibitions, organising seminars and workshops on trade opportunities, regulations and procedures and international marketing issues, providing and disseminating current trade information and market intelligence, and managing a permanent display of 'Made in Malaysia' products.

At present, there are two main programs offered by MATRADE to assist SMEs to undertake activities for the development of export markets – the Market Development Grant (MDG) and Brand Promotion Grant (BPG). For MDG, companies can obtain a 50 percent reimbursable matching grant on approved costs of eligible activities. Meanwhile, for BPG, SMEs that are developing and promoting brands can apply for either a 100 percent reimbursable grant subject to a maximum of RM1 million per company per brand, or a combination of 100 percent and 50 percent reimbursable grants, subject to a maximum of RM2 million per company per brand. Based on the Economic Census of 2011, about 19 percent of the total 645,136 SMEs have export experience.

The financial facilities for SMEs to export are available nationwide from the Export-Import Bank of Malaysia Berhad (EXIM Bank), a government owned development financial institution with a mandated role to provide credit facilities to finance and support exports and imports of goods, services and overseas projects with an emphasis on non-traditional markets; export credit insurance services; export financing insurance; overseas investments insurance; and guarantee facilities.

The cost to export per container in Malaysia is within the range of US\$100 to US\$150, which is charged by export agents and not by the customs since there is no charge for obtaining custom clearance in Malaysia. The fees include costs for documentation, administrative fees, broker fees, terminal handling charges and inland transport. They do not include tariffs or trade taxes. Normally, it takes between 2 to 5 days for the

custom clearance. However, the World Bank Doing Business reports that in 2013, custom clearance and control takes one day and the cost is around US\$60 (WB Doing Business 2013).

- **Thailand**

The export promotion programs (excluding trade credit and loans) for Thai SMEs are provided by the Ministry of Commerce and the OSMEP. To date, most of these programs are not yet well coordinated. The economic evaluations of these programs are not reported but their implementation is monitored.

The OSMEP and the Ministry of Commerce provide information on trade regulation and foreign markets. There are one-stop shops providing such information at the Ministry of Commerce.

Most of the assistance for SMEs with good potential for internationalization are publicly provided by the OSMEP. Under the capacity building program of the OSMEP, grants are given to SMEs. This financial assistance aims to provide opportunities for SMEs to attend overseas trade fairs, business matching program, and a training course on SME know-how or information on market access opportunities. The program is operated nationwide but limited to certain business sectors such as food production, garment and textiles, footwear and leather goods, hotels, tourism services, and organic farming. Implementation of the program is measured by the number of participating SMEs and their satisfaction reports.

Another similar capacity enhancing program for SME entrepreneurs in border areas is provided by the OSMEP. Under this program, entrepreneurs in areas along Thailand's borders receive training in business management, use of new technologies, marketing channels, and logistic planning. In addition, the OSMEP provides business advisory and offers guidelines to these SMEs to cope with future changes along the borders. Other important activities include the setting up of border trading networks, business matching and trade negotiations with their counterparts.

The International Trade Promotion Fund under the Ministry of Commerce has been used to finance Thai SME development projects. In 2013, the trade promotion fund totalled the amount of 300 million THB and is used to bankroll SMEs and urgent projects. It targets SMEs with product quality and services as well as those engaged in international trade. It aims to help at least 500 SMEs each year while encouraging them to join in more overseas trade fairs.

The EXIM Thailand bank also provides SME support through comprehensive export financing and skills development for existing SME exporters and those who want to become exporters. Regarding the financing aspect, the Bank will provide SME exporters with a complete range of short-term and long-term credit facilities such as revolving lines of export credit (working capital), forward contract, guarantees, and loans for capacity expansion or for investment. Moreover, it offers insurance services to SME operators to hedge risks from their export and overseas investment transactions. The Bank's insurance service also covers analysis on creditworthiness of overseas buyers or buyers' banks, thus boosting their confidence in starting up a new business and expanding business in new markets. Regarding skills development, the EXIM Thailand bank also provides training programs to enhance SME exporters' knowledge on export business and export credit insurance. Despite such government efforts for exporting SMEs, though, financial facilities are still limited to a few regions and SMEs.

According to the World Bank Doing Business in Thailand 2013, it takes one day for the custom clearance and control for exporting per container and it costs US\$50. However, it takes 14 days for meeting all the procedures for exporting per container at a cost of US\$ 595.

- **Indonesia**

In terms of the Indonesian policy framework on international market access, the policy dimensions consist of export promotion programs, providing advice and high value

information of the international market, export capacity building programs, financial facilities for SMEs to export, and reducing costs of custom clearance.

The policy framework for increasing international market access for Indonesian products, including those produced by SMEs, is fairly well-developed. There have been various export promotion programs that were adequately funded and implemented by a coordinating agency. The government, through various agencies, has also provided information about specific export markets, including product features, price, buyers, distributors, relevant standards and specifications, international best practices, and related legal requirements and procedures.

As for SMEs in particular, the government also offered various export capacity building programs, albeit with limited coverage. Furthermore, the government has also given financial assistance for SMEs to export while at the same time easing the custom clearance procedures and costs.

Several line ministries and agencies in Indonesia have conducted export promotion programs for SMEs with sufficient funding that mainly comes from the national budget. However, the programs are not well coordinated. Although a coordination agency – the PEPI (National Team for Increasing Exports and Investments) under the Ministry of Trade – exists to coordinate all export promotion programs in the country, it has not been able to prevent overlapping programs.

Under the Ministry of Trade, in particular, there are at least 4 export promotion programs. One is trade mission to new markets. The Trade Minister, together with representatives from large firms, goes to countries whose markets have not yet been tapped by Indonesian exporters. SMEs may also eventually benefit from trade with these new markets. Two is trade exhibition. Some ministries in Indonesia sponsor SMEs to open stalls in trade exhibitions abroad. Three is in-store promotion. The Ministry of Trade facilitates the promotion of Indonesia's products from both large firms and SMEs in world-class shopping malls abroad. And four is trade display in Indonesia's Trade Promotion Centres (ITPC) abroad.

There are three agencies providing businesses information on specific markets, including product features, prices, buyers, relevant standards and specifications, and related legal requirements. One is Indonesia's Trade Promotion Centre (ITPC), an Indonesian representative agency in many countries assigned to promote its foreign trade. Two are the trade attaches located in Indonesian embassies all over the world. And three is the Division of Market Development and Information, Directorate of National Export Development of the Ministry of Trade which conducts market intelligence for countries not covered by the ITPC and trade attaches. This agency is also a one-stop shop that provides specific market information although said information is not comprehensive. It also has an E-portal and monitoring & internal evaluation system but they are not functioning well.

Despite being uncoordinated, several export capacity programs have also been established by several line ministries and agencies. The Ministry of Trade, with support from the Jakarta Government and JICA, established the Balai Besar Pelatihan Ekspor Indonesia (BBPEI) which is dedicated to train businesses on export-related matters. The Jakarta Government contributed the land and the Ministry of Trade allocated funds for developing the building and infrastructures while JICA provided the equipment, including computers.

Moreover, the Ministry of Trade, together with local governments in six regions, established Training Centres for Export called Pusat Pendidikan dan Pelatihan Ekspor (P3ED). This program was conducted in six large cities: Medan, Jakarta, Surabaya, Banjarmasin, Makasar and Mataram, and includes grants or subsidies for training courses, export coaching, workshops and trade fairs as well as product development. This program was started in 2002 and then turned over after 5 years to local governments. However, the Ministry of Trade still allocates funds through the deconcentration fund to every region in order for them handle the export capacity building programs for SMEs. While there is an internal monitoring and evaluation process for this program, it is unclear whether there has been a significant number of participating SMEs which have started to export.

The Indonesian government has also provided financial assistance for SMEs to export. These facilities are under the responsibility of the Lembaga Pembiayaan Export Indonesia (LPEI) which was established in 2009. Although the scope of the facilities is nation-wide, the number of SMEs exceeds the available facilities. In 2011, the SME export credit portion allocated by LPEI was only 8.47 percent of its (LPEI) total export credit of 20.5 trillion rupiah.

In view of this, the Indonesian Parliament demanded that the LPEI allocates at least 10 percent of its total export credit to support SMEs' export.

Indonesia has a fairly well-developed custom clearance system. The length of custom clearance in Indonesia depends on the lane the container goes through. If the goods are not suspicious at all, then they go through the green lane, which usually takes 3 hours for custom clearance. If it is rather suspicious, then the process through the yellow lane usually takes 3 to 24 hours. As for the red lane, the length of custom clearance process varies on a case by case basis. Regarding the custom clearance costs, legally it is free but as to whether there are illegal payments, no one responds to this question.

- **Philippines**

The Center for International Trade and Export Missions (CITEM) is mandated to help achieve DTI's export growth targets by promoting the Philippines as a reliable source of products in the global market. Its programs and services include trade events, trade missions, merchandise/technical consultancy program, in-store promotions, and CITEM trade opportunities program. Export promotion programs exist and executed by a specific agency of government. There is funding available but export firms see the need for larger funding given the number of activities that need to be undertaken each year.

There are three DTI agencies providing advice and high value information of the international market: Bureau of Export Trade Promotions, Foreign Trade Service Corps and Board of Investments. Market information given includes product features, prices, buyers and distributors, relevant standards and specifications, and related legal

requirements and procedures. As the export promotion arm of the DTI, the Bureau of Export Trade Promotion provides frontline assistance, information, and specialized consultancy services to all exporters. Its main programs consist of frontline services, specialized consultancy services, outbound business matching and inbound business matching, and market opportunity mapping and information sessions. The Foreign Trade Service Corps of the DTI promotes the exports of goods and services, encourages inward foreign investments through various support activities and commercial intelligence work.

Export capacity building programs such as training courses, export coaching, workshops and trade fairs are implemented with national coverage. The Philippine Trade Training Center (PTTC) is the export and MSME training arm of the DTI. It designs and develops training programs for MSMEs, business support organizations and government sector. It also provides post-training advisory and counselling services and customized in-firm level training programs and services. However, the programs are operated with limited geographical coverage and a limited number of SMEs.

Financial facilities to export are in place nationwide with monitoring and evaluation processes. The Trade and Investment Development Corporation of the Philippines (TIDCORP), known as the Philippine Export-Import Credit Agency (PhilEXIM), is a government-owned and- controlled corporation designed to provide financing, guarantee, and insurance services to exporter firms. The facilities are operated with limited geographical coverage and a limited number of SMEs.

According to the DTI-Center for International Competitiveness (CIC), customs clearance for exports would take a maximum of one day with a cost of US\$50. The DTI-CITEM indicated that there are different agencies giving out clearances for exports depending on the materials used. Thus, there is no standard number of days for releasing clearances. The World Bank Doing Business 2013 reported 2 days for customs clearance and technical control.

- **Brunei Darussalam**

All export promotion programs are under the Ministry of Industry and Primary Resources and also the Ministry of Foreign Affairs and Trade. Some of the programs include bringing local SMEs to participate in international trade fairs and exhibitions. The cost is borne by the government.

The main export capacity building program is the Enterprise Expansion Program (EEP) Financing Scheme, administered by the Brunei Economic Development Board, a financing scheme to help SMEs expand their businesses through increasing their productivity and to groom future promising local enterprises to export and expand overseas.

The financial facilities for SMEs to export are under the Enterprise Facilitation Scheme (EFS), also administered by the Ministry of Industry and Primary Resources, to assist SMEs in expanding and developing their business activities and in building the capacity to export.

Custom clearance in Brunei is relatively fast and can be done within 2 days if all the documents are in place.

- **Viet Nam**

The National Trade Promotion Program has been approved by the government with the purpose of strengthening trade promotion and export expansion. During the period of 2006-2010, the program focused on export-oriented trade promotion activities. Since 2011, the program has expanded to many other activities. Funds for the program mainly come from the state budget. However, there is no specific program on trade promotion and market expansion exclusively for SMEs. Trade promotion programs for SMEs are integrated in the trade promotion programs for all enterprises; therefore, they are not efficient because these programs do not meet the specific characteristics of SMEs.

Meanwhile, the Trade Promotion Agency (under the MOIT) takes responsibility to provide information of the international market and consultation services for enterprises, including SMEs, to enter the international market. Many Trade and Investment Promotion Centers were established in almost all provinces and in some ministries to provide market information for their enterprises. They are considered as one-stop shops which provide trade information for enterprises by location and industry. They also have an e-portal of their services.

There are many export capacity building programs for enterprises, including SMEs. Trade promotion organizations and agencies have focused on building and advertising trademark for Viet Nam's products and enterprises by conducting a series of activities such as training programs on designing and developing enterprises' trademark. Furthermore, annually, government and non-government trade promotion organizations, provincial trade promotion organizations and centers organize many training courses and advisory services for enterprises to improve their knowledge of international business and trade and trade promotion skills. Trade training and advisory activities have increased in terms of quantity and quality. The funds for these programs mainly come from the government and donors.

For SMEs, export capacity building programs consist of grant or subsidies for training courses, export coaching, workshops and trade fairs. The scope of the programs is already nationwide. However, there is no monitoring and evaluation system for these programs.

Viet Nam already has financial facilities for SMEs to export. The scope of financial facilities for SMEs to export is operated nationwide. Trade credit and export-oriented loan insurance, on the other hand, are not popular. Although the government commits to support 20 percent of the insurance fee for enterprises when they buy export credit insurance, only 30 enterprises bought insurance and three of them received the support. The main reason for the low number of responders is the high insurance fee amount.

Viet Nam has done pro-active reforms in custom procedures, and e-custom procedures have been piloted and expanded. Thanks to e-custom procedures, the average time of custom clearance for goods has significantly reduced. According to the statistics, the time for custom clearance of green papers is 3-15 minutes, e-yellow papers is 10-20 minutes, and yellow normal papers is 10-60 minutes. According to the Hanoi Custom Department, meanwhile, the time for the custom clearance for exporting one container is around one minute for goods without inspection and 30 minutes for goods with inspection. The official cost for the custom clearance is less than US\$ 100 per container. According to the World Bank Doing Business 2013 report, the custom clearance for export takes 4 days with the cost of US\$ 100 per container.

- **Lao PDR**

Access to national and international markets is a major issue for SMEs in Laos. In order to support SMEs' expansion in international markets, the Lao government has established the "Lao PDR Trade Portal" and "Business Library" in the Ministry of Industry and Commerce (MoIC) with support from various donors.

The contents of the Lao PDR Trade Portal include market access information as well as a guide to import and export. This portal is the gateway for SMEs to access regional and international markets.

In addition, MoIC also organizes market fairs and product exhibitions abroad for SMEs to give them the opportunity to find customers. However, most of the funding sources come from donors. The Trade Promotion and Production Department of MoIC also supports SMEs in various ways such as organizing domestic trade fairs, exhibitions, building producer's directory and others. In addition, MoIC also developed the "National Strategy for Export".

In general, export promotion programs are adopted but largely funded by donor countries and with not much coordination between programs. Information is fragmented and one-stop shops have limited advisory services. The export capacity

building programs are operated with limited geographical coverage and a limited number of SMEs.

Trade credit and export-oriented loan insurance are currently being piloted. Custom clearance and control for export (per container) takes 2 days and costs around US\$ 150 (World Bank Doing Business 2013).

- **Myanmar**

With regard to export promotion programs, the Ministry of Commerce organizes trade exhibitions for SMEs domestically and overseas. Although an export promotion program for SMEs has not yet been developed by SDC, it is however planning to operate such program soon.

Smart Myanmar Project was launched by the Republic of the Union of Myanmar Federation of Chamber of Commerce Industry (RUMFCCI) to represent a step forward for Myanmar SMEs to boost their international competitiveness. The three-year project is designed to improve the performance and production technologies of SMEs, helping them to penetrate into the foreign markets.

With respect to providing advice and high value information of the international market, the RUMFCCI, an NGO with members from 36 associations, established the SMEs Promotion Committee which provides specific information such as related legal requirements and procedures, relevant standards and specifications, international best practices, product features, prices, buyers, and distributors for enterprises. In addition, the RUMFCCI organizes and participates in local and foreign trade fairs and exhibits, disseminates trade and market information, and provides supervision and coordination for rice marketing for domestic and international markets. The SDC also provides information on SME festivals and expositions held in ASEAN member countries and encourages SMEs to participate. Moreover, the Export Promotion Department of the Ministry of Commerce provides information relating to international markets for enterprises. There is no one-stop-shop which provides market information and

monitoring and evaluation. Support services are also absent in Myanmar. The Ministry of Industry therefore plans to establish a one-stop shop and service to make operations more effective and efficient.

Most export capacity building programs come from foreign donors, the government and local NGOs such as the RUMFCCI. At present, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) conducts research on 'Production of Value Added Products in Mon State and Shan State for Export Orientation' in collaboration with SDC. Moreover, GIZ conducts the 'Sustainable Marketplace Initiative Project' which contributes to private sector development by linking international, regional and national buyers with capable local entrepreneurs. SDC also conducted the GIZ workshop on 'Mode and Roles of SME Promotion' funded by GIZ. Meanwhile, in cooperation and coordination with the Friedrich Naumann Foundation (FNF), it likewise held a workshop on 'Policies in Support of Small and Medium-Sized Enterprises'.

The training centre of RUMFCCI provides courses on export/import procedures for SMEs. In addition, the Ministry of Commerce provides technical training on exporting and importing field, and training course on Entrepreneurs and SMEs Management. Training courses relating to local, regional and international marketing and access to markets, however, are weak at these training centers.

There is no financial facility for SMEs to export but loans are provided especially for import substitution and export-oriented innovative products nationwide. At present, government provides collateral loans to potential enterprises with an 8.5 percent interest rate.

Government has reduced the procedures and steps on custom clearance to be effective and efficient. Therefore, custom clearance takes only 2 or 3 days for exporting per forty feet container with US\$ 100 as estimated custom clearance costs.

- **Cambodia**

Export promotion services have been offered by the Ministry of Commerce's Trade Promotion Department to boost the function of domestic trade promotion and to expedite access to foreign markets. However, due to limited government budget and insufficient staffs, the export promotion services offered by the department are limited and targeted only to the ten most promising products, which can either be exported or substitutes for imports and which promote those items accordingly.

Although the Ministry of Commerce has dispatched more than eleven commercial attachés to a number of countries, the commercial attachés have not directly engaged in trade promotion activities.

Market information and prices, particularly rice price, have not been updated regularly. Given the limited budget of the government, export capacity building in terms of quality standard requirement and export procedures had only been targeted to the ten most promising products such as rice, cassava, maize, and cashew nut.

Financial facilities for SMEs to export have a low penetration rate with only six percent of the total population using financial services from banks and microfinance institutions. The facilities have been operated only in Phnom Penh and big towns where business activities are busy. Local commercial banks provide only 1 percent of working capital and 1.7 percent of investment capital to the SME sector although there is high liquidity in the banking system. As such, the lack of trade financing remains to be a key obstacle for SME development. In terms of costs and time spent for custom clearance and technical control at seaports, exporters usually spend about 3 days and about US\$ 275 for a container (World Bank Doing Business, 2013).

Table 7: International Market Expansion

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
6.1	Export promotion programs	2.0	3.0	4.0	3.0	3.0	5.0	4.0	6.0	5.0	3.5	3.9
6.2	Providing advice and high value information of the international market	1.0	3.0	3.0	2.5	3.0	4.0	4.0	6.0	4.0	3.5	3.4
6.3	Export capacity building programs	3.0	3.0	4.0	2.5	3.0	5.0	4.0	6.0	4.5	3.5	3.9
6.4	Financial facilities for SMEs to export	4.0	3.5	4.0	2.5	2.0	5.0	4.0	6.0	4.0	3.5	3.9
6.5	Reducing costs of custom clearance for exports (per container)	6.0	4.0	6.0	5.0	5.5	6.0	6.0	6.0	6.0	6.0	5.7
	Average	3.2	3.3	4.2	3.1	3.3	5.0	4.4	6.0	4.7	4.0	4.1

