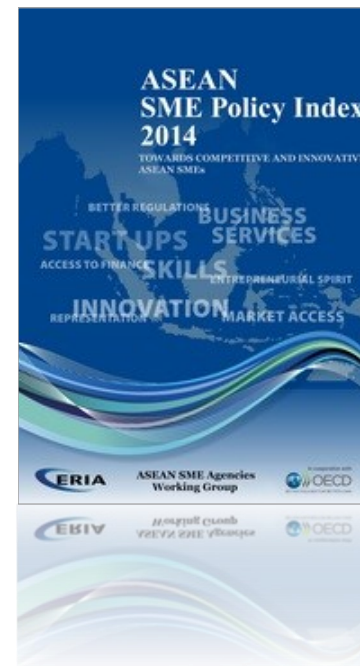


Narrowing Development Gaps

To help achieve a more equitable development and narrowing of the development gaps in the region, ERIA conducts research on small and medium enterprises (SME) and social safety net issues, among others. On SME, ERIA developed the ASEAN SME Policy Index to support ASEAN Member States in establishing competitive and innovative SME sectors. On safety nets, as ASEAN economies become more integrated, more exposed, and vulnerable to external shocks, and with many people in the region facing the challenge of ageing at relatively low incomes, there is a need to look into the issue of establishing robust, yet prudent, safety net and social protection programmes.



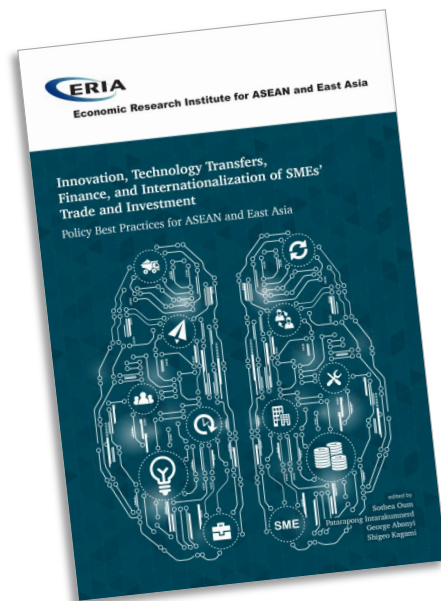
ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs

By ERIA SME Research Working Group

Small and medium enterprises (SMEs) are an important driver for job creation and an engine of economic growth in ASEAN, accounting for more than 96 percent of all enterprises in the region. As the ASEAN Economic Community (AEC) moves toward a higher level of market integration, new perspectives are opening for these firms. Innovative and high-growth SMEs, in particular, have an opportunity to transform their business. To help SMEs fully tap these possibilities, ASEAN member countries have been taking steps to stimulate SME growth.

This publication presents SME development policies and actions implemented by ASEAN countries and helps identify strengths and weaknesses in policy design and implementation. It compares the experiences and performance of the 10 ASEAN member countries, measures convergence towards the policy guidelines of the ASEAN Strategic Plan for SME Development, and recommends priority reforms, using the SME Policy Index as methodology.

The ASEAN SME Policy Index, derived from the SME policy index of the Organisation for Economic Co-operation and Development, was adapted to the ASEAN context. It is a tool to systematically and analytically track policy development and to identify gaps in policy elaboration and implementation at the national and regional levels.



Innovation, Technology Transfers, Finance, and Internationalization of SMEs' Trade and Investment: Policy Best Practices for ASEAN and East Asia

By Sothea Oum, Patarapong Intarakumnerd, George Abonyi, and Shigeo Kagami
ERIA Research Project Report 2013-14

The ASEAN Policy Index study revealed that a lot is to be done towards adopting best practices in each policy area of small and medium-sized enterprises (SMEs). These policy areas are institutional framework, access to support services, cheaper and faster start-up and better legislation and regulation for SMEs, access to finance, technology and technology transfer, international market expansion, promotion of entrepreneurial education, and more effective representation of SMEs' interests.

The most significant gaps and low regional standing are on policies that promote technology development and transfer; access to finance; entrepreneurial education; cheaper, faster start-up and better regulations; and access to support services. This study aims to hasten the narrowing of these policy gaps and formulating a regional strategy to boost SME participation in trade and investment in ASEAN and East Asia. It documents policy best practices in these areas which are critical in fostering regional SMEs' policy cooperation and in providing practical policy implementation.

Constraints, Determinants of SME Innovation, and the Role of Government Support

By Sothea Oum, Dionisius Narjoko, and Charles Harvie
ERIA Discussion Paper 2014-10

This paper provides an empirical analysis of potential constraints to SMEs upgrading their capability to innovate, and assesses the effectiveness of government support in overcoming these constraints. The justification for government support is that market failures can hinder SMEs' access to information, finance, technology, and human resources. This paper focuses on the impact of the perceived effectiveness of government support through business development services in terms of providing training, counselling and advice, technology development and transfer, information, business linkages, financing, and a conducive business environment. The effectiveness of this support is evaluated against the ability of SMEs to innovate.

Japanese Small and Medium-Sized Enterprises' Export Decisions: The Role of Overseas Market Information

By Tomohiko Inui, Keiko Ito and Daisuke Miyakawa

ERIA Discussion Paper 2014-16

This paper examines how the decision to export by Japanese firms is affected by the availability of information on export markets, focusing on whether the availability of such information has a different impact on the export decision between large firms and small and medium-sized enterprises (SMEs). The study focuses on the role of firms' lender banks as an additional source of information. It also uses a unique dataset containing information on firms' export activities and their lender banks' exposure to other exporting firms and lender banks' own overseas activities.

Findings reveal that information spillovers through lender banks positively affect SMEs' decision to start exporting and the range of destinations to which they export. Such information spillovers also reduce the likelihood that exporter firms exit from export markets. The export-to-sales ratio of exporter firms, however, is not affected by such information spillovers. The results imply that information on foreign markets provided by lender banks substantially reduces the fixed entry costs associated with starting exporting and entering new export markets as well as firms' costs associated with continuing to export. Our results highlight that channels of information spillovers other than those examined in the literature so far may be considerably important, especially for SMEs.

Productivity Evolution of Chinese Large and Small Firms in the Era of Globalisation

By Yifan Zhang

ERIA Discussion Paper 2014-13

Using a large firm-level dataset from China's manufacturing industry, this paper studies the productivity gap and productivity convergence between large and small firms in China. Findings reveal that small firms were less productive than large firms, but the productivity gap became smaller over the sample period 1999-2007. Based on static and dynamic Blinder-Oaxaca decompositions, the paper distinguishes the endowment effect from the return effect, and quantifies the impacts of exports and FDI on the productivity gap and productivity convergence.

The Exporting and Productivity Nexus: Does Firm Size Matter?

By Cassey Lee

ERIA Discussion Paper 2014-14

The main purpose of this study is to examine whether the relationship between exporting and productivity differs across firm sizes in the Malaysian manufacturing sector. A firm-level panel data from the Study on Knowledge Content in Economic Sectors in Malaysia (MyKE) is used in the study. Overall, exporters were found to be more productive than non-exporters. This productivity gap becomes less important as firms become larger.

Evidence suggests that the selection process for exporting is binding only for small firms. Policies that are meant to encourage small firms to export need to focus on enhancing human capital and foreign ownership.