

The 34th International Small Business Congress
“Synergizing International Entrepreneurial Opportunities for SMEs”

ROLES OF TRADING FIRMS IN SMEs TRADE : STRENGTHS & LIMITATIONS

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(14.00-15.30 PM)

FOCAL SCOPE & OBJECTIVE OF THE RESEARCH





OBJECTIVE OF THE RESEARCH
FOCAL SCOPE &

Exploration of contexts for ASEAN SMEs exporters, in food processing industry

Characteristics of SMEs' international trade among ASEAN member countries

Obstacles confronted by ASEAN SMEs in conduct of international trade, focusing on their roots and potential solutions for food processing industry

Impact of the regional trading firm network in terms of benefits through ASEAN SMEs

KEY FINDINGS



ASEAN FOODS AT A GLANCE: Global & Regional Trends



Global Trends: Features Of The Environment 2005-2010

ASEAN FOODS AT A GLANCE::
Global Trends

Global growth demand for food

Shift in consumption—from cereals to more meat, increasing demand for processed food and greater influence of consumer tastes

Increasing influence of food distribution and retailing system

Slow pace of global agriculture liberalization

Imposing of new restrictions on food trade, food safety and environmental grounds

Increase in commodity prices

Rapid increase in technological impact



Regional Trends: Features Of The Environment 2005-2010 (cont')

ASEAN FOODS AT A GLANCE : Regional Trends

Are largely consistent with global trends

Agriculture will remain important for most ASEAN economies in terms of outputs, exports and job creation

Consumer demand and consumption patterns will shift in line with global standards. The pace of liberalization under AFTA will be slow

Food security remains important issue and focused on domestic agricultural policies

Focus in CMLV economies on improving production, productivity and product quality

Highlight the increasing efficiency of supply chain (logistics)



Summary of Key Elements of Food Market Systems

Developing Country Food Market Systems

Market Features: -

- Wet markets/Mom & Pop Outlets
- Small scale processing
- Subsistence farming
- Little integration between value chain stages
- Informal supply chains with little formal coordination of information/ logistics/food safety



Developed Country Food Market Systems

Market Features: -

- Hyper markets
- Large scale processing
- Commercial farming
- Vertical/contractual integration of stages
- Supply chain management of information/logistics/food safety

Sources: SG Heilbron

A Background Paper for the SPA on ASEAN Cooperation in Food and Agriculture (2005-2010), ASEAN Secretariat 2004.

KEY FINDINGS



ASEAN SMEs ON THE MOVE OF GLOBALIZATION



ASEAN SMEs Contribution To Foreign Trade

ASEAN SMES ON THE MOVE OF
GLOBALIZATION

Domestic suppliers input products to be exported by larger enterprises

Exporters of specialized niche products

Importers/distributors of goods from foreign SMEs; and

Providers of support services to international trade transactions (e.g., inland transport, freight forwarding, customs brokerage). Ten or more service firms can be involved in a single trade transaction

KEY FINDINGS



CHALLENGES & CONSTRAINTS ASSOCIATED WITH THE NATIONAL AND REGIONAL PROGRAM



The Challenges For Trading Firms

CHALLENGES & CONSTRAINTS
ASSOCIATED WITH THE NATIONAL
AND REGIONAL PROGRAM

Mainstream businesses have not realized the potential of new partnership

Trading firms perceive the process as long and complex and can therefore be discouraged

Those new to the trade sector market may not know what is involved and may have difficulty in understanding required documentation and in constructing good quality proposals/offers

Trading firms with limited resources may find procurement timescales too tight and struggle to 'keep up' with larger competitors



**CHALLENGES & CONSTRAINTS
ASSOCIATED WITH THE NATIONAL
AND REGIONAL PROGRAM**

Barriers

Poor understanding of particular abilities and values of trading firms and network

Lack of hard evidence to demonstrate the impact and added value of trading firms and network

Fragmented availability of accessible, appropriate advice and support

Difficulty of accessing and making use of what is perceived to be limited appropriate finance and funding available

Limited account taken of particular characteristics and needs of trading firms and network within an enabling framework

Complexity and lack of coherence within sector combined with widely varying skills, technology and knowledge bases



Imposing constraints of Trade Facilitation for ASEAN Food Processing SMEs

**CHALLENGES & CONSTRAINTS
ASSOCIATED WITH THE NATIONAL
AND REGIONAL PROGRAM**

A Narrow Export Base

Lack of Trade Diversification

Infrastructure Bottlenecks

Inefficient Border and Transit Facilities

Weak Institutional Support



Constraints of Current Trading Management Process

**CHALLENGES & CONSTRAINTS
 ASSOCIATED WITH THE NATIONAL
 AND REGIONAL PROGRAM**

Business Process

Constraints

Trading

- Missing trade details
- Incorrect value date, account or product
- Trade price outside the normal range

Clearing & Settlement

- Trade not received from trading system
- Unconfirmed trades
- Mismatch in trade details

Reconciliation

- Missing ledger positions
- Rejected transactions
- Mismatch in positions/balances
- Inconsistent statement (transactions vs. balances)

Corporate Actions Processing

- Unmatched "raw" events
- In-corrected/delayed notifications to client
- Invalid/missing client responses
- In-correct entitlement calculation



**CHALLENGES & CONSTRAINTS
ASSOCIATED WITH THE NATIONAL
AND REGIONAL PROGRAM**

Trading firms and network development in worldwide countries has been hindered by many economy-wide and sector specification including: -

Excessive state involvement in the economy which prevented indigenous entrepreneurs from gaining managerial experience in dynamic medium and large-scale enterprise

Monopolies and subsidies given to public enterprises vs Rules & regulations which stifled entrepreneurship

Trading firms and network have been starved of capital and other inputs with credit directed to larger enterprises, even when practical experiences has shown that it is possible to lend profitably and effectively to the firms

Trading firms and network have scant access to foreign funds and foreign direct investment, reducing their ability to upgrade their technology and managerial know-how

KEY FINDINGS



TRADING NETWORK & ENGAGEMENT



**TRADING NETWORK &
ENGAGEMENT**

In the 21st century, global economy anticipates the age of full-fledged mega competition marked by unprecedented levels of dynamism and vitality—as symbolized by the following trends;

Globalization

Diversification

Information Intensification

Networking



The Mission of Trading Firms

TRADING NETWORK &
ENGAGEMENT

First, is to be responsible for the world's enrichment

Second, is being the vanguard of business proposal ahead of others, and its execution

Showing responsibilities as corporations, which, naturally, must be reaffirmed



Strategic Considerations of National Programs : *Short-term Programs and Strategies*

TRADING NETWORK & ENGAGEMENT

Program 1: Horizontally integrated food processors : trading firms and network manage production establishments located in different countries to produce same or similar products

Program 2: Vertically integrated food processors : trading firms and network manage production establishments in certain country/or countries to produce products that serve as input to its production establishments in other country/or countries

Program 3: Diversified food processors : trading firms and network manage production establishments located in different countries that are either horizontal or vertical integrated—more global in their operation



DEGREE OF INVOLVEMENT IN GLOBAL TRADE

TRADING NETWORK & ENGAGEMENT

CASUAL—not actively seeking international trade

INDIRECT EXPORT—sells to domestic customers, some of which sell internationally

DIRECT EXPORT—the firm itself sells to international customers

FOREIGN INVOLVEMENT WITHOUT INVESTMENT—uses funds of partners in host countries to establish production facilities there

FOREIGN INVOLVEMENT WITH INVESTMENT—uses own funds to establish production facilities in host countries

MULTINATIONAL OPERATIONS—views the world as a set of markets and sources of supply



The Roles and Main Functions of the ASEAN Trading Firms and Network

TRADING NETWORK & ENGAGEMENT

Increase opportunities for ASEAN's small and medium-sized producers of foods processing to gain access to remunerative national, regional and international markets

Ensure availability of quality food processing and related products provided at reasonable prices by a well organized and commercially informed business community in national, regional and global levels

Formulate, implement and evaluate trade policy; and to ensure its linkages with the overall government policy in order to achieve economic development for all member countries of the Association

Harmonize the implementation of the national trade policies and to ensure coherence with the international trade policy



**TRADING NETWORK &
ENGAGEMENT**

The diversity of trading firms and network of member countries in the Association reflected the fact that it can be discovered along a range of dimensions including: -

Extensive development of nation and/or regional outcome benefits

Extensive development of self-sufficiency

The relationship between autonomy and self-help, and the relationship between individuals working in isolation, or collectively, and the state

Entrepreneurship (none, single or multiple stakeholders) or governance

KEY FINDINGS &
RECOMMENDATIONS



ROLES OF TRADING FIRMS IN SMEs TRADE



Roles of Trading Firms in SMEs Trade

ROLES OF TRADING FIRMS IN SMEs TRADE

1. Open up equivalent market access
2. To create a uniform yet competitive pricing across region
3. To combine national services and supports into regional strength
4. To prepare knowledgeable people and effective processes to manage nationwide contract administration, opportunity identification, and problem solution
5. To optimize import and export goods procurement capabilities
6. To assure a rapid and effective trade implementation
7. To initiate cost reduction for products and services
8. To continuously negotiate for the best available costs
9. To create an effective logistics; distribution plans and services



Roles of Trading Firms in SMEs Trade

ROLES OF TRADING FIRMS IN SMES TRADE

10. To standardize products and services
11. To strengthen food security within the region
12. To systemize financial and insurance supports to ensure smooth sales of import/export goods
13. Provision of data base information
14. To emphasize utilization of information technology and data management
15. To integrate—directly and indirectly—materials, documentations, and services
16. To promote more profitable trades, by enhancing benefits and securing market access, for member countries by promoting trades within intra ASEAN countries, both through trading among the countries and, through combined exporting to world markets



Roles of Trading Firms in SMEs Trade

ROLES OF TRADING FIRMS IN SMES TRADE

17. To reduce transaction costs and facilitate better logistics and distribution systems across the region
18. To improve supply and value chains in order to sustain growth
19. To prevent any possible negative regional outcomes related to trade

KEY FINDINGS



THE INITIATIVE MODELS FOR TRADING FIRM NETWORK AND ENGAGEMENT



THE INITIATIVE MODELS FOR TRADING NETWORK AND ENGAGEMENT	MODEL	INITIATIVE MODEL	RELATIONSHIP/SERVICES
	Model 1	Cross-border Supply	<ul style="list-style-type: none"> ▪ The supply of a service “from the territory of one Member into the territory of any other Member” ▪ The service crosses the border but both the provider and the consumer stay home
	Model 2	Consumption Abroad	<ul style="list-style-type: none"> ▪ The supply of a service ‘in the territory of one Member to the service consumer of any other Member ▪ The consumer physically travels to another country to obtain the service
	Model 3	Commercial Presence	<ul style="list-style-type: none"> ▪ The supply of a service ‘by a service supplier (s) of one Member, through commercial presence in the territory of any other Member’ (i.e., investment through the establishment of a branch agency, or wholly-owned subsidiary
	Model 4	Presence of “Natural Persons”	<ul style="list-style-type: none"> ▪ The supply of a service ‘by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member ▪ Private persons temporarily enter another country to provide services

KEY FINDINGS



e-TRADING FIRMS



e-Trading Firms

e-TRADING FIRMS

e-market maker—the ability to plan and build e-marketplaces as open virtual markets

e-marketplace manager—a forum for encounter and transaction between plural numbers of buyers and sellers (both B2B and B2C)

Value chain integrator—smooth coordination among the entire value chains of clients

e-business portals—linkages between consumers and the companies whose brand is on their purchases as well as the value chains reorganized through outsourcing

KEY FINDINGS



DOMESTIC AND GLOBAL TRADING LINKAGES



**DOMESTIC AND GLOBAL
TRADING LINKAGES**

Domestic and Global Trading Linkages

Enhancing “Domestic Performance”

The strategic objectives of SMEs and Domestic Sector are to develop SMEs as another engine of growth, and to create a vibrant and resilient domestic sector. Supporting the mentioned strategic objectives are: enterprise upgrading, broad-based assistance and domestic cluster development like Japan, SPRING Singapore, and etc. consents.

To enhance the competitiveness for a vibrant economy, there are multi-faceted strategic thrusts as follows: -

- Nurturing a pro-business environment
- Driving the development of selected industry clusters
- Enhancing productivity and competencies
- Increasing market access

Enhancing “Competitiveness in World Market”

The trading firms and network needs to focus on an abundance of diverse experience and know-how accumulated through their worldwide network of locations, ongoing communication with an immense pool of buyers and sellers, and long years of real (as opposed to virtual) business operations by also equipping itself with sophisticated capabilities in the following areas: -

- Information technology (IT),
- Logistics technology (LT),
- Financial technology (FT), and
- Business creation in intra-ASEAN and/or world markets.

KEY FINDINGS



THE GOVERNMENT ASSISTANCE FRAMEWORK FOR THE SECTOR SUPPORT AND DEVELOPMENT NEEDS



**THE GOVERNMENT ASSISTANCE
FRAMEWORK FOR THE SECTOR
SUPPORT AND DEVELOPMENT NEEDS**

1. Government Assistance Activities (1/3)

I. Awareness-raising and outreach

Establishing greater awareness of and understanding of the value of trading firms and network among potential customers

Promoting trading firms and network through “trade fairs” or other appropriate events to raise awareness of and confidence in the firms and network

Strengthening linkages with other providers in the sector



**THE GOVERNMENT ASSISTANCE
FRAMEWORK FOR THE SECTOR
SUPPORT AND DEVELOPMENT NEEDS**

1. Government Assistance Activities (2/3)

II. Pre-start, start-up and trading support

More effective market intelligence and more targeted intervention to encourage greater numbers of trading firms and network start-ups in new emerging or growth sectors

Make better use of opportunities flowing in national and regional procurement

Increase the numbers of import/export finance, whether other appropriate financial instruments as they become available

More intensive development support for “post-start” and trading firms and network to increase their organization capacity, help effect a permanent transfer of skills and management expertise and assist them in overcoming obstacles to growth and expansion



1. Government Assistance Activities (3/3)

III. Extending and strengthening the support infrastructure

Ensuring the availability of appropriate support services in national and regional levels

Reflecting priorities as they emerge nationally, regionally and locally, including government procurement, asset transfer, and new development or business ideas

An 'account manager' approach to ensuring the overall coordination and integration of services from mainstream and specialist providers—ensuring that groups receive a managed package of services, irrespective of provider, that is seamless but most importantly overseen and supervised

Development of an appropriate 'accountable body' vehicle that will facilitate joint bidding, etc.

THE GOVERNMENT ASSISTANCE
FRAMEWORK FOR THE SECTOR
SUPPORT AND DEVELOPMENT NEEDS



1. Government Assistance Activities (3/3, cont'.)

III. Extending and strengthening the support infrastructure (cont'.)

Development of appropriate “bureau-style” services—such as accounting, payroll, personnel—which might be accessed on a fee-paying basis

Working with, and maximizing resources available to the sector from, statutory agencies, including those not currently targeting trading firms and network development as a delivery priority, especially where currently addressed training and skills needs might be identified such as developing trading firm and network management skills; and the business development and support skills and accreditation of practitioners

Working with partners across region and global to ensure that a better coordinated approach to trading firms and network development is taken within an across region, area regeneration initiatives, etc.

THE GOVERNMENT ASSISTANCE
FRAMEWORK FOR THE SECTOR
SUPPORT AND DEVELOPMENT NEEDS



2. Assistance Coordination

**THE GOVERNMENT ASSISTANCE
FRAMEWORK FOR THE SECTOR
SUPPORT AND DEVELOPMENT NEEDS**

The need to draw 'additional resources' for trading firms and network support and development, so that services can be delivered in 'new markets', or to meet previously unidentified needs in the nation and region

The need to strengthen and increase the capacity of the existing support infrastructure, plugging gaps in service provision and enabling the delivery of more and more effective services

The need to identify a practical mean of accounting the operational integration of mainstream and specialist enterprise support services. Supported through the attraction of external funding, this will enable better implementation of best practice, broaden the range of provision currently available and has the potential to support the growth of high-impact trading firms and network

Developing appropriate service delivery solutions capable of working across geographical or other boundaries



Thank You