



# The ASEAN Economic Community and SMEs: More risks than potentials?

Training Course on Challenges and Opportunities of the  
ASEAN Economic Community 2025

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**Dr. Nittana Southiseng**  
SME Development Advisor,  
RELATED Project, GIZ, Lao PDR  
Email: [nittana.Southiseng@giz.de](mailto:nittana.Southiseng@giz.de)

**Karl Bartels**  
Senior Project Manager  
(CBSEC and PIT)  
Berlin, Germany  
Email: [karl.bartels@giz.de](mailto:karl.bartels@giz.de)



# Content

1. Relevance of SMEs in ASEAN
2. Opportunities & Challenges of the AEC for SMEs
3. ASEAN's Strategy & Institutional Framework for SME Promotion
4. German Cooperation for Enabling SMEs for the AEC
  - German Regional Cooperation
  - German Bilateral Cooperation

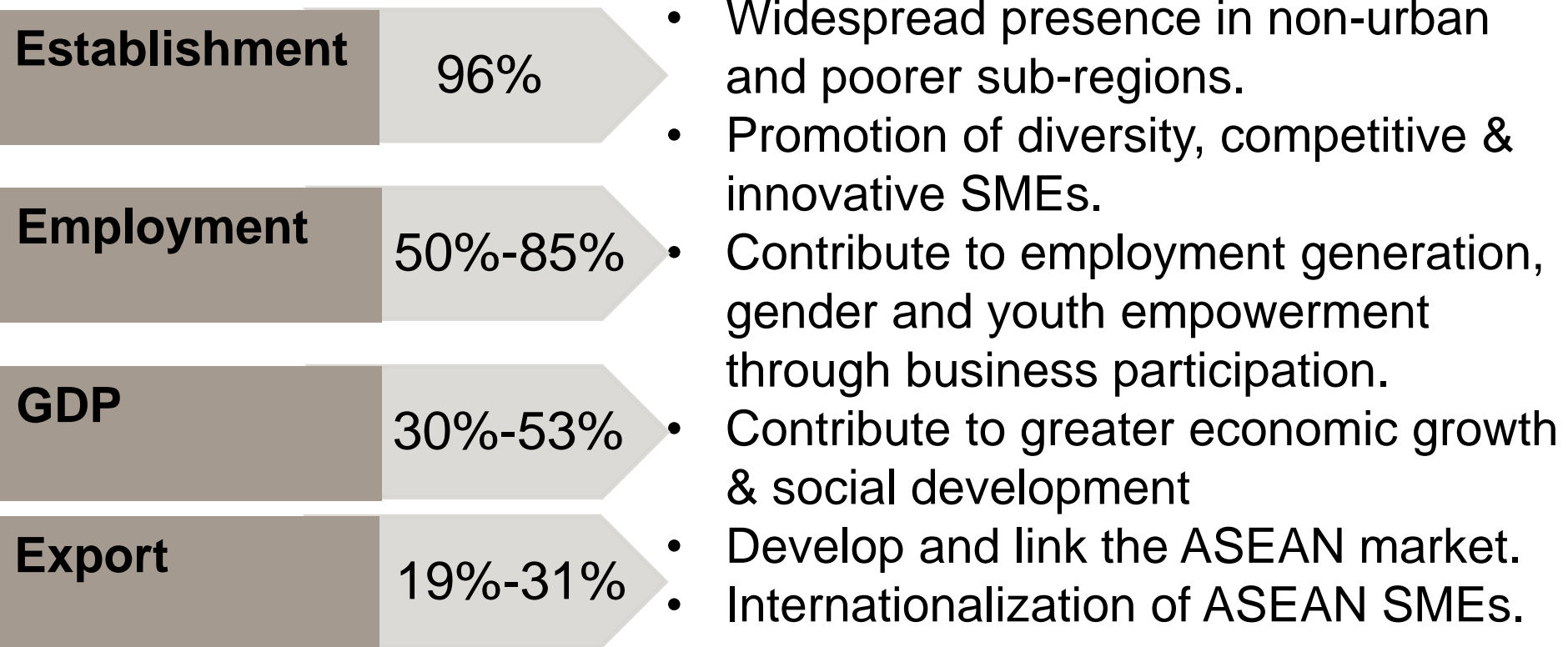


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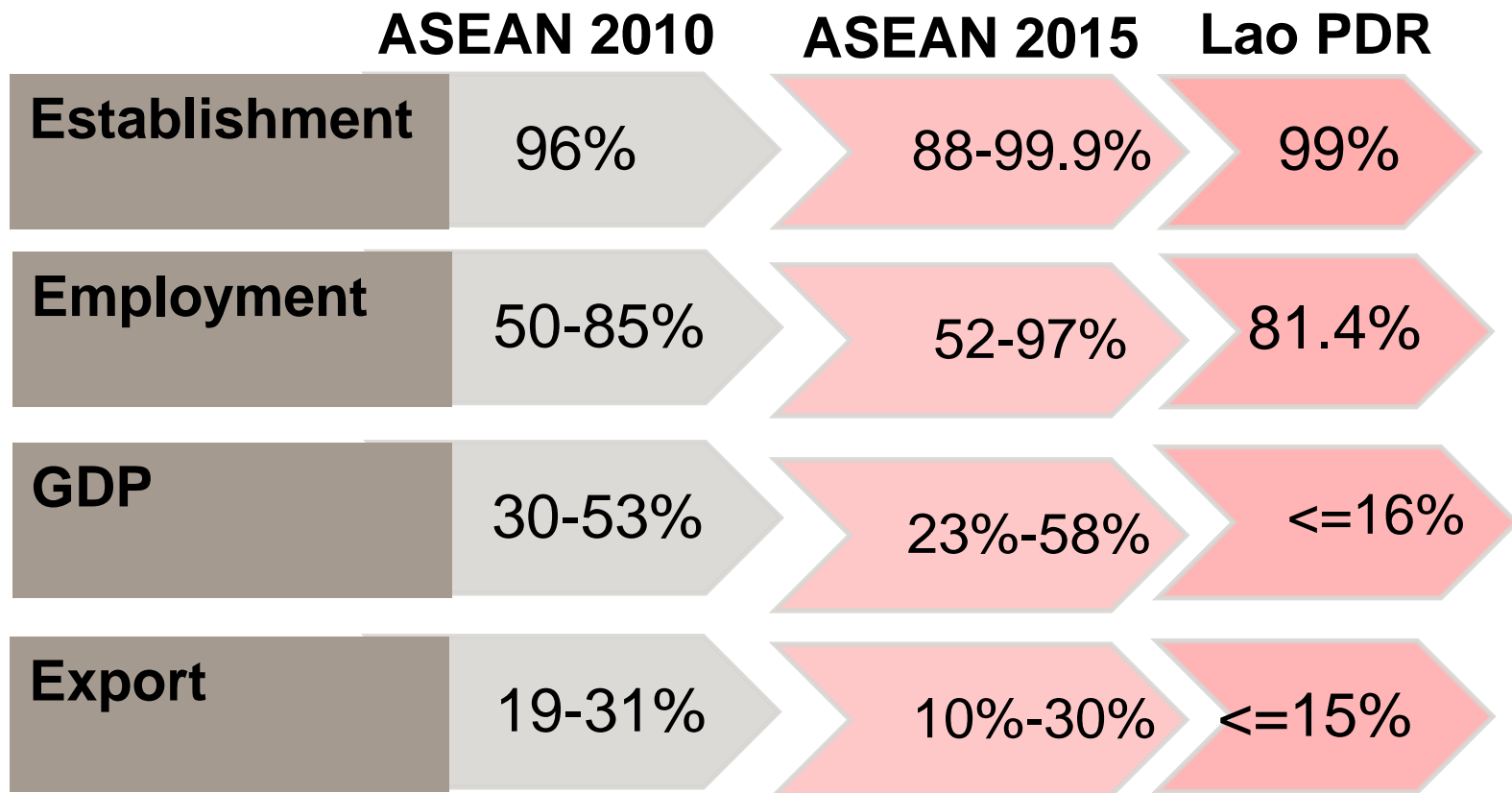


## SMEs are backbone of ASEAN Economies (1)





# SMEs are backbone of ASEAN Economies



It is, therefore, essential to ensure that SMEs in ASEAN are highly competitive, innovative and able to utilize the regional economic initiatives and incentives provided.



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# Opportunities of the AEC for SMEs in ASEAN

1. Tightness of domestic market is overcome.
2. Lower applied tariffs and access to SMEs' incentives
3. Economies of scale.
4. Trade with perishable goods enabled.
5. Access to sea ports (to inter-national markets) improved.
6. Attractiveness (of the whole region) for foreign investments (e.g. MNC) improved.
7. Integration into regional value chains improved
8. Entrepreneurial know-how, technology and innovation knowledge transfer.
9. Access to skilled workers.



## Challenges of the AEC for SMEs in ASEAN

1. Compliance to the regional standards and requirements.
2. Challenge for local SMEs to upgrade products/services to the regional demand.
3. Tendency to depend more on imports of immediate products and services.
4. High competition from foreign investors, domestic firms will be pushed out of the market if they are not well prepared.
5. Emigration of skilled workers





# Key Challenges of the AEC for SMEs in Lao PDR

Domestic market-oriented industries and limited understanding about the market need.

The “missing middle” - absence of a dynamic core of mid-range enterprises or of supporting industries.

Limited access to credit, technology development and market access

Low awareness and knowledge on AEC, thus, low utilization of AFTA

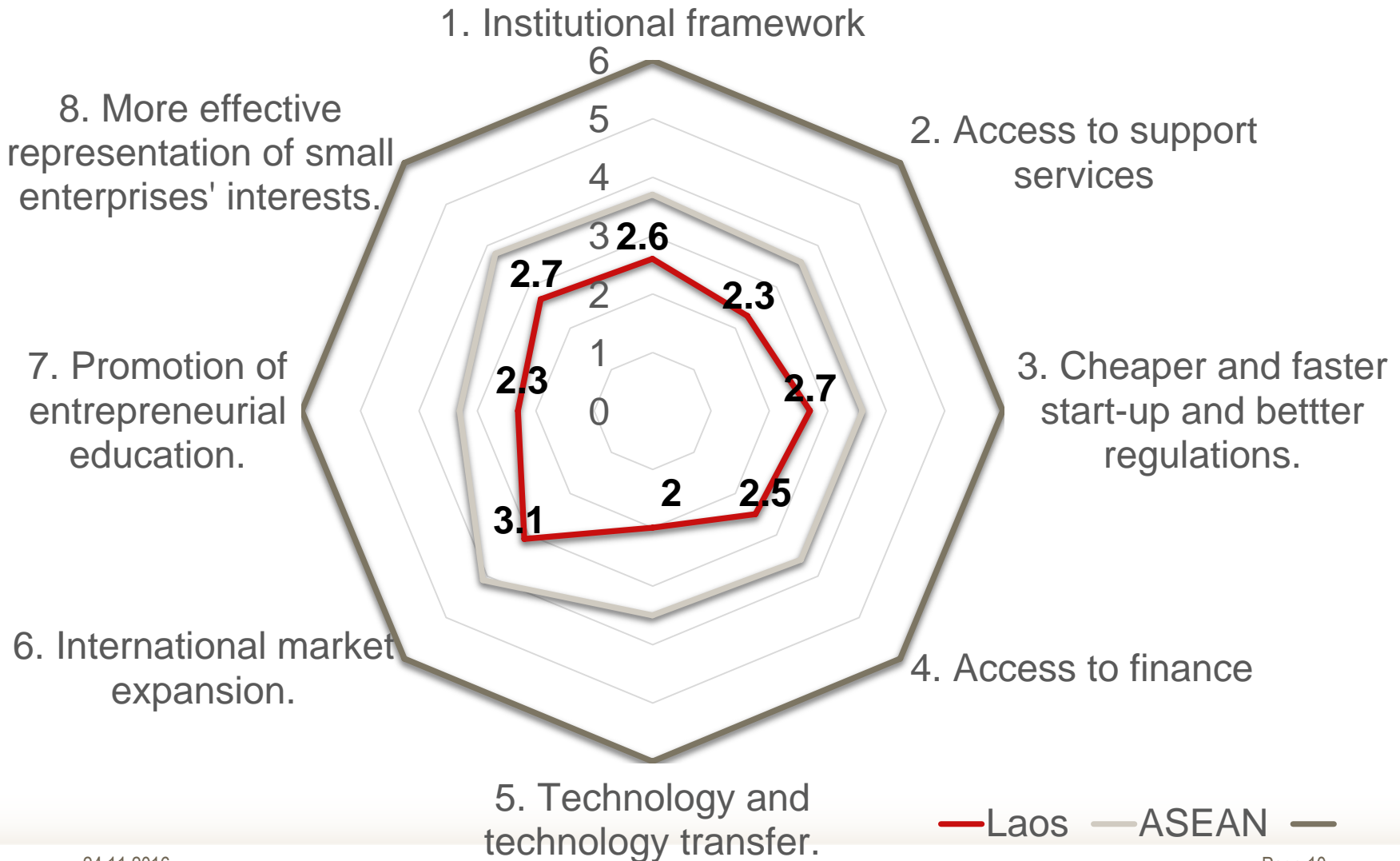
Unable to comply to ASEAN standard, low quality control & production capability to meet industrial buyers' stringent requirements.

Missing networks of domestic clusters of firms and of inter-firm linkages.

Free flow of skilled labour will make Lao SMEs to face challenges in retention of skilled labour, & unfavorable domestic enabling environment



# ASEAN SME Policy Index Performance





# ASEAN SMEs face diverse issues including structure, financial and other ....

- Low competitiveness of SMEs
  - *Low technology level, small scale of production, lack of qualified staff, skills and competencies in management, high charge of biz transaction and risk arising from biz environment.*
- Weak provision of business service development
  - *Lack of units and capacity to provide assistance and biz development, eg. provision of market infor, standard & choices in technology, market opportunities, counselling etc.*
- Under developed financial system and credit services
- Knowledge and attitude of SMEs
  - *Limited knowledge on AEC and its meaning, regulation and law financial literacy etc.*
- Regional Value Chain
  - *Absence of participation in supply chain and business networking and limited access to regional market*
- Enabling environment
  - *Absence of a more conducive business and policy environment.*



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# ASEAN's Strategy & Institutional Framework for SME Promotion (1)

- a) ACCMSME (formerly SME Working Group)
  - ⇒ Representative from 10 ASEAN Member States;
  - ⇒ Meet twice a year;
  - ⇒ New: Can form sub-WG's and call-in other ASEAN bodies.
- b) ASEAN Strategic Action Plan for SME Development 2016-2025 ([Download Link](#))
  - ⇒ Input to AEC Blueprint;
  - ⇒ Strategic Goals: (A) Promote Productivity, Technology and Innovation, (B) Increase Access to Finance, (C) Enhance Market Access and Internationalisation, (D) Enhance Policy and Regulatory Environment, (E) Promote Entrepreneurship and Human Capital Development.



# ASEAN's Strategy & Institutional Framework for SME Promotion (2)

## c) SWOT

- ⇒ Strengths: Upgraded within AEC-Architecture
- ⇒ Weakness: Framework Conditions for SMEs are made by others (not SME Promotion Agencies)
- ⇒ Opportunities: Regional Value Chains; Trade Facilitation (WTO); Technology Facilitation Mechanism (SDGs).
- ⇒ Threats: Protectionism on the rise? Platform economy ... commoditisation of inputs by SMEs?



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# German Regional Cooperation for Enabling SMEs for the AEC (1)

- a) “Capacity Building for the ASEAN Secretariat” (2008 – 05/2016), funded by Federal Foreign Office
  - > *SME Promotion is one activity stream*
  - ⇒ AEC Information ... see Market Place session
    - > Downloads: [AEC Information Kits](#); [DVD on key agreements](#).
  
- b) „Capacity Development for the ASEAN Secretariat Post 2015“ (06/2016-05/2018), funded by Federal Foreign Office
  - > *SME Promotion is one activity stream*
  - ⇒ Enhance ASEC’s capacities to coordinate and quality-control AEC information provision to SMEs
  - ⇒ Enhance ASEC’s capacities to support and follow-up on SME policy dialogue events (e.g.: starting a business; regional production networks)





## German Regional Cooperation for Enabling SMEs for the AEC (2)

- c) „Enabling SMEs for ASEAN Economic Integration“ (01/2017-12/2019), funded by BMZ
  - ⇒ ASEAN Business Information Network (inspired by EEN model)
  - ⇒ Technology Transfer
  - ⇒ SME Policy Dialogue

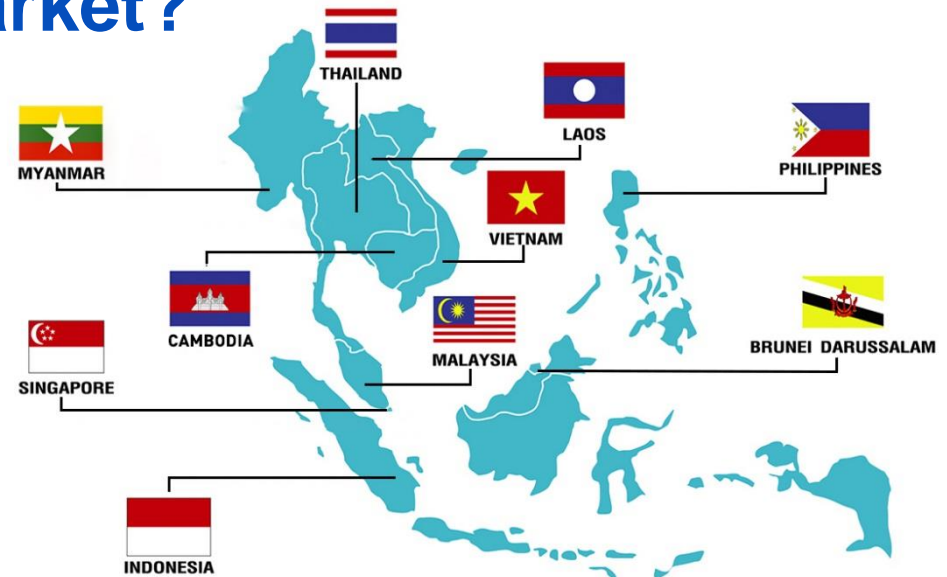


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# How does German Bilateral Cooperation support to enable the Lao SMEs to integrate into the ASEAN market?





# RELATED Project

• Lao PDR is enabled to increasingly make use of the potentials and reduce the economic risks of the ASEAN Economic Community (AEC)

**Improve the public framework conditions for the AEC**

**Strengthen Lao Private Sector to make full use of the AEC**

Improve the Steering, Coordination, Communication, Monitoring of AEC Integration

ASEAN-related general support (studies, awareness raising, information dissemination, Public-Private Dialogue)

AEC-related Trade in Goods

AEC-related Trade in Services

ASEAN-related sector-specific support (coffee, tourism, transport & logistics)

Trade-related investments (Special Economic Zones)

(competitiveness, access to markets)

Objective

Activity Areas



## Key Assistance in 5 Fields of Activities

In close cooperation with DOSMEP – RELATED provides technical assistance in strengthening the entrepreneurial and technical capacities of the Lao SMEs sector to stimulate its competitiveness and enable to integrate into the ASEAN single market. Key assistances in 5 FOAs:







## 1. Rapid update on AEC specific capacity needs assessment for SMEs

- *To identify the critical capacity constraints of Lao SMEs in light of the AEC.*

## 2. Trainings on Quality Management in coffee sector in southern part of Laos.

- *Enhanced quality, improved productivity and strengthened competitiveness of Lao coffee producers.*
- *Lao coffee producers can get higher prices in the regional ASEAN market and thus increase their income*

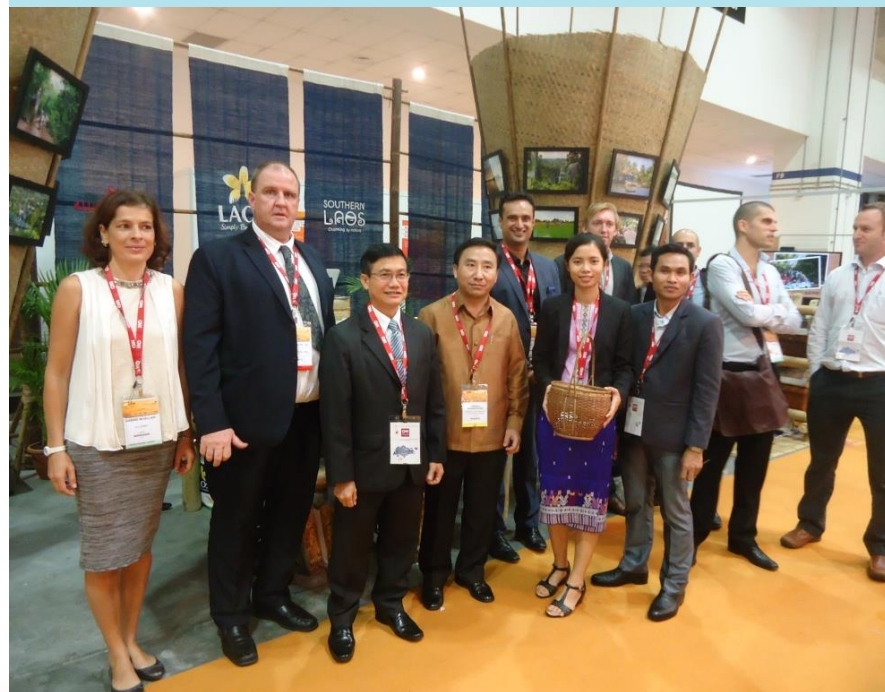




## Examples

### 3. Participation in ITB Asia in tourism sector.

- To support the Lao SMEs in tourism sector to participate in tourism exhibition and to access to regional market.*





# Thank you