

Enhancing Strategic Alliances in SMEs

by

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Eleven years ago, in 1989, twelve Ministers gathered in Canberra, the capital city of Australia, to establish a strategic alliance. Their discussions were successful. They established a strategic alliance devoted to the cause of economic cooperation in the Asia Pacific. They called the alliance the Asia Pacific Economic Cooperation Forum or APEC.

In the same year, the mathematician Philip Emeagwali shocked the supercomputer industry by performing the world's fastest computation – 3.1 billion calculations per second - using the power of the internet. The results were viewed as phenomenal as they were three times faster than a supercomputer.

Philip Emeagwali explained his achievement in this way:

"Just picture the conventional supercomputer, costing \$30 million each, as eight buffaloes pulling a cart and the connection machine I linked to 65,000 separate computers as 65,000 chickens pulling the same cart. The old thinking is that buffaloes will do a better job, but if the chickens coordinate their efforts, they'll do a better job than the buffaloes".

The power of economic cooperation and the power of the Internet. What, you may ask, has all this got to do with enhancing strategic alliances for SMEs? The answer is: everything. APEC is about bringing the region together. The Internet is about linking the world. Both broaden immensely the horizons of SMEs.

Let me begin with APEC. Since its birth in 1989, APEC has grown rapidly. Today there are 21 members of great diversity and considerable economic clout. APEC includes the largest and second largest economies in the world - the United States and Japan, respectively; the fastest growing economy in the world - China; the largest Muslim country in the world - Indonesia. Together, APEC members account for around half of world exports and more than half of the world's economic output.

It is easy to be skeptical about APEC because it has too many meetings (119 this year) and because it has its own language which only government officials can fully understand. When you take away all the special words, when all is said and done, APEC is basically about three things. Firstly, it is about creating prosperity through the opening and expansion of markets. This is what APEC's liberalization agenda is about. Secondly, it is about making it easier to do business across borders. This is what APEC facilitation agenda is about. Thirdly, it is about ensuring that the opportunities created by trade and investment are sustainable and broadly distributed. This is what APEC's capacity building agenda is about.

All these have direct relevance to SMEs. Because SMEs have generally much fewer resources, they are also much more vulnerable to trade and investment barriers and impediments. Outward looking SMEs, SMEs aspiring to be global traders within the APEC region, will have much to benefit from APEC'S initiatives toward easier business travel, towards faster and smarter customs procedures, toward collaboration on human resource development and toward the development of infrastructure conducive to e-commerce.

Consider the APEC *Blueprint for Action on Electronic Commerce*, in which APEC members agreed to achieve "paperless trading" for trade in goods within an agreed timetable. Currently an average trade transaction involves 40 documents, 200 data elements and the re-keying of 60 to 70 percent of the data. Computerization of customs procedures cuts these requirements dramatically, speeding up the flow of goods and reducing transaction costs in the process.

Consider the APEC *Business Travel Card* which aims at making it easier for business people to travel around the region.

Consider APEC's work towards aligning national standards with international standards to allow for the easier flow of products within the region.

Let me now turn to the Internet. What is there to say which has not already been said? Its power is awesome. In 1989, the year APEC was born, America Online (AOL) had 100,000 members. In 1998, AOL had 14 million members. In June 1993, there were 130 web sites in the world. Three and a half years later, there were an estimated 650,000 websites worldwide. In 1993, there were 1.8 million on-line host computers. In 1998 there were 36.7 million on-line hosts. By 2001, it is estimated there will be over 100 million on-line hosts. By the year 2003, e-commerce is estimated to be worth around US\$2 trillion.

Providing much easier access to information, supply networks and markets, the Internet is tremendously empowering for SMEs. As Rosemary Brisco, the founder and CEO of WomenAsia.com puts it: "On the Internet everyone's store is the same size". Consider the example of LL Bean. A little store in rural America has now sales worth \$350 million in Japan without a single employee in there. All of its sales are done electronically through the Internet, fax, catalogs, and telephones. Consider the example of Alif, a Brunei IT company. Alif sources its strategic partners from all over the world for its projects in Brunei through the Internet.

However, not all is rosy in the digital world. There is a "digital divide" - a large gap between those economies with broad access to the Internet and those economies which do not. Look at the 1999 figures: there were 1,131 internet hosts per 10,000 people in the United States, 21.3 hosts per 10,000 people in Malaysia; 1.21 hosts per 10,000 people in the Philippines; 0.75 hosts per 10,000 people in Indonesia and 0.14 hosts per 10,000 people in China.

For this reason, APEC's capacity building agenda remains of central relevance. Unless the capacity for technology is in place, the phenomenal promise of the Internet will remain a distant and elusive dream for the majority of people in the Asia Pacific.

Let me leave you with one thought. Like all human institutions APEC is imperfect. As it has grown, it has also become more cumbersome and more fractious. It is clear more can be done for SMEs. It is also clear that there is much more to do in terms of integrating the concerns of women in the work of APEC. Like all human institutions, APEC will improve and develop only through human effort. Those of us who believe that APEC can and should do more should sometimes, sometimes also ask not just what APEC can do for us but also what we can do for APEC. We have a proverb in Malay which says: Genggam bara api, biarlah sampai jadi arang. Perseverance - perseverance is the key.