



**TRANS PACIFIC
PARTNERSHIP:**

**E-COMMERCE &
SME-SPECIFIC
BENEFITS**



TPP e-Commerce and SME-Specific Provisions

TPP includes new elements to ensure that economies at all levels of development and businesses of all sizes can benefit from trade, including commitments to help small and medium-sized businesses. Issues related to SMEs are addressed in various TPPA chapters

CHAPTER 24: SMALL AND MEDIUM-SIZED ENTERPRISES

- ❖ Establish user-friendly digital portals to provide small traders with easily accessible information on the TPP, e.g.
 - custom regulations and procedures
 - standards and other requirements related to importation and exportation
 - Intellectual property rights, business registration, investment rules and taxation related procedures
 - any useful information concerning trading, investing or doing business
- ❖ Establish Committee on SMEs as platform on an on-going manner to address issues related to SMEs on an ongoing manner.

CHAPTER 22: COMPETITIVENESS AND BUSINESS FACILITATION

- ❖ Committee on Competitiveness and Business Facilitation to be established to:
 - support efforts to establish competitive and conducive business environment
 - explore ways of making use of TPPA for trade and investment.
 - advice on how to enhance participation of SMEs in regional supply chains
 - explore ways to promote and strengthen the supply chains within the free trade area.

Chapter 15: Government Procurement

- ❖ Facilitate participation of SMEs in government procurement
 - Provide procurement-related information by electronic means. (*article 15.21.3*)
 - All tender document are available free of charge. (*article 15.21.3*)
 - Conduct procurement by electronic means. (*article 15.21.3*)
 - Facilitate SMEs as suppliers in government procurement. (*article 15.22.2*)
 - Committee formed to facilitate participation of SMEs in government procurement. (*article 15.23*)

CHAPTER 25: REGULATORY COHERENCE

- ❖ SMEs specific provisions
 - The potential impact of the proposed regulation on SMEs have to be taken into consideration when conducting Regulatory Impact Assessment (RIA) (*article 25.5.3*)
 - To include SMEs of TPP member countries in information exchanges, dialogues or meetings (*article 25.7.1*). SMEs can benefit by having their concerns heard.

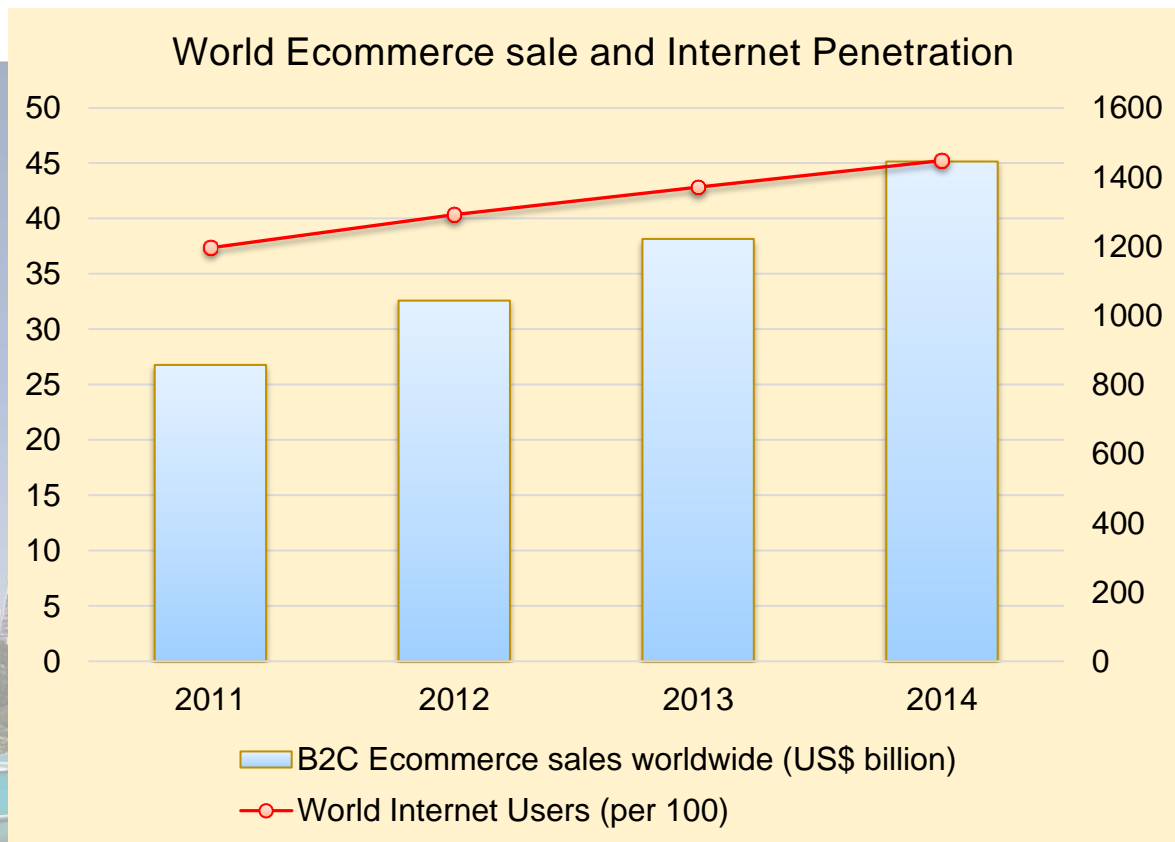
Chapter 14: E-Commerce

- ❖ Promote e-commerce to enhance the global connectivity of SMEs
 - No customs duties on electronic transmissions or contents delivered by Internet (Article 14.3.1);
 - requiring TPP members to enact consumer protection laws against online fraud (Article 14.7.2);
 - liberal cross border environment for data flow and storage
 - encouraging electronic trade transactions, such as the use of electronic customs forms (Article 14.9)

Digital platform as new approach for SMEs

Although SMEs play important roles in overall economic development, most SMEs are still confronted with challenging obstacles at start-ups or in expanding their businesses into global trade. The IT wave is an effective means that SMEs can use to overcome some of these hurdles.

- ❖ E-platform is the new normal to conduct trade. E-commerce involves sale or purchase of goods and services by businesses (B2B and C2B), individuals (B2C), governments (B2G).
- ❖ The rise of cross border e-commerce in recent years is due to rapid technological advancement; increasing internet penetration rate; and faster electronic communications. This has transformed the business landscape and changed some rules in the retailing sector.
- ❖ The retail e-commerce sales in worldwide has gone from \$1336.16 billion in 2014 to \$1670.99 billion in 2015 and expected to grow to \$3015.15 billion in 2018 (*source: emarketer*)
- ❖ SMEs can capitalize and embrace this e-commerce ecosystem to reach out to other cross-border markets easily, particularly to regions which were previously out of reach due distance, costs and international payments.
- ❖ E-commerce presents an alternative for young entrepreneurs who wish to start a business as it has relative lower cost compared to traditional brick and mortar business. E-commerce has potential in helping to build international visibility and reputation.

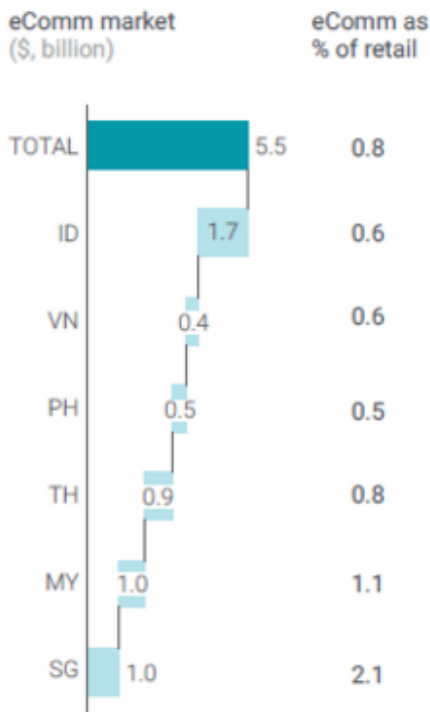


Source: World Bank and emarketer

TPP e-Commerce Opportunities for SMEs

- ❖ The retail e-commerce sales as percentage of total retail sales in worldwide has been increased from 6.3% in 2014 (\$1.336 trillion) to 7.4% in 2015 (\$1.671 trillion) and expected to rise to 12.8% by 2019 (\$3.578 trillion).
- ❖ The digital economy in TPP countries is huge because there are 583 million internet users in these countries.

2015



In South East Asia, there are a total of 150 million digital consumers, with about 35 million living in major provinces, and those aged 26 – 40 are the frequent online shoppers.

•cloud computing services in e-commerce let entrepreneurs to conduct their businesses without implementing IT infrastructure

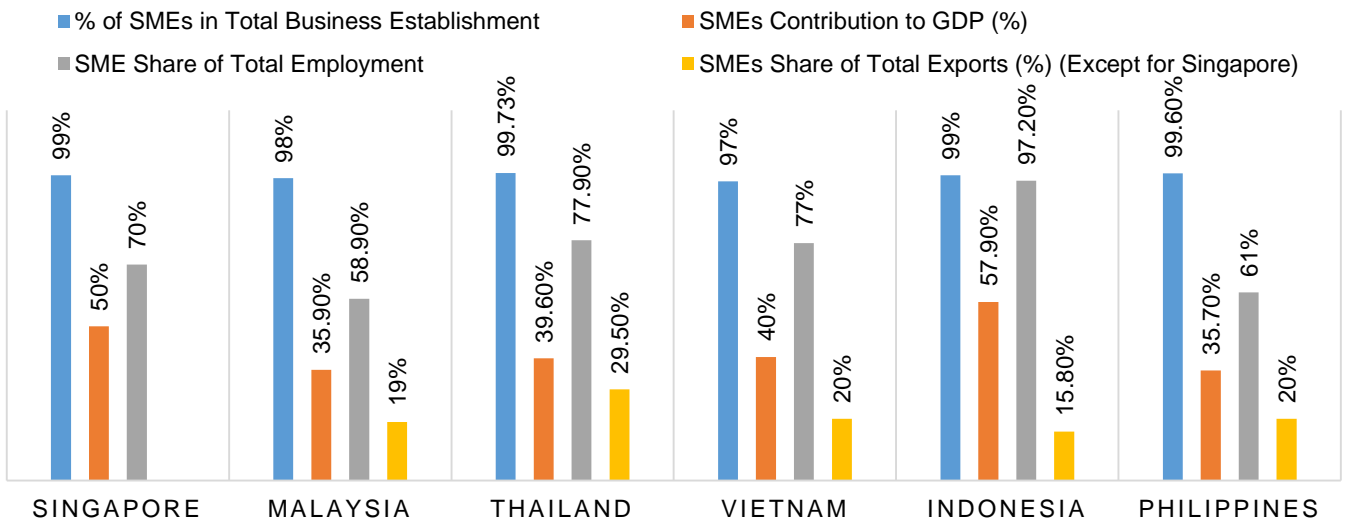
Advantages of E-Commerce on Business

there are many different type of e-commerce. Entrepreneurs could use one of them that suits themselves.

sell the products online without the need to establish an office space.

Southeast Asian e-commerce markets in 2015 (Chart: Google, Temasek)

SMES IN ASEAN MAJOR 6



Currently, China and United States are dominating the global ecommerce market with more than 50% of the market share. Within TPP, United States dominates the TPP ecommerce market share with 4 ecommerce companies listed as Top 5.

Top 5 eCommerce Companies in the World 2015

Company	Country	Revenue (\$B)
Amazon	United States	\$88.99
JD.com	China	\$18.50
eBay	United States	\$17.90
Walmart.com	United States	\$13.00
Alibaba	China	\$8.57

Top 5 eCommerce Companies in the TPP 2015

Company	Country	Revenue (\$B)
Amazon	United States	\$88.99
eBay	United States	\$17.90
Walmart.com	United States	\$13.00
Rakuten	Japan	\$5.60
Groupon	United States	\$3.20

Source: <http://www.mbaskool.com/fun-corner/top-brand-lists/13991-top-10-e-commerce-companies-in-the-world-2015.html>

Development of E-Commerce in Some of TPP Countries

	Online retail sales as % of total retail sales
World	7.4%
Canada	10.0%
USA	7.7%
New Zealand	6.9%
Australia	6.3%
Japan	4.75%
Singapore	4 – 5%
Mexico	1.7%
Malaysia	0.9%
Vietnam	0.6%

Source:

1. NAB ONLINE RETAIL SALES INDEX IN-DEPTH REPORT – JUNE 2016
2. https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf
3. New Zealand Online Retail Sales, <https://www.bnz.co.nz/assets/business-banking-help-support/online-retail-sales-index/pdfs/or2016-4.pdf>
4. E-Commerce in Singapore, https://www.ccs.gov.sg/~media/custom/ccs/files/media%20and%20publications/media%20releases/ccs%20study%20on%20ecommerce%20opportunities%20and%20challenges%20for%20a%20level%20playing%20field/annex%20c_ccs%20paper%20on%20ecommerce%20in%20singapore.ashx
5. Ecommerce Growth in Latin America Slows, <http://www.emarketer.com/Article/Ecommerce-Growth-Latin-America-Slows/1013350>
6. E-Commerce In Asia: Bracing for Digital Disruption (2015)
7. Table 358-0230. Survey of digital technology and Internet use, characteristics of online sales by North American Industry Classification System (NAICS) and size of enterprise
8. <http://www.meti.go.jp/press/2016/06/20160614001/20160614001-1.pdf>

Adoption of E-Commerce businesses in selected TPP Countries



In United States, there are 28% SMB are selling online.



Only 19.6% of Malaysian SMEs are involved in doing business online.



In 2013, there are 12.1% of small size enterprises with sales over the Internet and 18.1% of medium size enterprises with sales over the Internet



In Australia, 29.9% of business (with 0 – 4 persons) received orders via the internet while 39.5% and 39.8% of business with 5 – 19 person and 20 – 199 person received orders via the internet respectively.



Less than 50% of Mexican SMEs have web presence. Only 10% or lower of companies engage in online sales.



In New Zealand, 44% of business with 6 – 19 employees have internet sales



In 2013, 69% of businesses using the internet undertook e-commerce activities.



In Japan, around 30% of large enterprises and 25% of medium enterprises receiving orders over the internet. (2012)



Up to 95 per cent of Vietnamese enterprises were using the Internet 2015, but up to 60 per cent of them faced difficulties with information technology (IT) applications. However, the majority of SMEs in Viet Nam, have not yet provided a mobile commerce experience and many have not adopted e-commerce practices at all.

Sources:

1. SMB is an abbreviation for small and medium-sized business, sometimes seen as small (fewer than 100 employees) and midsized business (100 - 999 employees).
2. Global eCommerce Sales, Trends and Statistics 2015
3. 3Q 2015 SME Corp. Malaysia Survey
4. Australian Bureau of Statistics, 2014 - 2015
5. OECD Digital Economy Outlook 2015
6. Ministry of Business, Innovation & Employment, New Zealand, Published on May 2016
7. E-commerce and its impact on competition policy and law in Singapore. (2015, October).
8. Table 358-0196 Survey of digital technology and Internet use, online sales and purchases, by North American Industry Classification System (NAICS) and size of enterprise, occasional (percent unless otherwise noted)
9. Information Economy Report 2015. (2015, March 24). Retrieved from http://unctad.org/en/PublicationsLibrary/ier2015_en.pdf SMEs struggle to use digital tech. (2016, June 4). Retrieved from <http://vietnamnews.vn/economy/297726/smes-struggle-to-use-digital-tech.html#FgRFL6Cm6PMkZj8j.97>

How TPP can help SMEs secure new market access

Cooperation to support SMEs

- Cooperation and capacity building are reflected in institutional arrangements and commitments by each country to create user-friendly website targeted at SMEs users.
- SMEs can also make use of e-commerce websites to access vital information of member countries that help improve their delivery efficiency, and to participate in larger market and global value chains.
- The encouragement of TPPA on paperless trading between business and the government and also the electronic authentication and signatures for commercial transactions are aimed to ensure businesses progress in smoother, simpler and save cost manner. TPPA also make sure that the trade administration documents to be available to the public in electronic form on their website which is convenient for online business and SMEs that wanted to serve foreign markets too as it reduces communication cost. (Article 14.9).
- The establishment of SMEs Committee and its commitments to oversee capacity building programmes and to regularly review how TPP is serving SMEs demonstrates that TPP parties do have shared interests in promoting the participation of SMEs in trade,
- The Committee shall develop recommendations and promote seminars, workshops or other capacity building activities with appropriate experts, including private sector and international donor organisations, to assist participation by SMEs in supply chains in the free trade area.

Reducing the burden of SMEs

- TPP streamlines customs procedures and improving transparency in customs administration.
- The commitment under Chapter 5 Customs Administration and Trade Facilitation will help SMEs by reducing red tapes and unreasonable delays. Simplified trade rules can promote participation in regional supply chains. For SMEs, transparency and the easier access to information can help reduce their costs.
- Article 5.7.1 also states that no customs duties will be assessed on express shipments valued at or below a fixed amount set under the Party's law.
- SMEs are waived from certificate of origin requirement if the customs value of the importation does not exceed USD1,000 or the equivalent amount in the importing Party's currency, or any higher amount as the importing Party may establish;

Improvement of market access

- Further reduction in tariff can result in cheaper imported materials, thus, reducing the production cost of SMEs
- Under Chapter 2 Trade in Goods, the TPP parties are committed to publish all tariffs and other related information to ensure that SMEs as well as other companies can take advantage of the TPP.

Facilitate Digital Trade

- SMEs' global expansion can be facilitated by allowing cross-border data flows that can drive the digital economy.
- TPPA Chapter 14 ensures free cross-border data flow between member countries as long as it is consistent with governments' legitimate policy in ensuring personal data protection

How TPP can help SMEs secure new market access

Utilizing cloud computing services

- Free flow of data among member countries enables e-commerce to utilize the cloud computing services.
 - Cloud computing service is one of the crucial elements in e-commerce because it provides small businesses with simple and easier access solutions without having to install expensive IT infrastructure
 - Microsoft Azure is a cloud computing services that does not have data centre within Malaysia, but serves the Southeast Asia region from Singapore. If free flow of cross border data is absent, users would not be able to utilize this service, if they are residing in another country.
 - Reduce costs and increase speed of business. When Multinational retailer BestBuy® Co. Inc. switched to cloud computing services (Google App Engine) for its *Giftag* social application, it managed to reduce half of the original development team with only 25% of the original time.
 - Many SMEs do not have adequate technical expertise, or huge marketing and advertising budget. But, with free flow of data, small business can make use of most cloud computing services which normally adopt “pay as you go” pricing model.

Local Presence

- To do export business in TPPA countries, local presence at the destination country is not a must. (Article 10.6 & 10.5).
 - It is beneficial to the e-commerce because one of the major benefits of e-commerce is low investment cost in infrastructures and offices. The non-requirement of local presence would allow e-commerce to maintain their advantages against brick and mortar business.
 - SMEs could make use of the non-requirement of local presence as well because SMEs might not have the fund to support a local presence in foreign market.

Prohibition of Data Localization Requirement

- The TPPA provision includes prohibition of data localization requirement.
 - This means that companies are not required to build IT infrastructure or computing facilities at the foreign markets they wish to operate in. The free flow of data and also the prohibition of data localization will facilitate better business environment for providing e-commerce platform service, internet marketing and website and mobile application development as well as retail trade business.
 - Malaysian SMEs or e-commerce entrepreneurs can have their own IT infrastructures set up in either in Malaysia or use cloud computing service to serve the TPP markets. Serving multiple countries while operating under one data centre at one location allows them to achieve economies of scale.
 - Furthermore, there is a prohibition of requirements that force service supplier especially services like web developing to share the software code with foreign countries when entering into another TPP market. In this way, entrepreneurs especially the e-commerce and SMEs that provide IT-related services can remain competitive as their intellectual properties are protected.

TPP e-commerce and cross-border opportunities for SMEs



Tourism

- ⑩ Tourism an export earner can be further enhanced via e-commerce.
- ⑩ OECD states that it facilitates the communication between tourism suppliers, intermediaries, as well as end-consumers
- ⑩ SMEs can tap on opportunities to participate in global chains and access to international tourists by providing hospitality services, i.e. food and lodging facilities; and inbound travel bookings such as flights and transport rental services.
- ⑩ A survey from Statista shows that the two main channels used by travelers to book accommodation worldwide as of February 2014 were web-based travel agency (27%) and accommodation websites (18%). ¹



Outsourcing services

- ⑩ SMEs, especially service provider, can tap into global business service (GBS) industry.
- ⑩ In 2014, the Asia Pacific GBS industry stood at US\$240 billion but Malaysia only accounted for US\$4 billion which means much room for growth.
- ⑩ GBS industry is growing because of the Internet. GBS includes IT-related; customer call centres; and professional services such as taxation and accounting services.
- ⑩ SMEs can explore in sectors such as Islamic banking, healthcare, logistics and financial services.

¹<http://www.statista.com/statistics/297713/channels-used-by-travelers-to-book-accommodation-worldwide/>

Challenges for e-commerce adoption amongst SMEs

SMEs represent a varied range of micro, small and medium sized businesses. Although e-commerce offer potential benefits in global market access, the remaining questions are whether these provisions are sufficient to enable SME to fully engage in the trade opportunities. For example, shortage of working capital to finance export has been cited as one key challenge, particularly for start-ups.

❖ Local E-commerce business are still immature compared to the US.

- Low digital literacy, including lack of skilled personnel in e-commerce
 - Only 19.6% of SMEs are conducting business online (3Q 2015 SME Corp. Malaysia Survey)
 - Technological inferiority of Malaysian SMEs, i.e. low ICT adoption and lack of basic gadgets and devices in rural areas.
- Local businesses are lacking of ideas to utilize the benefit from TPPA especially the agreements related to e-commerce.
 - From ACCCIM Survey Report on Economic Situation of Malaysia for the 2nd half of 2015, there were only 8.0% of 401 respondents fully understand TPPA while 57.9% of respondents are not sure on whether Malaysia and local businesses benefit from TPPA arising from better business opportunities.
- Infrastructure and access
 - Underserved and deficiency in reliable internet networks
 - Cost of set-up and maintaining access are barriers to e-commerce readiness and adoption

Readiness subindex and pillars (The Global Information Technology Report 2016)

READINESS SUBINDEX			Infrastructure		Affordability		Skills	
Rank	Country	Value	Rank	Value	Rank	Value	Rank	Value
5	United States	6.4	5	7	17	6.4	27	5.8
8	Canada	6.2	7	7	61	5.6	11	6.1
10	Australia	6.2	7	7	57	5.6	13	6
15	Japan	6.1	14	6.6	49	5.8	14	6
16	Singapore	6.1	15	6.6	72	5.3	1	6.5
24	New Zealand	5.9	10	6.8	97	4.2	7	6.2
65	Chile	4.9	54	4.6	84	4.9	67	5.1
73	Malaysia	4.8	71	4.2	91	4.7	46	5.4
82	Vietnam	4.6	121	2.4	3	6.8	82	4.8
84	Mexico	4.6	84	3.7	54	5.7	92	4.5
89	Peru	4.4	72	4.1	95	4.6	94	4.5

❖ To compete with global players, SMEs and e-commerce entrepreneurs not only need to fully make use of the provisions under TPPA, but avail themselves to relevant skills and upgrade their broadband connection.

- The Global Information Technology Report 2015 shows that in terms of international internet bandwidth, Malaysia only leads Mexico and Vietnam within TPP countries.

International Internet Bandwidth (Source: Global Information Technology Report 2016, World Economic Forum)

Rank	Country	Bandwidth (kb/s) per Internet User (2014 or most recent)
4	Singapore	616.5
21	Canada	129.2
30	New Zealand	95.1
38	Australia	75.1
42	United States	71.0
40	Chile	73.1
54	Japan	48.6
66	Peru	36.4
81	Malaysia	27.2
88	Mexico	20.9
89	Vietnam	20.7

Challenges of TPP e-Commerce for SMEs



Competition

- ⑩ TPPA offers potential benefits to another TPP country too. The foreign e-commerce could enter Malaysian market and intensify the competition especially from U.S. and Japan
- ⑩ U.S. and Japan have larger market and better infrastructures compared to Malaysia and there are several global players from U.S. and Japan.

Competitors from
US and Japan

amazon.com

ebay

Rakuten



Changing Business Environment

- Internet has transformed the consumers' way to do their shopping:
 - expect a seamless shopping experience
 - expect to look for a product and complete the transaction whenever and wherever
 - Research Online, Purchase Offline
- Therefore, SMEs must modernize their business mode; - From Brick and Mortar Model to E-Commerce or Bricks and Clicks Model.



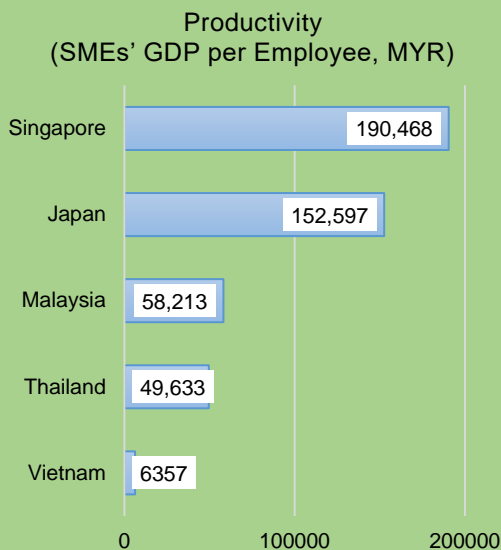
Amazon, an e-commerce giant, has adopted a bricks and clicks model since November 2015. It has opened its own brick and mortar bookstore in Seattle in November 2015 and maintain e-commerce at the same time.

Bringing SMEs onto the TPP opportunities

The challenges from TPPA to local business could be summarized in their readiness for e-commerce, and technological inferiority compared to their counterparts. Therefore, to support local businesses to exploit the opportunities offered, the businesses and government can play more active roles in the following areas:

1. Improve productivity

Malaysia has higher SME productivity than Vietnam and Thailand but significantly lower than Singapore and Japan.



- SMEs shall improve their productivity through technology adoption.
 - Automated technology could help to reduce labor cost for SMEs in manufacturing sector.
 - Cloud technology could help SMEs to foster internal and external communications.
- SMEs could adopt cloud computing services in their business operation.
 - It helps to reduce the costs from maintaining IT infrastructures, wages for IT workers and any relevant cost.
 - It also enables a smoother collaboration between employees because the workers can access the files and documents needed from everywhere as long as the internet is accessible.

2. Industry engagement in the SME Master Plan 2012 – 2020

High Impact Programs (HIP) in the SME Master Plan 2012 - 2020:

- **Integration of Business Registration & Licensing** to enhance ease of doing business.
- **Technology Commercialization Platform (TCP)** to encourage innovation.
- **SME Investment Programme** to provide early stage financing.
- **Going Export (GoEx) Programme** to expedite internationalization of SMEs.
- **Catalyst Programme** to promote more homegrown champions.
- **Inclusive Innovation** to empower the bottom 40%.

Before the implementation of SME Masterplan, number of 4-star SME and 5-star SME has increased by 4 and 87 respectively from 2011 to 2012. However, after the implementation of SME Masterplan, the number of 5-star SME has increased by 5-unit SME while 4-star SME has increased by 199 units, from 2012 to 2013 which is more than two folds than previous year.

Other Recommendations for SMEs

3. Engage in R&D activities

- R&D invent innovations that is crucial for SMEs to distinguish their product with their competitors' product. With unique and distinguished products, SMEs can be competitive with other global players.
- R&D activities are also crucial for internal operation to build up capacity.

4. Build strategic alliance

- “Partnering is the quickest, most effective way to re-engineer a business” – *Curtis E. Sahakian*
- Joining an industry association would gain valuable information such as benchmarking data, and supports like marketing support, network opportunities, joint engagements and referrals.
- Marketing partnership enable provision of broader range of products and services, and facilitate easier cross-border deliveries.
- MATRADE organizes and helps Malaysia's participation in international trade fairs overseas such as handling space reservations, stand design and its construction, pre-event publicity and the scheduling of business meetings with foreign buyers. SMEs could use this as a chance to look for foreign business partners especially from the countries they want to export.

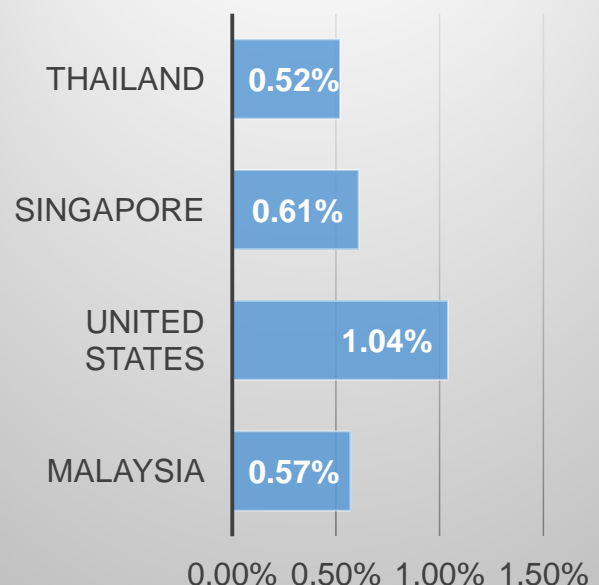
5. Promotion and facilitation of local culture in foreign market

- The exporting products or businesses have to meet local cultural expectations, local standard and local law requirements.

6. Positioning and Brand Awareness

- The digital marketing is now one of the dominant way for creating brand awareness. According to the Interactive Advertising Bureau (IAB), digital marketing revenue is approaching half of all advertising revenue.
- It is convenient for customers and zero information cost because prospective customers can have inquiries and information through online.
- However, Malaysian SMEs are lacking of focus on their branding. The ratio of Advertising Spending to GDP for Malaysia in 2015 is low. Therefore, Malaysian SMEs should emphasize on advertising or marketing to increase their brand awareness especially by exploiting the digital marketing.
- SMEs could also promote themselves by getting their product certified such as ISO by meeting the ISO standard and also getting IP by inventing new ideas and products.

Ratio of Advertising Spending to GDP



Recommendations for e-commerce and SMEs

7. Merger and Acquisitions (M&A) between SMEs

M&A is another alternative to increase SMEs' capacity and also competitiveness. SMEs have been urged to contemplate M&A to stay competitive and become stronger in the global arena. The International Trade and Industry Ministry had provided incentives for M&A activities to build the SMEs' capacity for them to compete with foreign competition and export their services.

Advantages of M&A

The acquisition of Singapore Aerospace Manufacturing (SAM) on a German manufacturing firm Sitec Aerospace for its design expertise to move up the value chain and access into Europe. In 2012, SAM earned a revenue of US\$308 million and more than 50% revenue now comes from acquired subsidiaries and partnerships

The acquisition of Bank Islam by BIMB Holdings Berhad in October 2013 has contributed 80% of the groups profit (BIMB Holdings Berhad Annual Report 2014)

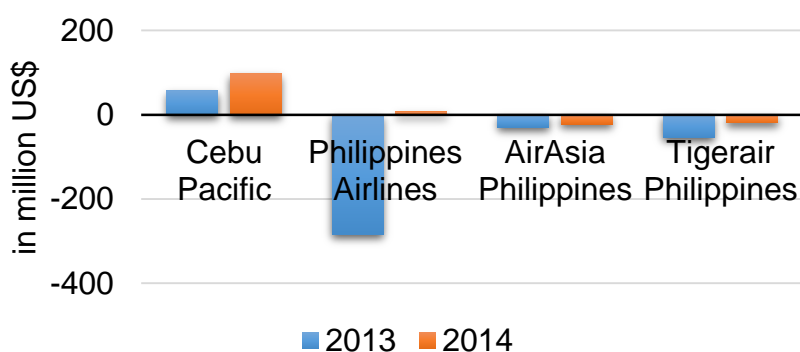
In December 2012, AIA Group Limited's acquisition of ING Group NV's Malaysian insurance and Takaful (Islamic insurance) businesses. Since then, AIA is the largest life insurance firm in the country. The M&A has strengthened the scale and breadth of AIA distribution capabilities in Malaysia. Their agency force are doubled and covered more market in Malaysia.

CIMB's acquisition on Royal Bank of Scotland's equities business in the Asia Pacific Region. Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group said that the acquisition could build-up their capability in Asia Pacific market and do it in quicker and less expensively than organic growth.

Success Transformer Corporation Berhad has diversified into process equipment manufacturing via acquisition of Seremban Engineering Sdn. Bhd. ("SESB") which is involved in the manufacturing and fabrication of process equipments such as unfired pressure vessels, storage tanks, silos, and heat exchangers.

In Philippines, the acquisition of Cebu Pacific and AirAsia on Tiger Airways in early 2014 and Zest Airways in 2013 respectively have seen profit increases after the acquisitions. Other market players are also benefited from the Philippines airline industry consolidation.

Profitability of Philippines Carriers



Government's Role to Develop SMEs

The Government can make use of the transition period to improve SMEs' track record. More opportunities can be given to SMEs for Government procurement. This will help raise SMEs' credibility when competing against foreign buyers in TPP markets.

Government should often organize a campaign to inform the prospective entrepreneurs, either start-up their business through brick and mortar or e-commerce, about Malaysian government's various initiatives such as HIPs from SME Masterplan, SME Bank, Small Retailer Transformation Programme (TUKAR), e-Payment, MYCyberSALE, e-Usahawan and eTRADE. This is to make sure they are aware of the opportunities to increase their competitiveness and a way to upgrade their capacity.

In addition, government should facilitate SMEs to integrate into Global Value Chain of the MNCs to increase local SMEs' competitiveness because MNCs may help modernize SMEs through technology transferring, know-how and skills, providing access to export markets or by making available goods and services that are better and/or cheaper than those offered by local producers.

- Study from OECD (2008) stated that in order to be integrated into Global Value Chain, SMEs need to meet specifications in terms of international standards and systems
- The transfer of technology, know-how and skills can be seen in the subcontracting activities, for example between Indonesian SMEs and Japanese firms. The subcontractors obtained technical support from Japanese firms in various forms, ranging from quality control (QC) support, technical support during the production process, inspection via the dispatch of experts, the selection of proper production equipment, a study tour to foreign markets, assistance in designing, to various technical trainings. (Hayashi, 2002). Harianto (1993), Kitabata (1988), Sato (1998; 2000), Supratikno (2001; 2002), JICA (2000), Iman and Nagata (2002) and Pantjadarma (2004) suggest that subcontracting arrangements between SMEs and MNCs in Indonesia is still weak, mainly because SMEs cannot meet the required standard of quality due to their lack of technology and skills.
- SMEs should make use of SME Masterplan to make sure their products comply with international standard. Government could provide training support to SMEs to increase their absorptive capacity to adopt new know-how.
- However, SMEs in lower tier of GVC are unstable because they can be easily replaced by other suppliers that offer better comparative advantages such as lower costs (Abonyi, 2005). Therefore, SMEs should always upgrade themselves to get into higher-tier of GVC like offering advantages that others cannot so they would not easily get replaced.

Conclusion

- ❖ The TPP can bring about a **larger market** to Malaysian entrepreneurs, especially **easier access** to the existing 8 trading partners and 4 relatively new markets.
- ❖ The ease in access resulting from greater tariff elimination and reducing **non-trade barriers** could facilitate the whole cross-border trading activities.
- ❖ TPPA has also place some emphasis on the new trend of doing business by including commitments on **E-commerce**.
- ❖ The TPPA puts in place sets of rules on e-commerce to ensure that national regulations do not restrict cross-border data flows, or impose localisation requirements as pre-requisites for serving consumers in that market, or impose import duties on electronically transmitted products. **Businesses can gain economies of scale by serve multiple TPP markets from one location**. SMEs seeking to serve overseas markets would certainly **benefit** from the savings of establishment costs.
- While TPPA and E-commerce may enhance market access, SMEs particularly smaller local brick and mortar places may face competitive challenges from other foreign players. Although companies may leverage on e-commerce to expand their markets, the gap relative to the savvier e-commerce companies from matured e-commerce TPP countries such as the United States and Japan calls for capacity building. Therefore, to stay ahead, we need to **intensify capacity building programmes** for the SMEs, while enhancing and widening the e-commerce infrastructure.
- Despite the challenges, there are now more opportunities for ready-SMEs to reach out to a wider market access for goods and cross-border services arising from **greater tariff elimination, lowering of non-trade barriers**, and **lower cost** derived from the effectiveness of e-commerce.

lower cost derived from the effectiveness of e-commerce, arising from **greater tariff elimination, lowering of non-trade barriers**, and reach out to a wider market access for goods and cross-border services.

- Despite the challenges, there are now more opportunities for ready-SMEs to widening the e-commerce infrastructure, **intensify capacity building programmes** for the SMEs, while enhancing and widening the e-commerce infrastructure. Therefore, to stay ahead, we need to intensify capacity building programmes for the SMEs, while enhancing and widening the e-commerce infrastructure.