In this issue of the APEC SME Monitor, we continue to deliver a wide variety of topics discussed by the experts of APEC SME Crisis Management Center. In the "SME Development" section, expert demonstrated that for SMEs looking for ways to transform, one of the directions will be integrating soft economic measures. Expert took European SMEs ALESSI and Magis for example, illustrating how they formed a creative economy using their strengths in creative design, establishing themselves as the world's leader in fashion and style.

In the "SME Challenges" section, experts focused on the topic of "tourism recovery and resilience after the Canterbury Earthquakes", reporting the devastating damage to tourism businesses mainly of the city of Christchurch. Experts concluded that eighteen months after the earthquakes, inbound tourism data was still below pre-earthquake levels. City officials should rebuild the Central Business District as quickly as possible in order to help regenerate the tourism industry. In another article, expert introduced two effective projects involving SMEs stricken by the Great East Japan Earthquake and Tsunami for non-profit organizations, schools and SMEs to recovery. By providing used PCs, idle machines and tools to SMEs, the resources were effectively allocated.

In the "SME Policy" section, expert reported the consequences of "Asian Ministerial Conference on Disaster Risk Reduction (AMCDRR)" in Yogyakarta, Indonesia during 22-25 October 2012. This conference identified Private Sector as one of the key stakeholder groups and supported the private sectors and the national governments to continue the dialogue on natural disasters, entering into a meaningful partnership under the existing institutional and legal framework.

Under the "Expert Perspectives" section, experts demonstrated social change and emerging social innovation issues; several programs implemented by OECD were introduced, such as quality job creation, entrepreneurship, social innovation, social inclusion, and social economy. Another issue to be noted is the SME funding sources and purposes. The author illustrated the different ways of financing, and emphasized that if executives of SMEs are familiar with the financing tools, their ability to adjust capital and increase sales growth will greatly improve.

In the "SME News" section, APEC Start-up Accelerator (ASA) Initiative was stressed in the article of "Small Business Key to Innovative Growth" by APEC official. Here presents the essence of the report, focusing on how entrepreneurial activities enhance innovative growth in APEC region. In another article, one of the events of Global Entrepreneurship Week (GEW), "2012 Young Entrepreneur Summit" was reported. In this event, foreign and local experts, venture capitalists and young entrepreneurs shared their experiences and interacted with over 400 participants. Based on the "APEC Start-up Accelerator Initiative (ASA)", which was endorsed by the leaders in 2012 APEC Leaders Meeting, next year Chinese Taipei will host series of events, such as the APEC Start-up Accelerator Demo Day and Leadership Summit to assist new startups and entrepreneurs in the Asia Pacific Region.

Johnny Yeh
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In retrospect, the economic growth of Chinese Taipei would have been impossible without the SMEs that developed within its borders. In the early years when the economy was taking off, the export-oriented economic policy formed a warm bed for millions of SMEs who in turn contributed to the world renowned economic miracle of Chinese Taipei as well as a much sought after development paradigm of SMEs. However, following the moving out of industries from Chinese Taipei, local economy was plagued with a lack of competitiveness and a weak industry. As a countermeasure, the government began a campaign to foster large enterprises and large trade companies in an attempt to create and maintain the economic growth of Chinese Taipei. The leaving of enterprises left behind in Chinese Taipei a group of SMEs dedicated to this island with quality core manufacturing technologies. In addition to continuing technology research and development, these SMEs looked for ways to transform, such as engaging in technology enhancement to secure a competitive position in the global marketplace and integrating soft economic measures. These initiatives successfully made the SMEs a key player in Chinese Taipei's economic growth and a government-selected role model for coming enterprises that wished to be a part of the optimization and transformation process of the industrial structure.

After the Second World War, the United States assumed leadership on the global stage, replacing European economies as the strongest economic body of the world. Recognizing this fact, other economies began to follow in the footsteps of the US and adopted economic theories and models that boasted large capital, large scale, scale production value, large market share...etc, which became important indices to measure business competitiveness. Chinese Taipei, with SMEs as its backbone, appeared disadvantaged on the global competitiveness ranking. Taking advice from economists who were disciples of the US economic theories, Chinese Taipei government sought unreservedly for improvement and breakthrough. At the mean time, halfway across the world, European economies were taking a different approach to seek new opportunities. Being the first to enjoy the prosperity brought by industrialization and mass production, the European economies were slipping into a weak economy with low competitiveness as Asian became the world's favorite factory and the US gained absolute market dominance with its economies of scale. European SMEs explored and redeveloped themselves and gradually shook off the widely adopted economies of scale. As an alternative, they formed a creative economy using their strengths in creative design, establishing themselves as the world's leader in fashion and style. Combining quality core manufacturing technologies with effective marketing campaigns for creative design businesses, the SMEs in Europe has created numerous brand names that are equivalent to excellence and proved that economies of scale is not the sole and only development model to boost national
economy or business competitiveness. ALESSI, for instance, is a classic European SME fostered under the creative economy. Now a global leading brand in household products, ALESSI has been developing its brand around the fundamental concepts of technology, aesthetics, and taste. Magis, established in 1976, is as another example. Having injection-based flexible plastic technology as its base, Magis has been partnering with world-renowned designers and, in a short time period of 36 years, became a household name for home furnishing brand around the globe with its dynamics, innovation and flexibility. Even during the European debt crisis, the company managed to create an impressive annual growth rate of up to 20%.

With China rising to power and becoming the world' s most watched and fastest-growing consumer market, Chinese consumers have much trust in Chinese Taipei' s product quality and recognize Chinese Taipei' s innovative designs. Chinese Taipei' s cultural creative industry that reflects upon traditional Chinese values is also something that Chinese consumers can easily identify with. In addition, the rise of China gave birth to a strong globe interest in rediscovering Eastern cultures and aesthetics, making Chinese Taipei an important base for interested global businesses that wish to gain a market share in China.

The future economic drive of Chinese Taipei lies in the integration of quality core technologies of SMEs and creative designs. It is important that SMEs being encouraged to develop better technologies and make use of the dynamic innovative design energy in Chinese Taipei to form a co-creation mechanism between SMEs and designer brands. In addition, a creative designer friendly environment should be established to meet the needs of the co-creation mechanism. With a favorable environment to work in, SMEs can make the best of the resources available to them and, together with the help of creative talents, showcase its core technology through design innovations and create quality brands through new energy and dynamics. This is how SMEs can add value to their brands and become economic leaders in a world where Eastern fashion and taste is now the new trend. Chinese Taipei’ s creative design energy can then be open innovation resource to SMEs, accelerating the commercialization of industrial innovations, shaping the future development model for Chinese Taipei, and uncovering new economic drivers for the economy.
Tourism Recovery and Resilience after the Canterbury Earthquakes

Tourism and the Canterbury Earthquakes

The city of Christchurch has experienced two significant earthquakes since 4th September 2010, and an aftershock sequence of nearly 15,000 smaller events. Before the earthquakes, the Canterbury region had a thriving economy based on agriculture, tourism, education, health and information technology. Christchurch is the second largest city in New Zealand, and contributed 16% of the total tourism activity nationwide prior to the September earthquake in 2010.

The tourism sector has experienced significant losses primarily due to damaged infrastructure and extensive global media impacting on the reputation of Christchurch as a safe destination, causing a sense of fear and anxiety in the international inbound market. Recovery has been slow, mainly due to delays in the rebuild of the central city where the majority of hotels and tourist facilities were situated. The earthquake also damaged many heritage buildings, notably Christ Church Cathedral, an iconic building of great significance to the people of the city, and as a tourist attraction. In the period since the February earthquake approximately 220 heritage buildings have been demolished, changing the face of the city of Christchurch forever.

Figure 1. Christ Church Cathedral before and after the February 2011 earthquake

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• Ways to evaluating an organisation’s resilience
• Recovery of organisations following disaster
• Post-disaster reconstruction

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Christchurch has traditionally been the "gateway to the South Island" for international tourists, with 85% of international visitor arrivals and departures to and from the South Island taking place through Christchurch Airport. The earthquakes significantly reduced the number of arrivals at the airport, which led to flow-on impacts for the industry throughout the South Island. The Christchurch Central Business District (CBD) has remained cordoned off since the February 2011 earthquake, although the cordoned area has significantly reduced in size. The majority of the city’s hotels were located within the cordon and suffered significant losses. As a consequence, visitors to the city have sought alternatives to hotel accommodation in the outer suburbs.

In April 2012 a postal survey was sent to all tourism operators in the Canterbury region involved with activity/attraction, accommodation and visitor transport (total sample population, N = 719). The survey asked a range of questions about the business impacts resulting from the earthquakes. It also inquired about business preparedness and resilience to future significant business interruptions.

Results

Impacts on tourism businesses

‧ **The earthquakes changed the types of visitors.** The most notable change was the reported decline in the international market by 70% of businesses. International guest nights reported dropped 73% in the year following the February earthquake. Some districts outside Christchurch reported increased numbers of visitors from within Canterbury, illustrating the outflow of Christchurch residents seeking respite from the aftershocks.

‧ **While some businesses are still struggling, others are thriving.** Parts of the accommodation sector are performing very well, with motels and holiday parks reporting positive outcomes compared to all other business types. Three-quarters of motel operators reported increased revenue after February, while hotels reported lower revenue. This result supports the most recent Commercial Accommodation Monitor data for Canterbury Year Ending May 2012 showing a 26% increase in occupancy rate for motels compared to Year Ending May 2011. In contrast, hotels and backpackers were down 54% and 35.4% respectively. Accommodation facilities in the CBD were destroyed, resulting in a significant reduction in capacity, and as a consequence accommodation facilities located outside the CBD experienced a sharp increase in demand.

‧ **Transport businesses were particularly hard hit.** They were significantly more likely to work reduced hours, and only 5% reported being slightly or significantly better off after the earthquakes. 85% of visitor transport operators reported a decline in revenue after the February earthquake. Visitor transport operators serve the tourism industry by moving tourists within and between destinations, interacting with accommodation and activity/attraction networks. The significant drop in both international and domestic visitation was a major blow to this sector. Recovery is dependent on the rebuild of the critical tourism infrastructure in Christchurch, at which point visitors will be attracted back to the city in sufficient numbers to regenerate this sector.
• **Activity/Attraction businesses were also hard hit by the earthquakes.** They were significantly more likely to close temporarily and almost two-thirds reported a decline in revenue after the February earthquake. They were also significantly more likely to report a decline in arrivals from all market segments, particularly international visitors. Activity and attraction businesses are heavily reliant on inbound visitors, especially international visitors. These businesses are often larger than other tourism sectors, which have the potential to make them more resilient to business interruptions, but it also means they have more staff and higher costs to manage when visitors stop coming.

• **Reduced visitor numbers was the most disruptive factor affecting tourism businesses from the earthquakes.** Non-structural damage (fixtures and fittings) and damage to equipment were also very disruptive. Communications, electricity and road network issues were the most commonly reported critical infrastructure problems after the February earthquake, and were described as slightly to moderately disruptive.

• **Two years on, the tourism industry is yet to bounce back to where it was prior to the earthquakes.**

**Preparedness issues**

• **Many tourism operators are over-confident of their preparedness.** For example, while the majority of operators are happy with their current level of preparedness, and feel much better prepared to deal with a future disaster since experiencing the earthquakes, almost half of all operators currently do not have any back up IT facilities.

• **Very few tourism operators train staff on how to respond to an earthquake.** Many employees in the tourism sector are foreign nationals with very little knowledge of the seismic potential in New Zealand. Staff inductions are being used by half of Canterbury businesses, however very few include any mention of how to respond in an earthquake. The induction process has significant scope for building the capacity of staff to cope with an earthquake and thus improve post-disaster outcomes for businesses.

• **More than half of Canterbury tourism operators have not practiced how they would respond in an emergency.** The feedback from respondents to this question suggests that for many smaller businesses, formal planning for emergencies does not happen because of the small-scale nature of their tourism enterprises, which are typically owner-operators with few or no employees. Many described informal discussions or plans that they had.

• **There have been slight increases in the number of businesses engaging in crisis and emergency planning, and business continuity planning since the earthquakes.** Survey respondents alluded to a lack of time for and interest in developing plans, with many relying on their ability to react to an emergency situation as it presents itself.
Conclusions

The earthquake sequence has resulted in significant physical and reputational damage to the Canterbury tourism industry. Eighteen months after the earthquakes inbound tourism data is still below pre-earthquake levels, with Canterbury operators reporting that the industry has not bounced back to where it was before September 2010. Outcomes of the earthquakes on business performance highlight there were winners and losers in the aftermath.

Recovery of inbound tourism markets is closely tied to the timeframe to rebuild the CBD of Christchurch. Reinstating critical tourism infrastructure will drive future tourism investment, and allow tourism businesses to regenerate and thrive into the future. A blueprint from rebuilding the CBD of Christchurch was released by the Christchurch City Council in July 2012, and has been well received by tourism stakeholders in the region. The challenge now is for city officials to fund the development projects outlined in the blueprint, and to rebuild the CBD as quickly as possible in order to help regenerate the tourism industry in the Christchurch, Canterbury and the rest of the South Island.
Two Effective Projects SMEs Stricken by the Great East Japan Earthquake and Tsunami

The Great East Japan Earthquake on 11 March 2011 struck the three prefectures – Iwate, Miyagi and Fukushima in TOHOKU (North-East) Japan. The catastrophe inflicted immense damage on numerous SMEs in that region. Apart from the public sectors, the private sectors provide various kinds of their support to their counterparts. This report is to present two of those support activities admitted to be effective and highly regarded.

1. Used PCs to the SMEs

   (1) Offer to NPO

   Free offer of the secondhand PCs to the area stricken by the earthquake and tsunami was started on 4 April 2011 by Non-Profit Organization (NPO) "e Parts". This activity is called "PC 1000 Project" and it aims at providing a thousand used PCs to the earthquake stricken areas. A part of a thousand PCs are to be sent to those NPOs that help the disaster stricken region. They started to send the PCs on 16 May 2011. The number of PCs and the multi-functional printers sent already is 693 and 100 respectively (as of 30 June 2012) and the operation is still under way.

   The Great East Japan Earthquake was not the beginning to carry out its activity for "e Parts". The organization was established in May 2005 with the objective to support the NPOs, the volunteer groups through providing them with reuse PCs for free of charge and holding symposiums for their benefit. With Sasaki Ryoichi, a professor at Tokyo Denki University, as a person in charge, "e Parts" has carried out its original objective. Microsoft Japan Corp., for example, provides free operating system (OS) and application software.

   (2) Offer to high schools

   Free offer of used PCs to high schools in tsunami-stricken areas started in September 2011. First, Nippon Institute of Technology received used PCs from companies, fixed and provided them to the following high schools for free of charge.

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>High School</th>
<th>Quantity</th>
<th>Date of Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iwate</td>
<td>Kamaishi Commercial &amp; Technical</td>
<td>20</td>
<td>29 October 2011</td>
</tr>
<tr>
<td>Iwate</td>
<td>Ohfunato-Higashi</td>
<td>10</td>
<td>5 November 2011</td>
</tr>
<tr>
<td>Fukushima</td>
<td>Koriyama-Kita</td>
<td>25</td>
<td>26 November 2011</td>
</tr>
<tr>
<td>Fukushima</td>
<td>Shirakawa Jitsugyo</td>
<td>12</td>
<td>26 November 2011</td>
</tr>
<tr>
<td>Fukushima</td>
<td>Fukushima Technical</td>
<td>20</td>
<td>20 December 2011</td>
</tr>
<tr>
<td>Miyagi</td>
<td>Kesennuma Koyo</td>
<td>15</td>
<td>21 April 2012</td>
</tr>
<tr>
<td>Fukushima</td>
<td>Odaka Technical</td>
<td>20</td>
<td>19 May 2012</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>122</td>
<td></td>
</tr>
</tbody>
</table>

   Afterward, this activity expanded to other private enterprises such as Nomura Research Institute, Red Hat, and PC Assist AIZU.
(3) Offer to SMEs

Offer of used PCs to SMEs started from 11 January 2012.

The Sendai Chamber of Commerce and Industry located in Miyagi Prefecture played a role in management in Academic eXchange for Information Environment and Strategy which was participated by 50 universities and 35 companies. The Sendai Chamber of Commerce and Industry and Microsoft Japan Corp. supported.

This outline is as follows;

[A] The purpose of the project: to provide to SMEs at no charge by recycling PCs that universities own at present for the purpose of support SME members of the chamber of commerce and industry which are tackling business resumption in three prefectures (Iwate, Miyagi and Fukushima) stricken by the Great East Japan Earthquake.

[B] The role of cooperation organization
(B1) Academic eXchange for Information Environment and Strategy: Implement recycling work on PCs universities in cooperation with Microsoft Japan Corp.
(B2) Microsoft Japan Corp.: Offer software (initially up to 4000 sets) necessary for PC recycle and support recycling work in universities.
(B3) Japan Chamber of Commerce and Industry: Calling for applications from stricken businesses in need of assistance, and distributing recycled PCs.

[C] Target: SMEs and personal business members of the chamber of commerce and industry which suffered damages in the Great East Japan Earthquake

[D] Area: Three prefectures (Iwate, Miyagi and Fukushima) stricken by the Great East Japan Earthquake

[E] Implementation period: From February 2012

[F] Method of calling for application: Announce through the chamber of commerce and industry in the stricken areas.


The number of PCs donated for this project reached 225 sets at 225 offices as of 7 September 2012.

II. Offer Idle Machines and Tools

Free offer of idle machines and tools was implemented following distributing recycled PCs to SMEs for free. This activity started with the consensus of a total of 25 Chambers of Commerce and Industry of Iwate, Miyagi and Fukushima prefectures which suffered from June 2011. The Sendai Chamber of Commerce and Industry in Miyagi Prefecture takes charge of management and the Japan Chamber of Commerce and Industry supports.

Firstly, the Sendai Chamber of Commerce and Industry sent the following messages to 514 Chambers of Commerce and Industry across the economy including the stricken area via Japan Chamber of Commerce and Industry, and asked for cooperation.
Are there any machines which can be provided for free of charge? Please cooperate with reconstruction of stricken business. Can you provide machines which currently remain idle and unused or the ones unnecessary after replacement, for free of charge in order to support business in stricken areas? Even now, many businesses are struggle for recovery from the earthquake disaster damage.

Your offer of idle machines will help these businesses preparing for operation resumption to solve such problems as lack of fund to purchase machines as the earthquake and tsunami swept away or destroyed their machines. Such machine offering is usually received as a donation based on the market value in tax treatment but in this project the equivalent amount to the book value basis can be deductible as advertising expense by tax law.

[Machinery with many requests]

Machines: lathes, milling machines, upright drilling machines, grinding machines, shirring machines, oil hydraulic press brakes, and sawing machines etc.

Tools: Measurement instruments, cutting tools, work tools, and power tools etc.

Industrial equipments: bench drilling machines, compressors, welding machines, generators, and conveyor etc.

Fish processing machines: mince processing machines and slicers etc.

It would be appreciated if you could cooperate with the reconstruction assistance to the stricken business by all means.

The flow of matching is as follows.

(1) If you cannot finance replacing lost or damaged machines by the earthquake and tsunami while preparing for business resumption, please contact your local Chamber of Commerce and Industry to inform the machines that you need.

(2) The information of requested machines is registered into the database of the Chamber of Commerce and Industry, matching is made with the information on the free offered machine received from all over the economy.

(3) After matching is completed, machine delivery is carried out. (Although the Chamber of Commerce and Industry in principle arranges delivery and bears its cost, but in case post delivery cost arises, please cover by yourself.)

The followings are cases of matching.

Case 1
The woodwork horizontal end inclination board supported and offered from a business member of the Oita Chamber of Commerce and Industry was delivered to Wood Style in Wakabayashi-ku, Sendai-shi on 9 June 2011.
Case 2
As many as 3,052 items of the machines and tools, including lathe, milling machine, drill press, and electric drill, were offered by the business members of the Asahikawa Chamber of Commerce and Industry and the Asahikawa Association of Machine and Metalworking Industries, were sent to the Sendai Chamber of Commerce and Industry, which served as a liaison, after the departing and delivering ceremony held in the Asahikawa Industrial Technology center on 15 June 2012.

Case 3
The idle machines of a total of 20 such as bench drilling machine, tapping drill press and abrasive cut-off machine, which were offered by the business members of the Nagoya Chamber of Commerce and Industry, were delivered to Tanno Ironworker, Sato Ironworker and 4 other businesses on 28 June 2011.

Case 4
The idle machines of a total of 307 such as compressor, bench drilling machine, welding machine and industrial refrigerator offered by the business members of the Chambers of Commerce and Industry in Asahikawa, Kyoto and Takaoka, were delivered to 13 businesses such as Toshin Giken, Shishiori recovery shopping market in Kesennuma-shi on 5 July 2012.

Case 5
The six idle machines such as double headed grinder, slide calipers and baby compressor were offered by the business members of the Chambers of Commerce and Industry in Nagoya and Tokyo and were delivered to Matsufuji Auto Industry, Mukumoto Industry, and Otaka Auto Industry on 5 August 2011.

Case 6
The idle machines of a total of 25 such as band sawing machine, lathe and woodwork machine offered from the business members of the Chambers of Commerce and Industry in Tokyo, Sendai and Ota were delivered to Asada Energy Machine Factory, Sasaki Iron Factory and other five businesses on 2 December 2011.

This support service is under continuation still now (as of 10 September, 2012) and 151 businesses have been supported until now. The machines and tools were delivered up to 1,575 businesses.
Private Sector is Formally Identified as Key Stakeholder at 5th Asian Ministerial Conference on Disaster Risk Reduction

The recently concluded biennial conference "Asian Ministerial Conference on Disaster Risk Reduction (AMCDRR)" in Yogyakarta, Indonesia during 22-25 October 2012 was attended by more than 2,500 participants from 72 economies around the world. The National Disaster Management Agency of Indonesia (BNPB), Government of Indonesia in collaboration with the United Nations Office for Disaster Risk Reduction (UNISDR) hosted this 5th AMCDRR with support various bilateral and multilateral development agencies. The event represents a unique opportunity for key stakeholders in disaster management from the region to reaffirm their commitment to the implementation of the Hyogo Framework for Action (HFA), a key global instrument for implementing and monitoring progress on disaster risk reduction adopted by more than 160 economies. The conference also serves as a forum to exchange experiences on successful practices and innovative approaches at the national and local levels. Four previous AMCDRR have been organized in Beijing, China (2005), New Delhi, India (2007), Kuala Lumpur, Malaysia (2008), and Incheon, South Korea (2010). In all the previous conference, it was debated that building resilience of economies and communities to natural disasters is the overarching goal of the Hyogo Framework for Action (2005-2015) that aims to achieve sustainable reduction in human and economic losses caused by disasters.
During this four days event, the President of Indonesia and the President of Nauru participated as the Heads of States along with the high-level delegations from 50 economies across the Asia Pacific region, which included 24 government ministers. The outcome of the conference is adopted as The "Yogyakarta Declaration" and available at http://www.preventionweb.net/files/29332_01yogyakartadeclarationdraftfinalcl.pdf

This conference identified Private Sector as one of the key stakeholder groups; others include Parliamentarians, Mayors/Local governments, Children, Persons with disabilities, Gender, Civil Society, Media Organizations, Academic and Research institutions, National Societies of Red Cross and Red Crescent. These stakeholders play an important role in mobilizing moral, technical and financial support for national and local governments in reducing natural disaster risks, which has increased rapidly in recent years. The participants of the conference endorsed a private sector commitment in strengthening business resilience to assist government in disaster preparedness, response and post- disaster recovery and rehabilitation efforts. It also agreed to increase the private sector capacity for pursuing corporate social responsibility and sustainability through a public private partnership for disaster risk reduction and climate change adaptation.

Realizing that business entities are essential partners to reduce economic and human losses caused every year by disasters, large, medium and small businesses are much more active and need to be more engage in the current disaster risk reduction dialogue. Private sector plays a crucial role building a safer world against disasters as their industries from telecommunications; logistics, transports, engineering, construction and insurance are at the heart of a sustainable development. In recognition of their leadership role, the UNISDR has created a Private Sector Advisory Group (PSAG) in 2011 to serve as a catalyst to bring together a wide range of private sector entities into a global partnership for action that will encompass private businesses, both large and small, multiregional and local, business trade organizations, as well as government-owned business enterprises.

A pre-conference meeting of private sector participants was organized on 22 October 2012 at the Conference to further discuss their role and support to governments in disseminating and implementing the five essentials for business in DRR adopted at the Rio+20 meeting early this year. These were; developing and supporting local and national governments' risk assessment, resilience building and investment decisions; cooperating with multiple partners to prioritize resilience in land use planning and design; ensuring investment are resilient to impacts of extreme climactic events and new risks presented by rapid urbanization, such as stress to eco-system services and natural resources, as well as governance challenges.

The overwhelming support for private sector engagement in disaster risk reduction led to the finalization of the detail commitment by representatives of private and public business entities and agreed to;

1. Develop and implement internal codes of conduct and procedures, support the development of national and local laws, regulations, and policies when possible and needed;
2. Leverage sectoral private sector expertise and strengths to advance disaster risk reduction and mitigation activities, including enhanced resilience and effective response;
3. Promote public-private partnerships for disaster risk reduction to analyze the root causes of continued non-resilient activity and develop frameworks to change these causes. Develop financial risk-sharing mechanisms;

4. Foster a collaborative exchange and dissemination of data: Share information on assessment, monitoring, prediction, forecasting and early warning purposes and action between the public and private sectors; and

5. Support national or local risk assessments and capacity building, and demonstrate opportunities where resilience building is a sound economic strategy towards corporate sustainability.

The conference further called on the private and public businesses to;

- Make Business Continuity Planning a priority activity;
- Educate their organizations on the necessity and benefits of disaster risk reduction and building resilience;
- Increase the collaboration of private and public entities to build the resilience of Asian communities;
- Emphasise disaster risk reduction and building resilience for corporate sustainability;
- Engage in Public-Private Partnership related activities on disaster risk reduction in regional forums such as APEC, ASEAN and SAARC; and
- Engage and participate in the 2013 Global Platform on Disaster Risk Reduction and in the consultations for the post 2015 framework for disaster risk reduction.

The conference lauded the active role of APEC, in particular the APEC SME Crisis Management Centre based in Chinese Taipei in improving natural disaster resilience of APEC SMEs to facilitate resilient trade and Investment. The UNISDR committed to support the private sectors and the national governments to continue the dialogue on natural disasters and climate change impact on business and enter into a meaningful partnership under the existing institutional and legal framework.
Social Change and Emerging Social Innovation

Issues

The recent controversy concerning the reforms of retirement and pension systems in Chinese Taipei, such as government employee insurance and labor insurance, reflects the challenges posed by globalization and social change to the existing systems. Retirement and pension systems such as government employee insurance and labor insurance have their unique background, history and development. However, social change has made recent social and economic development different from the fundamental assumptions that were embedded when the systems were established. Particularly, Chinese Taipei is faced with problems such as economic slowdown, ageing population, and low birth rate. In addition, it is getting more difficult for young people to find a job or a job with decent salary. Consequently, these issues stir up the controversy concerning the reforms of retirement and pension systems particularly government employee insurance and labor insurance. Moreover, there are other contentions with regard to government policy, for example, how to reduce the now excessive number of universities and colleges. These all show that social change and development were not taken into consideration in the first place when the policies were formulated. For this reason, we cannot repeat past mistakes even when dealing with technical economic problems.

As society changes, think tanks in Europe and America are developing new keywords, perspectives and topics when exploring issues related to SMEs or regional development. For instance, in the West, keywords like inclusive growth and generation solidarity are being discussed when it comes to reforms of retirement and pension systems such as government employee insurance and labor insurance. Additionally, OECD is implementing several programs and here are the important topics:

1. Supporting good quality job creation in the recovery: focusing on coordinated approach

2. Preventing exclusion from the labor market: what are the innovative ways of supporting labor market reattachment and preventing structural unemployment?
3. Unleashing the potential of entrepreneurship, SMEs and the "social economy": adopting comprehensive and integrated strategies to address local market, government and institutional failures in order to promote social inclusion.


Meanwhile, in recent years, OECD’s LEED Program (Local Economic and Employment Development) has focused on the following issues: social innovation, social inclusion, and social economy. Looking at the major publications released by LEED, in general its research focus has gradually shifted from traditional concepts such as local governance and entrepreneurship to social innovation, social inclusion, social economy as well as capacity building.

In particular, social innovation is an important topic in the LEED Program over the past ten years. Social innovation can be defined as improving the welfare of individuals and community through employment, consumption or participation, its expressed purpose being therefore to provide solutions for individual and community problems. Social enterprises are considered an important tool for social inclusion, because they can play the roles of a community development agent, social capital provider as well as promoter of civil society development.

In addition, an OECD publication on "Social Economy: Building Inclusive Economies" was released in 2007. Apart from the theory of the social economy and development of politics and economy, the book also analyzes important issues such as the role of the social economy in development; social enterprises, institutional capacity, and social inclusion; the social economy: diverse approaches and practices; a supportive framework for social economy organizations.

Therefore, it is pivotal for Chinese Taipei and Asian economies to make necessary revisions to their research perspectives on the issues related to small and medium enterprises. Apart from traditional SMEs development issues, special attention should be paid to the influence of specific factors, such as globalization, financial crisis, long-term unemployment, and generation gap on SMEs and social development. Also, it is essential to deeply review the new challenges facing society and SMEs under these circumstances.

Social innovation deals with improving the welfare of individuals and community through employment, consumption or participation, its expressed purpose being therefore to provide solutions for individual and community problems.
SMEs Utilizing Transactional Financing Better than Borrowing Base Financing

Few SMEs do not need finance for their existence and development. People used to see funding and borrowing money as the same thing, or even have the misconception that borrowing money is taking out a loan from the bank.

In fact, the definition of financing is very broad and the funding sources and purposes are diversified. Taking out a loan from the bank is definitely not the only way to raise capital. Making a public offering, increasing capital, borrowing money, delaying payments, charging a deposit or guarantee in advance are all means of financing. Besides banks, funding sources include shareholders, affiliates, employees, money markets, securities markets, upstream suppliers, downstream customers and so on. If executives of SMEs are familiar with the financing tools, their ability to adjust capital and increase sales growth will greatly improve.

Broadly speaking, financing items include shareholders’ equity placed on the bottom right of the balance sheet and all the liability accounts on the top right. The former is equity fund and there is no need to repay capital with interest. The fund can be utilized any time unless the corporation is dismissed. The latter is external fund, which requires corporations to pay the liabilities on the due date.

Narrowly defined financing includes the liability accounts listed on the top right of the balance sheet. There are many accounts in this area, which can be categorized into two major types: borrowing base financing and transactional financing. The former requires borrowers to pay interest while this is not the general case for the latter.

Different funding sources on the balance sheet are shown below:

In terms of funding sources and the nature of the debt, borrowing base financing and transactional financing are completely different.

Borrowing base financing is mainly borrowing from capital suppliers with or without a discount rate. It is more difficult for SMEs to benefit from this type of funding if there is a lack of collaterals with poor credit rating. In addition, borrowers in most cases need to pay interest for using the fund. On the other hand, transactional financing
is raised by delaying payments for upstream suppliers or charging downstream distributors as well as customers to pay in advance and there is usually no need to pay interest.

Transactional financing has the following characteristics:

1. The need for financing typically stems from transactions and it is based on real operating activities. The result of financing is closely related to revenue and profits.

2. Funding sources include upstream suppliers and downstream customers. These creditors from the same industry are supposed to have a basic understanding of the operations of the corporations. There is a certain degree of trust between the borrowers and lenders that enables corporations to obtain credit conditions less strict than those from financial institutions. Moreover, the procedure is faster and more convenient without extensive paperwork.

3. The amount financed is normally the amount to be repaid, unlike borrowing base financing which requires borrowers to pay interest. Therefore, the cost of transactional financing is lower.

4. Transactional financing does less harm to business reputation. If a SME has too many borrowing base loans, other capital suppliers will become unwilling to offer credit. Transactional financing is also a form of borrowing; however, the money made available by suppliers and customers can fully demonstrate the trust they have put in the corporations, and this sometimes proves the value and status of the corporations.

The above characteristics show that transactional financing is often regarded as benevolent to corporations. Many SMEs have small registered capital but large revenue. They do not depend on banks for their financing but make good use of payables, bills payables, advance receipts and deposits received. This sort of financial statements has higher percentage of liabilities but they do not invalidate the trust the industry has in the corporations.
APEC Press Release: 
Small Business Key to Innovative Growth

In order to foster further cooperation in start-ups and entrepreneurship in APEC region, Chinese Taipei has proposed APEC Start-up Accelerator (ASA) Initiative in 19th APEC Small Medium Enterprise Ministerial Meeting (SMEMM), which has also been endorsed by APEC Ministers and Leaders in 2012. On 22 October, ASA was stressed in the article of "Small Business Key to Innovative Growth" by APEC official. Here presents the essence of the report, focusing on how entrepreneurial activities enhance innovative growth in APEC region.

Starting a business means "betting against the odds," says Anthony Koh, a successful entrepreneur from Singapore.

Finance is often difficult to find and so too good staff, mainly because it is hard to afford, at first, to pay the highest wages. Potential customers may not trust start-ups initially, because they are new to the market. Furthermore, as a company grows, and expands into regional markets, the challenges can be even more daunting. Information on everything from legal, financial and government regulations to market knowledge and local culture can sometimes be unclear, hard to find or unreliable.

"Sometimes it's hard to know which doors to knock on. Who will give me the right information? It's hard, unless you are able to engage the right consultant, but that will cost you some money," says Mr Koh, who runs an innovative online payment company.

APEC Start-up Accelerator (ASA) Initiative

The APEC Start-up Accelerator (ASA) Initiative, aims to connect newcomers with "mentors" such as well-known entrepreneurs and successful businesses around the region so that they can exchange information, advice and expertise on scaling up and seizing market opportunities. APEC economies are set to work together to host events to strengthen this network, which will also link new businesses to angel or venture capital funds, increasing their access to finance.

"Under the current economic climate, SMMEs face difficulties commercializing new products, systems, and services, as well as obtaining the necessary finance to effectively scale up and grow their businesses," says Johnny Yun-Lung Yeh, from Chinese Taipei, who helped establish the initiative.

"The ASA is designed to provide entrepreneurs and start-ups with better access to mentorships
and funding through events and communities, and to encourage exchange programs to help start-ups expand into partnering APEC economies," says Mr Yeh, Director General of SME Administration at Chinese Taipei’s Ministry of Economic Affairs.

Leadership and Innovation

APEC Leaders, meeting in September in Vladivostok, Russia, noted the importance of assisting SMMEs at an early stage, through this initiative and others. SMMEs are a significant driver of development and innovation in the Asia-Pacific. These businesses are therefore important to "improve the quality of economic integration and competitiveness of our economies," Leaders said in their Declaration.

Throughout 2012, APEC, chaired by Russia, worked under the theme "Integrate to Grow, Innovate to Prosper." Innovation is broadly defined as the process of introducing new ideas, methods or products to the world. Fostering innovation, creativity and intellectual capital can help drive up the value of exports and increase productivity and competitiveness, all of which create jobs and build greater economic prosperity.

SMMEs

As for SMMEs, APEC is pressing ahead with tackling their biggest hurdles – including "lack of access to financing, lack of capacity to internationalize and difficulty in identifying opportunities overseas and need for open and transparent business environments." Given the "current economic climate," addressing these challenges is critical, says Robert Lai, Chair of APEC’s Small and Medium Enterprise Working Group.

"They are of vital importance for generating new knowledge, products and services. It is our firm belief that the APEC innovation system cannot function without SMMEs, and our collective economic growth and competitiveness depend largely on their capacity to innovate. Such efforts will extensively facilitate trade and investment in the Asia-Pacific region." says Dr Lai.

Networking

At a first meeting of the APEC Young Entrepreneurs Network, in St Petersburg, Russia in August, successful entrepreneurs from different economies swapped experiences and knowledge. Information sessions were also held with relevant government officials, including on how to stimulate innovative start-ups, promote education in economies about entrepreneurship and increase access to finance.

For his part, Mr Koh agrees that networking is an important tool for entrepreneurs to build their business.

And growing new businesses bring prosperity. "It’s a sector that cannot be ignored. If more start-ups and entrepreneurs are successful that means they generate more jobs and that boosts the economy," Mr Koh added.

Stimulate Global Entrepreneurship, Initiate New International Innovation Platform

The world’s largest campaign to promote entrepreneurship, Global Entrepreneurship Week (GEW), took place in Chinese Taipei during 12-18 November 2012. One of the most important activities "2012 Young Entrepreneur Summit", hosted by the Small and Medium Enterprise Administration, Ministry of Economic Affairs, Youth Career Development Association and Taiwan Institute of Economic Research, was held in National Taiwan University Hospital International Convention Center on 15 November. In the event, foreign and local experts, venture capitalists and young entrepreneurs shared their experience and interacted with over 400 participants.

In the opening remarks, Mr. Wu Den-Yi, Vice President of Chinese Taipei, stressed the importance of entrepreneurship to Chinese Taipei’s economy and noted that Chinese Taipei was recently ranked #1 in entrepreneurial spirit in the world in the 2012 World Competitiveness Yearbook. His remarks aimed at encouraging more entrepreneurship in the economy and ensuring that Chinese Taipei’s government provides the support needed to help entrepreneurs become successful, making great contributions to the economy and global society.

In the morning session, Marianne Hudson of the Angel Capital Association as the representative of GEW introduced the spirit of the events. Dr. Harry G. Harris, President of HealthCare California, presented the core competitiveness of entrepreneurs of the new generation. Lennard Drogendijk, Vice-President of European Business and Innovation Centre Network(EBN), and Adriana ARCHAMBAULT, General Manager of the France Taiwan Chamber of Commerce and Industry (CCIFT), respectively made the keynote speech of the topic "European Perspective: Development Orientation of Incubation Industry in Chinese Taipei" and "Foreign SMEs and Startups' challenges and opportunities in Chinese Taipei". Afterward, a panel discussion was joined by the keynote speakers. The experts shared their experiences and observations of the global entrepreneurial dynamics and innovation trends, and received wide response from its participants.

The afternoon session was organized with a focus on four sections: internationalization trends, youth entrepreneurship and innovation, crowd funding, and searching for future entrepreneurship stars. "First meeting of the EBN in Asia" was moderated by Ching-Yao Huang, General Director of National Chiao Tung University Innovation and Incubation Center, and joined by Mr. Giodano Dichter, Head of Quality...
and Technical Assistance at EBN and Mr. Theo Stevens, Director of Brainport Development at EBN.

The energy in the event was particularly high during the session "Turning Points for Youth Entrepreneurship in the Changing Environment," featuring TK Chen (CEO, Gumhoo), Wei Shuan Chang (Co-Founder, Womany.net), and Chien Fu Kuo (CEO, Gogolook Co. Ltd). The lively discussion followed the journeys of each entrepreneur, including taking risks, financing the business, how entrepreneurs make their decisions, and how they interact with mentors. TK Chen mentioned that it is great for entrepreneurs to make use of resources; however, the entrepreneurs should know exactly what they want to accomplish. Wei Shuan Chang regarded starting a business as an attitude of lifestyle. She founded the Womany.net to provide different voices and lifestyle choices to every woman. Chien Fu Kuo shared the story about how he decided to give up the job in IBM and started his own business.

The following sharing was led by Tim Cheng, CEO of crowd funding website FlyingV. He emphasized that facing the economic recession, it is hard for early-stage startups to raise funding from investors, even "three Fs"—family, friends and fools. FlyingV provided a funding platform for creative projects. Some successful project creators, including Eric Chiu, Co-Founder of ch+u Fashion Design, Yi-Lin Chen, Co-Founder of OBL Group, Chih-Wen Liao, Founder of Happy Fruit, and A-Po, lead planner of “Yunlin, one and all”, talked about their personal experience about the original ideas of the projects and how they promoted their projects.

The Summit ended with a panel discussion on "Searching for Future Entrepreneurship Stars," moderated by Volker Heistermann, Managing Director of Yushan Ventures, and joined by panelist James Hill, Head of International Business Development at Cubie Messenger and curator of the Taipei StartupDigest newsletter, and Jamie Lin, Co-founder of Appworks. Volker and James brought the Kauffman Foundation’s 54-hour Startup Weekend event to 6 major Chinese Taipei cities in 2012. Prior to the Startup
Weekend, the startup community in Taipei lacked an event in which different members, developers, designers, marketers and business could come together and test new ideas. Failing is a key part of the entrepreneurial experience, and the Startup Weekend in Chinese Taipei has provided a secure environment, allowing "fail fast" and encouraging attendees to make the jump and learn from their past experiences.

Ms. Mei-Hsueh Lin, Deputy Director of SMEA, by establishing a crowd funding platform, she could observe that young people no longer make getting rich their first priority, but to know about the land on which they have grown up as well as important social issues. This attitude inspired diversified new startups that create both economic and social values. It is worthwhile participating in these startup activities and promoting the development of entrepreneurship.

Ministry of Economic Affairs used "Youth, Energy, Startup" to launch "2012 YES Taiwan" program, collaborating with Global Entrepreneurship Week (GEW), which was organized and added international connections from 125 economies all over the world. Over 20,000 people attended more than 26 startup related activities, being joined by incubation centers, venture capital enterprises, institutions related to entrepreneurship guidance, scholars and researchers. The results are expected to give directions for future policies, thereby showing Chinese Taipei's entrepreneurial competency and promoting international collaboration.

This year, Chinese Taipei proposed the "APEC Start-up Accelerator Initiative (ASA)" during the 19th APEC SMEMM and was also endorsed successfully by the leaders in the 2012 APEC Leaders Meeting. Next year, to assist new startups and entrepreneurs in the Asia Pacific Region, Chinese Taipei will have series of events, such as the APEC Start-up Accelerator Demo Day and Leadership Summit, and it will be a great opportunity for SMEs connect with one another and share experiences on successful entrepreneurship. With the joint efforts made among APEC 21 economies, the strength and growth of the entrepreneurship ecosystem in the Asia Pacific Region will certainly be enhanced, leading APEC to a more innovative and energetic stage.