



**THE PROBLEMS AND COUNTERMEASURES IN THE EXISTENCE OF SME
IN ASEAN**



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THE PROBLEMS AND COUNTERMEASURES IN THE EXISTENCE OF SME IN ASEAN

ABSTRACT

Title: The Problems and Countermeasures in the Existence of SME in ASEAN.

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The research objective of this paper was to study the problems and countermeasures in the existence of SME in ASEAN. The major obstacles currently faced by SME in ASEAN countries were shortage of funds, small market share and lack of skilled and skilled personnel. The significance of this paper was to promote the development of small and medium-sized enterprises in ASEAN countries, and to provide reference for how China can better develop small and medium-sized enterprises. The research methods in this paper were literature research method and case analysis method. With the analysis of existing literature and analysis of relevant trade theories, the paper analyzes the trade similarity between China and the 10 ASEAN countries and its changing process, and gives corresponding explanations. Get an empirical basis for explanatory power. Finally, based on the results of the analysis, combined with the actual content of the “One Belt, One Road” strategy, give considerations and suggestions on the trade between SME in China and ASEAN countries.

Keyword: ASEAN Countries, SME, Obstacles, Preventive Solution

摘要

题目: 东盟各国中小企业面临的问题及其对策分析

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本文的研究目的是研究东盟中小企业存在的问题和对策。中小企业目前在东盟国家面临的主要障碍是资金短缺，市场份额小，缺乏熟练和熟练的人才。本文的意义在于促进东盟国家中小企业的发展，为中国如何更好地发展中小企业提供参考。本文的研究方法是文献研究法和案例分析法，借助对已有文献的梳理和对相关贸易理论的分析，分析中国与东盟十国的贸易相似性及其变化过程，并给于相应的解释，得到具有解释力的实证依据。最后，在分析结果的基础上，结合“一带一路”战略的实际内容，对中国中小企业与东盟国家的贸易进行了思考和建议。

关键词: 东盟国家，中小企业，障碍因素，应对策略

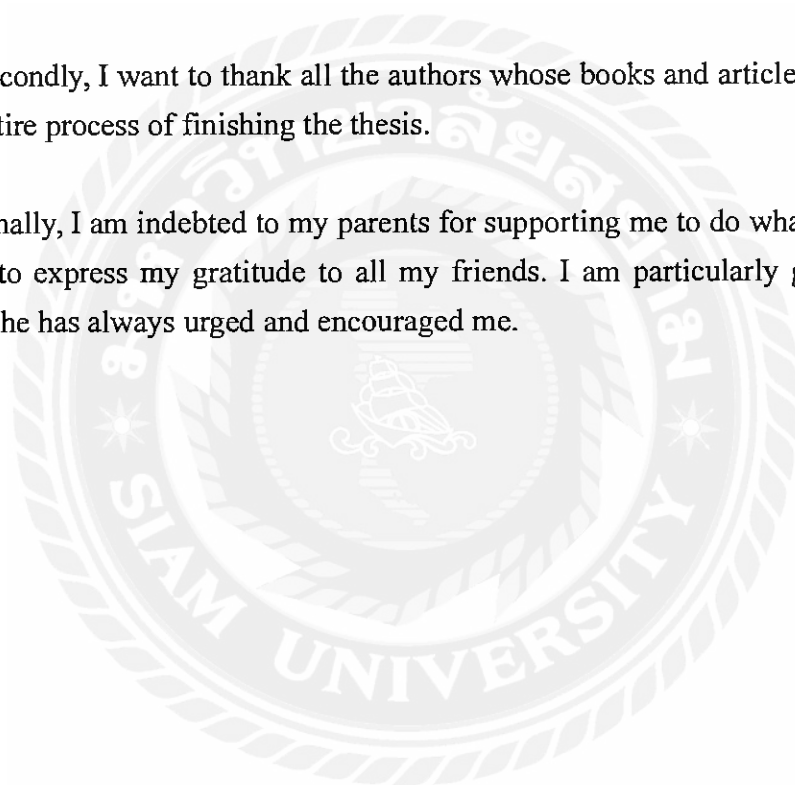
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At Siam University on April 27, 2018

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THE PROBLEMS AND COUNTERMEASURES IN THE EXISTENCE OF SME IN ASEAN

CHAPTER 1

INTRODUCTION

1.1 Research background

As the 10 Association of Southeast Asian Nations member states move towards closer economic integration, SME(small and medium-sized enterprises) in the region are meeting new opportunities and challenges.

An enterprise is a unit that integrates factors of production (land, labor, capital, and technology) and provides products and services to society under the conditions of profit motive and risk taking. SME refer to enterprises with small production scale, low market share of products, and simple management structure.

SME make up the vast majority of business enterprises across ASEAN and they create most of the region's employment opportunities. Even so, there is huge scope to increase the contribution they make towards ASEAN member states' GDP and the growth of the region as a whole. SME participation in international trade is also generally low. Increasing SME crossborder activity would boost economic growth and development in ASEAN, while also helping to increase the competitiveness of the SME sector. ASEAN member states have been cooperating to support SME development since 1995. The ASEAN Secretariat's five-year Strategic Action Plan for SME Development 2010–2015 (ASEAN Secretariat 2010) resulted in a number of achievements, including an ASEAN SME Policy Index to help member states benchmark their own SME policies and prioritise areas for action. Initiatives for supporting SME directly have also been launched,

such as a Web portal to provide SME with information to help them expand regionally and internationally, and an e-learning platform offering a range of business training courses.

Although modern business forms have been in existence for almost two centuries, they have been pursuing large enterprises and grandeur in Western societies. The country with absolute advanced theory and superiority theory has also disappeared. Moreover, small businesses create jobs and promote economic growth. Long-term empirical research has long shown that it has a very important role, but the study of small business theory. It is considered a new field. The reason for this is on the one hand the neoclassical classics after Marshall. In order to construct a traditional theoretical building, economic scientists only viewed the enterprise as a “black box” that conformed to the production function. And ignore the foundation and structure on which it is founded. On the other hand, academics in the Institutional School have found that companies are. After the market's substitutes, they once again focused on large companies, so that the development of hotbeds for large companies - small businesses are largely ignored by theorists.

From the perspective of the current world economy, SME have become the basis of national economy and the most active factor in the social economy. They are important driving forces for the sustainable development and prosperity of the social economy. With the improvement of the level of science and technology, the social division of labor is becoming more and more detailed, and the socialization, globalization, virtual, networking, and electronic of economic activities will surely benefit the development of SME. However, SME are also weak in Social economy groups. Compared with large enterprises, they also face many difficulties. How to help SME overcome these difficulties has become a worldwide issue.

1.2 Research objective

Although SME have a small scale of production, there are also economies of scale. The scale of SME. The economy is determined by its special production technology and market demand environment. A certain amount of demand and its with the appropriate production technologies, there are problems with the optimal production scale. Compared to different technologies and markets, one thousands of car production plants with an annual output of semi-mechanized manual labor, the scale of production in this

production the conditions may be optimal under the conditions. But if its product is just an ordinary car, and society needs it. The scale can also attract other automobile factories to use a variety of specialized equipment to implement large-scale standardized production.

Then, companies that remain in semi-mechanized manual labor cannot achieve scale competitive advantage. If the needs of society not enough to support large-scale production, more use of semi-mechanized production of smaller quantities of products, and the most efficient use of resources to form another form of scale benefits, then, the smaller the size of the enterprise, it is a wise choice.

All in all, analyze the major obstacles faced by SME in ASEAN countries and the government's assistance measures for this purpose, and make a summary.

1.3 Research meaning

With the deepening of economic and political cooperation between China and ASEAN, the importance of ASEAN to our country has gradually become more prominent. On the other hand, the contribution of SME to China's economy has increasingly attracted the attention of the world.

These measures not only greatly promoted the development of SME in ASEAN countries, but also It also has some reference significance for how China can better develop SME.

CHAPTER 2

PRESENT SITUATION OF SME IN ASEAN COUNTRIES

2.1 The concept of SME in ASEAN countries

ASEAN is very diverse different cultures, economic systems, history and political order. The ego of each nation in the grouping is typically self-centred. That creates troubles for the organization from time to time. Yet, looking at the global picture, forming the ASEAN Community is a strategic imperative and economic necessity. Collectively, the Southeast Asian countries as ASEAN will be competitive vis-a-vis other regions of the world and an attractive destination for investors. ASEAN needs foreign direct investment and jobs for its peoples. ASEAN will do well if the member states work together and navigate through the interests of powerful neighbour and the bewildering technological developments affecting the marketplace and society. The ASEAN Community is now the operating environment for all of us. The ASEAN Community has three pillars – political/security, economic and social cultural. The ASEAN Economic Community or the AEC has achieved positive results even though there are persistent complaints that ASEAN businesses are still not fully aware of the benefits accruing from the AEC. Tariff reduction and removal of obstacles to facilitate trade and open markets are ongoing. ASEAN is amalgamating its five Free Trade Agreements (FTA) with China, Korea, Japan, Australia, New Zealand and India into the Regional Comprehensive Economic Partnership (RCEP). Infrastructural development and connectivity are being improved. Overall, growth prospects for the AEC are good: more than 5% annually for the next five years.

2.1.1 The defining principle and defining standard of SME

SME are a relatively vague concept. Generally speaking, it is difficult to give a unified and appropriate standard should be defined by all industries. A comprehensive overview of the conceptual definition of SME in various countries or regions of the world can be found. The definition of SME is neither unitary nor immutable. Different countries or regions because of their respective economic development different stages, levels, and conditions, the definition of SME is not consistent, the same country or region with the advancement of its economic development process, it has continuously adjusted its

definition of SME. In determining SME an important principle in the concept of industry is the principle of relativity.

A company's size can only be determined when it is compared with the scale of other companies (usually compared in the same industry). Therefore, in many cases, relativity is more important than some objective scale. The principle of relativity is reflected in the following three aspects:

(1) Regional relativity. Countries with different economies of scale have different standards for defining the scale of SME. The number of employees is a commonly used indicator for defining the scale of SME in various countries or regions.

(2) Industry relativity. The actual size of SME varies greatly from industry to industry. However, no matter what kind of standards are adopted, the actual size of SME is always related to industry differences. Therefore, the scale of SME should fully reflect the characteristics of each industry.

(3) Time relativity. SME are only a relative concept. They are relative in time and are constantly changing along with economic development and social changes. Although determining a company's size can always be achieved with some more objective data such as employment, income, turnover, output value, etc., the scale standards of companies determined by using these data will change with time.

According to the defining principle, there are currently two internationally defined standards for SME: scale standards and status standards. The scale of SME can be roughly divided into two categories: The first category is based on some objective indicators of the company. This mainly includes: sales, employment, added value, product quantity and value, profit, total assets, net currency value, new capital investment, etc., of which the most used is employment and sales. The most commonly used SME indicator in the United States is that the number of employees is less than 500. The EU commonly used indicator is that the number of employees is less than 250, and the indicator commonly used in France is also less than 500. The second category is based on the relative share index in the industry. Regardless of the actual size of a small and medium-sized enterprise in an industry, only a percentage of the number of enterprises is determined. All enterprises within this percentage are small enterprises. There are two relative share indicators commonly used in the United States: the first is to define small-scale enterprises that account for 90% of each industry as SME, and the second is to take 75% of total sales in each industry on a smaller scale. Enterprises are defined as SME. The above indicators are more suitable for statistical analysis between industries. The latter indicators are more suitable for the classification management in the industry

and protect the competition in the industry.

The status standard is to classify companies according to their position in the market. The use of status criteria to divide SME is because large-scale enterprises tend to gain market dominance. If they abuse their dominant market position, they will form monopolies. This is extremely detrimental to market operations and economic development. Therefore, from the perspective of protecting competition and maintaining market order, it is imperative for SME to occupy a considerable proportion in order to form effective market competition and promote the development of market economy in the true sense. Compared with the scale standard, the status standard has fewer indicators. The definition of SME in developed countries usually adopts a combination of the two methods, that is, on the basis of a qualitative analysis of the market status of enterprises, SME are defined in terms of scale (Ronald, 1985).

2.1.2 ASEAN countries define the concept of SME

The defining standard of SME in ASEAN countries is mainly the scale standard. The quantitative indicators chosen mainly include sales, employment, registered capital, total assets, and fixed assets. At the same time, ASEAN countries fully embody the relativity of time, industry and region when formulating SME standards. Therefore, in different historical periods, the definition of ASEAN SME will be different.

During the period of the New Economic Policy (1971-1990), Malaysia established a small and medium-sized enterprise as a company with assets of less than 250,000 equities (at the time, total US\$100,000). In 1977, the government doubled this amount, that is, less than 500,000 equ. (at the time of a total of 200,000 US dollars) were SME. Among them, the number of full-time employees is between 1 and 4 for rural enterprises, 5-25 for small businesses, and 25-250 for medium-sized companies (Philippe, 2000). Since the 1990s, the definition of Malaysian SME In terms of change, small-scale enterprises are those whose fixed assets are less than 500,000 ringgit or less than 50 full-time workers, while medium-sized enterprises are those that have 500,000-2.5 million ringgit. Since 1998, in order to expand the scope of SME, Malaysia has added standards based on the definition of the original SME. That is, manufacturing enterprises with an annual sales income of less than 25 million ringgit and employees less than 150 employees also belong to SME (Ronald, 1985). Malaysian SME are mostly concentrated in labor-intensive industries. The characteristics of such enterprises are that their products are mainly for domestic sales.

Since its independence, Singapore has undergone major changes in its basic economic structure, and the definition of SME has also continuously changed. The definition of SME at the beginning of independence was simple: SME with assets of less than S\$250,000 (US\$120,500 at the time) were SME. In 1981, the Singapore government increased the standard to S\$2 million (US\$963,855 at the time) for SME. The late 80s and early 90s, the Singaporean government again stipulated that if an enterprise meets 2 of the following 3 conditions, it can be regarded as a SME:

- (1) Fixed assets less than S\$8 million;
- (2) Less than 100 employees
- (3) The annual turnover is less than S\$15 million.

According to this definition, there were 70,000 SME in Singapore at the time, accounting for 90% of the country's total number of enterprises. In 1998, affected by the East Asian financial crisis, the Singapore government expanded the scope of SME and redefined the definition of the standard as: low fixed assets SME are manufacturing companies with S\$15 million and service companies with fixed assets below S\$15 million and employees less than 200 (Philippe, 2000). The industrial characteristics of SME in Singapore are as follows: In the commercial sector, there are retail products for food, toys and groceries; in the manufacturing industry there are leather products, electrical and electronic, rubber and ceramics, etc.: There are investment companies in the service industry, financial lending, Real estate and so on.

The definition of SME in the Philippines has also undergone a series of changes. Before 1985, the standard for the classification of small and medium-sized enterprises was between 100,000 and 100,000 pesos (the total amount was US\$12740-127,400 at the time), and enterprises with 5-99 employees were SME. After 1985, the division standards of Philippine companies have changed, with the number of employed persons being classified, with 10 or less households, 10-99 small businesses, 100-199 medium-sized companies, and 200 or more large companies; classified by total assets. The following 500,000 pesos are family businesses, 50-500 million pesos are small businesses, 500- 20 million pesos are medium-sized companies, and 20 million pesos are large companies. In 1998, the Philippine government expanded the scope of SME in the manufacturing industry, and stipulated that SME had fixed assets below 60 million pesos and manufacturing companies with employees below 200 employees.

In the mid-1970s, Indonesia defined small and medium-sized enterprises (SME) as defining 70 million Indonesian rupiah (at the time, totaling US\$112,000). Among them, employees are between 1 and 4 rural enterprises, and employees are among 5-19 small businesses. According to this definition, there were 1,234,511 SME in Indonesia in 1974, accounting for 95.7% of the total number of enterprises. In 1998, facing the new situation of the Indonesian economy, the Indonesian government once again designated SME as having fixed assets of less than US\$1 million. The enterprises in the wholesale, retail, and service industries whose manufacturing industry and annual sales revenue does not exceed US\$5 million are SME.

Unlike other countries, there is no definition of a small and medium-sized enterprise in Thailand that can be widely accepted. Various public institutions and departments have their own classification standards for SME to meet their own needs. Moreover, many concepts are ambiguous and ambiguous (see Table 2-1). In late 1998, the Thai government began to unify the classification standards of small and medium-sized enterprises in order to make the statistical caliber consistent and at the same time enable the government's policies to be effectively implemented. On December 22, 1998, the Thai Cabinet stated that in drafting the "Promotion Law for SME," the classification of SME should include the following points:

(1) SME should be an independent legal entity;

(2) Medium-sized enterprise standards: In the field of production and service, its fixed assets should not exceed 200 million Thai strains.

The industry does not exceed 100 million Thai mills, and the retail industry does not exceed 60 million Thai strains;

(3) Standards for small-scale enterprises: In the fields of production, service, and wholesale, fixed assets should be less than 50 million Thai strains, and fixed assets in the retail industry should not exceed 30 million Thai mills. Unfortunately, this taxonomy has not been finally accepted. In the SME Promotion Law passed on January 12, 2000, this taxonomy was not adopted. Despite this, the Thai government is still actively collecting data to establish a unified SME standard classification. This article uses the classification criteria of the Ministry of Industry Development of Thailand.

Table 2-1: Thailand departments divide SME according to total assets and number of employees

	Medium-sized enterprises	Small-scale enterprises
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Organization	Fixed assets	Employee	Fixed assets	Employee
Small Industrial Finance Corporation	-	-	≅ 0.5	No regulation
Small Industrial Guarantee Company	-	-	≅ 0.5	No regulation
Industrial Development Department	0.2~1	50~200	≅ 0.2	≅ 50
Industrial Finance Corporation	1~5	No regulation	≅ 1	No regulation
Thai Bank	≅ 5	No regulation	≅ 0.5	No regulation

Source: Referred from Philippe Regnier, *Small and Medium Enterprises in Distress: Thailand*, Gower Publishing Limited, England, 2000, P29.

It can be seen that due to the wide distribution and large number of SME, it is not easy to define them uniformly. Since ASEAN countries have different defining standards at different times, it is natural for ASEAN as a whole to be unable to formulate a unified SME standard that meets the national conditions of each country.

2.2 Present situation of SME in ASEAN Countries

2.2.1 Changes in the Development of SME in ASEAN Countries before the 1990s

After the ASEAN countries achieved independence after the war, they adopted a strategy of industrialization and SME achieved initial development. Indonesia's SME have been slow to develop in the 50-60s due to the impact of state capital and foreign-funded enterprises. In 1974, the Indonesian government issued a decree restricting the activities of foreign capital, and small and medium-sized private enterprises began to develop. The development of domestic SME in Malaysia in the 1950s and 1960s was also relatively slow. The "New Economic Policy" implemented in the 1970s put emphasis on and support for SME and formulated corresponding policies and measures to promote the development of SME in the country. In the Fourth Five-Year Plan (1980-1985), the government of Malaysia used SME as an integral part of industrial development and formulated guidelines for SME. The Philippines is the first country in the ASEAN countries to implement industrialization. The relative number of SME and their economic status are higher than those of other countries.

In the 1950s and 1970s, the government implemented economic policies that benefited ethnic SME, enabling SME to develop rapidly during this period. However, by the mid-1980s, the status of Philippine SME has been continuously weakened relative to the proportion of large companies. In the early 60s, SME developed rapidly in Singapore and played a major role in the early stages of industrialization. However, with the transformation of industrial structure and the influx of foreign capital, foreign-funded enterprises gradually took the place of local SME, and the role of local SME was becoming less and less. In the 1950s, Thailand implemented industrialization policies that focused on the development of national capital, which inhibited the development of domestic private SME. After the 1950s, Thailand gradually abandoned this economic policy and turned to encourage and develop private capital, which created the development of domestic SME. Conditions.

Although SME in the ASEAN countries have developed along with industrialization and played an important role in the national economy, the development of SME is slow relative to the development of large enterprises. The foundation of SME is still very fragile. This is because as the ASEAN countries accelerate the process of industrialization and the economy is at the take-off stage, the composition of the company's scale will also change toward larger scale. A number of large-scale enterprises have been established, and small and medium-sized enterprises have joined the ranks of large enterprises due to the expansion of their production scale. Coupled with the implementation of the export-oriented industrialization strategy, the standardization of products, large production volumes, and low profit per unit of product have stimulated the establishment and development of large enterprises. In addition, government policies are tilted toward large enterprises and state-owned enterprises, which is also the reason for the slow development of SME at this stage.

2.2.2 The Development of SME Since the 1990s

Since the beginning of the 1990s, as the globalization wave has swept every corner of the globe, many countries in the Southeast Asian region have continued to insist on export-oriented strategies while on the other hand they have focused on the development of the domestic micro-foundation of the economy. At the same time, the past industry base relied heavily on the drawbacks of a particular area or industry. It also gradually revealed that Malaysia relied heavily on electronic appliances and semiconductors, while the Philippines relied heavily on the textile and clothing industry, and Thailand focused on the development of Agro-based Industries. Singapore relies heavily on financial services. Moreover, most of these industries or areas are controlled by foreign capital, and they are mainly engaged in the production of capital-intensive and imported raw material-intensive products. This single unreasonable industrial structure makes the

industrial bases of ASEAN countries obvious vulnerability. In order to better develop its own economy in the era of economic globalization, ASEAN countries must establish their own industrial pillars and industrial bases and optimize their own industrial structure. In this context, promoting the development of SME is regarded as an important measure to improve the domestic industrial structure. ASEAN countries have supported small and medium-sized enterprises from various aspects such as financial assistance, technical support, information consultation, and encouragement of development. This has enabled SME in ASEAN countries to achieve a relatively rapid development.

In 1997, the East Asian financial crisis first broke out in Thailand. During the crisis, due to the lack of government support, SME that were at the height of the financial turmoil collapsed. In 1998 alone, there were 2 million people in the industry, and the number of bankruptcies in SME was twice as many as in 1996.

Until the second half of 1998, ASEAN countries began to focus on the impact of the crisis on SME and formulate some countermeasures. Thailand promulgated the "Promotion Law for SME" and the "Small and Medium-sized Enterprise-led Plan". At the same time, the World Bank, the Asian Development Bank and the Japan Overseas Economic Cooperation Fund, and Thailand's public financial institutions were drafted between 1999 and 2004 to jointly become Thai SME. Provide concessional loans and risk investment plans. In addition, Singapore has launched the Small and Medium Enterprises Promotion Plan and the 21st Century Plan. Indonesia has allocated special funds for the development of SME, and Malaysia has actively provided consulting services for SME.

Nevertheless, on the whole, the current state of development of ASEAN's SME is still worrying. Compared to large companies, their contribution to the economy has been declining year by year, especially in Thailand. In addition, ASEAN's SME's production methods are still lagging behind and their operating base is very fragile. Many countries in ASEAN have a large number of family industries. In particular, the number of family companies in Indonesia accounts for more than 90% of the total number of enterprises in the country, and their employment accounts for more than 50%. Their domestic SME mainly focus on labor-intensive and low-tech. Hierarchy and traditional handicraft sectors. Singapore SME are dominated by commerce and service industries, and the proportion of SME in manufacturing is relatively small. SME in other countries mainly focus on food, wood processing, textiles and garments, and plastics. In accordance with the high concentration of industrial geography in ASEAN countries, the regional distribution of SME is relatively concentrated. Indonesian SME are mainly concentrated in Java. Malaysia is concentrated in four states on the west coast of the Malay Peninsula. The Philippines is concentrated in Metro Manila and Thailand is concentrated in and around Bangkok.

2.3 The Status and Role of SME in ASEAN Countries

The rational corporate structure in the national economy is characterized by the “pyramid”. A large number of small and medium-sized enterprises co-exist with a certain number of large-scale and super-large enterprises. Just like a pagoda, small and medium-sized enterprises are tower bottoms, while large-scale and extra-large enterprises are towers. top. The number of small and medium-sized enterprises affects the prosperity and development of the national economy. The size of large-scale and extra-large enterprises shows the economic strength of the country. There are no ordinary SME, especially small and medium-sized enterprises supporting large enterprises. The stability, sustainability, and healthy development of large enterprises. Although the development of individual SME has been fluctuating, and a large number of companies have gone bankrupt each year, more SME are born every year. This is an endless business community. It is precisely this type of enterprise group that plays a pivotal role in satisfying social needs, creating employment, promoting economic growth, optimizing industrial structure, and promoting export earnings. The SME in ASEAN countries have played the following roles in the economic development process.

ASEAN could do better and it has prioritised the development of small and medium enterprises (SME) to achieve equitable, inclusive and sustainable growth, as they represent more than 95% of all enterprises in the region. This could also contribute to poverty reduction as well as improve the status of women in the region as almost half of the enterprises are women-owned. ASEAN SME are the backbone of the ASEAN economies. According to the ASEAN Secretariat, they employ between 52% and 97% of all workers. In addition, their contribution to each ASEAN Member State’s GDP varies between 30% and 53%. However, their share of total exports remains small, between 10% and 30%. This means much remain to be done to strengthen the role of SME to help ASEAN economic integration. The ASEAN Strategic Action Plan for SME Development laid out five key strategies: (1) promote productivity, technology and innovation; (2) increase access to finance; (3) enhance market access and "internationalisation"; (4) enhance policy and regulatory environment; and (5) promote entrepreneurship and human capital development.

According to the Economic Research Institute for ASEAN and East Asia (ERIA), the lack of strategic approach to innovation policy for SME is one of the impediments of SME development in ASEAN. It is therefore necessary to find ways to promote

technology and technology transfer for developing SME's innovation capabilities. Protection and promotion of intellectual property rights, development of broadband infrastructure and industrial parks, and sufficient financial incentives in research and technology development are some policy measures which have to be instituted to boost the SME.

2.3.1 Create a lot of job opportunities

The shortage of capital and the abundance of labor are common features of ASEAN countries. This requires less investment for each job creation. From this point of view, SME can create more job opportunities than large companies. (1) SME are mostly labor-intensive, their investment costs are not high, and the capital-labor ratio is low. Therefore, the cost of capital required for employment per creation unit is low; (2) SME can provide employment for unskilled workers. Increase the income of low-income groups, which is very beneficial for developing countries where unskilled workers play a major role; (3) The demand for initial capital, management, and other scarce resources for small businesses is limited. Therefore, this helps semi-unemployed or unemployed people to create their own company, self-employment, and create jobs for others. A Malaysian study shows that for companies with more than 100 employees, their per capita fixed assets are much higher than fixed assets for companies with less than 100 employees.

In addition, the indicator for measuring employment creation in small and medium-sized enterprises can also be used as the ratio of the number of SME employed to the total population of each country. This indicator was 45.6% in Singapore in 1986, Thailand was 62% in 1990, and Indonesia was 50% in the early 1990s.

Table 2-2: Employment and Ratio of SME in Manufacturing Industry in Thailand (1996)

Sum (people)	1-4	5-9	10-19	20-49	50-99	100-199	≥ 200
157363	117588	21666	8897	4662	1896	1195	1464
100	74.53%	13.8%	5.7%	3.0%	2%	0.8%	0.97%

Source: According to Tang Jushang (1999), Small Foreign Enterprises, China Planning Press, 1999, P30.

2.3.2 SME are an important driving force for economic growth

Due to the large scale of SME and their distribution in various areas of the national economy, SME have increasingly become a major factor in economic growth. From the perspective of the number of enterprises, SME have absolute advantages. In Indonesia, the total number of large and medium-sized enterprises in the industrial sector in 1986 accounted for only 0.9%, and small and domestic enterprises accounted for about 99%. Malaysia's SME accounted for 95% of the total number of companies in 1999. Thailand accounted for 98% in 1996 and the total number of companies reached 118,648. In the Philippines, SME accounted for 90% of the total number of enterprises in 1999. In the early 90s of Singapore, SME accounted for 90% of the total number of enterprises in the country, mainly in the retail, trade, consulting, service, manufacturing and other industries, of which SME in the trade and retail accounted for 30% of the total, manufacturing industry accounted for 4%.

From the perspective of output contribution, SME also account for a considerable share. Thai SME created 60% of manufacturing output in 1996, 47% of economic value added and 55% of total exports. In the early 1990s, Singapore's gross output of SME accounted for 40% of the country's gross domestic product.

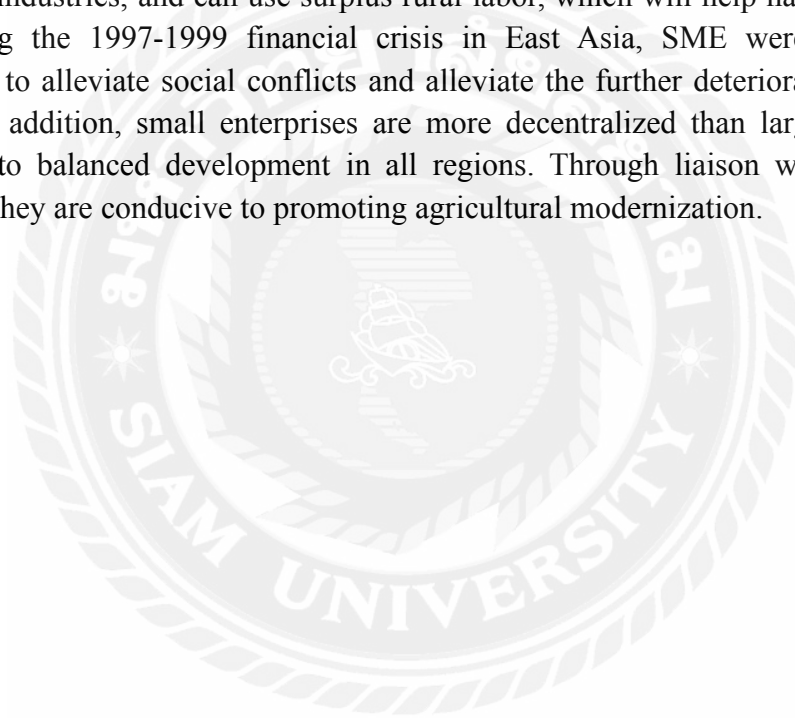
2.3.3 SME also have great potential in expanding export earnings

SME have strong competitiveness in the production of traditional handicrafts and other material-intensive and labor-intensive products. According to the calculation of the Thai Ministry of Industry, Thai SME earn 50% of their export earnings (ie, total exports), which is second only to Taiwan (56%) and higher than South Korea (42%). Malaysia's SME exports account for total exports. 20%. In addition, according to a study conducted by Mohd Ghazali et al in 1998, among the 95 sample SME surveyed, 35% of SME had 26.50% of their total income from exports, and 15.8% of SME exports were Between 11-25% of its income, nearly 20% of SME's exports are below 10%, and other SME do not export. According to Indonesian Ministry of Industry data, between 1983 and 1992, the export volume of SME rose from US\$137 million to US\$2.1 billion. This shows that SME are as productive as large companies in terms of exports.

2.3.4 SME help increase capital formation and reduce income gap

From the perspective of saving capital, SME can increase their savings in the economy and, to some extent, compensate for the savings gap. The sources of funding for SME are mainly borrowed from relatives and friends, or credit obtained from traders, and relatively little funding from the formal financial sector. In the absence of a fully developed financial market and the underdeveloped formal financial sector, the development of SME has actually increased capital formation.

From a social point of view, SME also help to reduce the serious inequality in income distribution. If large enterprises can produce a group of high-income people, SME have created a group of low-income people. Through SME, income can be passed on to more employees. Rural industry can supply necessary raw materials and spare parts for other rural industries, and can use surplus rural labor, which will help narrow the income gap. During the 1997-1999 financial crisis in East Asia, SME were considered as modulators to alleviate social conflicts and alleviate the further deterioration of regional poverty. In addition, small enterprises are more decentralized than large ones and are conducive to balanced development in all regions. Through liaison with major urban industries, they are conducive to promoting agricultural modernization.



CHAPTER 3

RESEARCH METHOD

This article takes the ASEAN SME as the research object, and mainly uses the research methods of literature research and case analysis. A large number of documents are used to conduct individual case studies of various countries in ASEAN and the results are analyzed.

Wang Qin wrote in Singapore's Economic Development Research (1995) that Singapore introduced a small industrial technology upgrade and product development plan in 1982, and later it was renamed Local Enterprise Technical Assistance Program. The plan provides for technical assistance payments for companies that improve technology, improve operations, and hire foreign experts. From 1982 to 1987, there were 30 projects that had received a small-scale industrial technical assistance program with a loan amount of S\$5.10 million. In 1993, 397 local enterprises received the plan, with a loan amount of S\$7.5 million. In 1986, the Institute of Standards and Industry undertook a small-scale industrial technical assistance program and set up a number of science and technology centers for food, electronic testing, design, and development to carry out product development, quality inspection, industrial product and technology standardization, and market consultation for local SME. And technical training and other services. At present, there are more than 100 SME assisted by the institute.

The theory of economies of scale holds that the size of a competitive enterprise is determined by the medium and long-term average cost level. In other words, the medium-long term average cost curve is U-shaped when all elements are variable. Market free competition. As a result, the company's production scale is at the lowest point of the average cost curve. For medium and long-term cost curve. With a U-shape, the usual explanation is that there are some fixed production costs (plants, machines, buildings, etc.), No matter how high the level of output, it will inevitably happen. As the output increases, the variable cost increases, but it is fixed. The cost does not change. Therefore, there is a downward trend in the cost per unit. However, after a certain point, further Reducing the average cost becomes very difficult because some inputs are difficult to

change as the size of the company changes. At this point, if the enterprise expands again, it will inevitably lead to an increase in the average cost curve in the medium and long term, and the scale will increase. Not economical. The theory of economies of scale on the one hand points out that companies should pursue economies of scale while expanding production. It also pointed out that we cannot pursue scale indefinitely.

Manufacturing has been identified as a key pillar of growth in many Southeast Asian (ASEAN) economies. However, in the last decade many countries have become keen competitors for foreign direct investments. Many countries are trying to improve their total business capabilities by encouraging computerisation of small and medium sized enterprises (SME). Manufacturing SME (M-SME) are tasked to adopt technologically advanced programmes. With an improving public education system and more literate work force, more SME are better positioned to tap into the knowledge-based economy. There is tremendous amount of knowledge intensive activities within the multi-flows of the M-SME. Although the concept of ERP systems and artificial intelligence (AI) techniques have been around for more than two decades, this has largely remained the domain of the larger companies. ASEAN M-SME have been slow to implement it. In this paper, the various strategic and operational requirements of regional M-SME are presented and a knowledge-based resources planning model making use of AI techniques is proposed. This improved AI model makes use of the large amount of accumulated knowledge typically found in the M-SME, especially those in the electronics and precision engineering sectors. This includes a case study of how an electronics precision engineering company adopted the proposed AI model.

The "Foster Parent Program" is a system of cooperation between large and medium-sized companies (acquired fathers) and small businesses (nurtured children) with weak economic power. This cooperative system enables small businesses to obtain high-quality raw materials on time and at reasonable prices from the "father". In Indonesia, the supply of raw materials for small companies is a big problem. Even if there is sufficient liquid capital, it may not guarantee the supply of raw materials. On the other hand, most small businesses have difficulties in obtaining liquidity from banks due to their inability to meet the additional conditions imposed by banks. The system enables small businesses to survive in the economic relations between upstream and downstream companies. The system also enables banks to lend money to "nurtured children" through "parents" to purchase raw materials. Some "fathers" also provide technical assistance to small businesses and sell products for small businesses.

The establishment of Philippine SME management institutions is relatively early in time. As early as 1962, the Philippine government set up the Department of Home Industries to guide the coordination of the development of rural family industries. In the

1960s, the Philippine government and the Dutch government also jointly established the Small Enterprise Research Institute of the University of the Philippines, mainly engaged in small enterprise training, research, consulting and information services, and urged the national and local governments to pay more attention to SME. In 1974, 12 government agencies affiliated with the Ministry of Industry of the Philippines jointly formed the "SME Committee" to strengthen guidance for SME in terms of technology, finance, management, and markets.

In 1981, the Ministry of Industry and Commerce formally established the SME Bureau (later renamed SME Development Bureau) to provide advice to SME in terms of industrial decentralization, development of export industries, expansion of localization ratio, improvement of productivity, and technology transfer. Other organizations serving SME include the "Philippine Design Center", "Philippine Development Academy of Sciences", the "Trade Support Center" under the Ministry of Trade, the "Small Business Support Center," and the "Technical Resource Center." In addition, some private institutions such as the Philippines Social Development Chamber of Commerce, non-governmental organizations, and private voluntary organizations also play an important role in coordinating the development of SME across the country. However, the independence of various management agencies and the lack of cooperation have caused duplication of work, which will affect the efficiency and effectiveness of supporting SME.

CHAPTER 4

THE OBSTACLES AND THE COUNTERMEASURES BY SME IN ASEAN

4.1 Analysis of obstacles faced by ASEAN SME

4.1.1 Shortage of funds

Capital is the first driving force and continuous driving force for the development of enterprises, and it is also a key factor that affects SME from birth to growth to growth. However, the shortage of funds is a common problem in the development of SME, and it is also the most important issue encountered by SME in ASEAN countries.

Access to finance is a key concern for ASEAN SME. According to ERIA, there is a big gap in the access to finance of the less developed ASEAN Member States when compared with Singapore, Malaysia, Thailand, Indonesia, and the Philippines. There are also cumbersome requirements. According to the World Bank, an average of 47 days is required for 13 procedures to start a business in Indonesia, while it requires 73 days for six procedures in Lao PDR. It would only take three days to complete three procedures in Singapore and online electronic applications are made to a single authority. The business registration process should be simplified. Promoting human resource development and entrepreneurship is essential for SME to succeed. Entrepreneurship learning programmes help equip SME with improved management and business methods. Presently, the ASEAN Common Curriculum in Entrepreneurship, which is one of the initiatives of ASEAN Strategic Action Plan for SME Development, aims to establish a common curriculum for entrepreneurship in the region with the use of an entrepreneurship educational programme that is currently implemented in ASEAN universities. In conclusion, it is essential to implement an effective SME development policy that will propel regional cooperation among ASEAN Member States. This will assist SME to expand internationally and integrate them into global supply chains.

(1) Financing status of ASEAN SME

a) the company's own accumulation

This is the primary source of funding for small and medium-sized enterprises when they are established. It mainly includes personal savings, financing to friends and family, and internal retention of the company. Funds that have been accumulated by themselves have the lowest cost of use. However, the self-owned capital of ASEAN countries is less. The self-accumulation awareness of SME is poor. Many SME lack the long-term management thinking due to the quality of their own businesses, and tend to have short-term tendencies in the distribution of profits. Almost all of the profits are used for distribution. Rarely considered from the perspective of the company's long-term perspective Funds to supplement the lack of operating funds. When the company has just opened, it will often digest technology, create brands, and strive to expand the scale to occupy the market. However, when we really have a market and when we see benefits, we find that funds have become a “bottleneck”. In Malaysia, only half of the sources of funds for starting small businesses are self-owned funds, while the rest are mainly borrowed from commercial banks. In Thailand, SME own only 32.3% of their capital. However, the enterprises in developed countries attach great importance to their own accumulation. For example, in the case of U.S. companies when they were founded, individuals accumulative accounted for more than 60% and only 9% borrowed from friends and family.

b) Borrowing of informal informal financial institutions

This part of the funds is characterized by short deadlines and high interest rates. From 1982 to 1987, 40% of SME in the clothing, food and metal processing industries in the Philippines were financed by non-formal financial channels. In the metal products industry, a large part of the fixed capital of SME is borrowed from this channel, making SME bear a heavy burden of interest and increasing the rate of closure of small businesses.

c) bank loans

At present, the financing of SME in ASEAN countries is still largely dependent on bank borrowings. Because in the ASEAN economic development process, the government often promulgate various regulations to restrict the establishment and development of non-bank financial institutions, resulting in the vast majority of funds concentrated in the hands of banks, companies have to rely on bank loans. In addition, the

government has established a credit policy for SME. Many of its credit funds are issued from banks, which also increases the dependence of SME on banks. According to statistics, Thailand's SME obtained loans from commercial banks in 1998 reached 44.6%, and loans from state-owned banks reached 8.9%, totaling more than 50%.⁰¹ Although the initial capital required for the development of SME in Indonesia is mainly from private savings and the informal financial sector, However, development funds are mainly borrowed from banks. In 1995, this proportion was 62%.

d) venture capital

Venture investment generally refers to high-risk and long-term investments made by professional investment companies to private companies or institutions through financing agreements and other forms of agreements. The goal is not to obtain dividends, but also not to obtain interest income. Instead, it seeks to increase the capital appreciation under high risk through the professional development and management assistance of the invested company, and finally through the introduction of a listing or equity transfer method.

e) the stock market financing

The financing of the stock market of SME is mainly through the second board market. The Singapore Securities Trading Automatic Quotation System was established in 1989 and its listing criteria are very flexible. As long as SME have the development potential, they can be listed on the second board market as long as they can prove that they have the ability to obtain funds, carry out project financing, and develop products. The Kuala Lumpur Second Market (KLSE) was established in November 1988. It has specific requirements for the paid-in capital of listed companies. The paid-in capital that is issued at the time of listing must be composed of all ordinary shares, with a minimum of no less than 40 million forests. Gite. If you have preferred shares or negotiable bonds, you should realize them before listing. At present, there are more than 280 listed companies in the second board market in Kuala Lumpur, with a market value of 39 billion ringgit (about 1 billion US dollars). Although Thailand established an alternative investment market for SME in June 1999, its operation was not very successful. Neither the Philippines nor Indonesia has specifically created a second-tier market for SME.

(2) East Asian Financial Crisis Accelerates Financing Difficulties for SME

The Asian financial crisis that erupted in 1997 was not only a banking crisis but also an economic crisis that affected all aspects of the economy. For SME, the crisis has made the financing more difficult, which can be explained from the following two aspects: (1) From the perspective of funding demand, the crisis has caused people's purchasing power to decline, causing a serious backlog of SME's products. The shortage of liquidity required for the continued development of the enterprise has increased the funding needs of SME. According to statistics, during the crisis, the domestic market demand for Thai SME has dropped by 30% to 40%, and the market demand for SME in some auto parts and electronics industries has contracted by 60-100%. (2) From the perspective of fund supply For one thing, on the one hand, because of the existence of non-performing loans, banks began to shirk their loans, which not only increased the interest rate on loans, but also limited the maximum number of loans.

On the other hand, suppliers of raw materials, intermediate products, and services have greatly shortened the deadline for payment, and have greatly reduced the amount of funds that SME have obtained from commercial credit.(3) The impact of shortage of funds on SME.

A fund known as the "blood" of a company's life and the "source" of life, if there is a shortage in the development of the enterprise, the impact of this shortage on small and medium-sized enterprises is a matter of life and death, ranging from a temporary suspension of production to a failure. Bankruptcy.

4.1.2 Market share issues

In many foreign literature, market share is considered a serious constraint to the development of SME. In the ASEAN region, James and Akrasanee (a famous study conducted in 1988 showed that market share is one of the major obstacles faced by SME in the region (Singapore is less). This study concludes that: If SME are not in market share With progress, market share will become a serious problem that restricts SME in the 21st century.

Market share mainly refers to the market share of products. Like large companies, the market for SME has two parts, domestic and international. In the domestic market, SME are subject to competition from products produced by large domestic companies, foreign-funded enterprises, and imported goods. In the international market, SME's products are subject to fierce competition from large and small SME around the world.

4.1.3 Skilled personnel lack of medical care.

4.1.3 The third section of skilled personnel medical lack

The lack of skilled personnel is considered to be another important factor constraining ASEAN's SME. Skilled talent not only includes employees who have advanced technical knowledge, but also entrepreneurs with modern management skills. Both of these resources are scarce in ASEAN countries.

(1) The quality of employees and the lack of technical staff.

In small and medium-sized enterprises in remote rural areas, many employees have never received any professional training. They only rely on long-term accumulated experience to operate extremely simple machinery and equipment and earn a little wage for their families.

(2) Most SME managers lack the theory and practice of modern enterprise management.

The enterprise's management is in a disorderly state. There is no market research before the birth, no strict cost accounting is strictly carried out, and there is no strict quality control in production. There is no Specific marketing strategies; no post-natal service. This backward management and management philosophy has led to the blind production of SME and the low quality of their products.

4.2 ASEAN Countries' Strategies for Developing SME

SME are an important part of the national economy, not only because of their large number and variety of forms, but also because they involve various aspects of economic life and they have played a role in creating jobs, promoting exports, economic growth, and income distribution. huge contribution. It is precisely the recognition of the important role of SME in the national economy. Since the epoch, governments in ASEAN countries have actively involved SME with a view to protecting and supporting the development of SME. They focused on the major issues faced by SME in the market competition, and made a lot of meticulous and in-depth work on financial policies, technical assistance, human resources development, promotion of exports, and encourage cooperation between large and small enterprises, etc., as a necessary and primary step. It is to establish a corresponding special management organization as an organizational guarantee and to formulate laws concerning SME.

4.2.1 Establishing an organizational leadership system for SME

The establishment of a special administrative management organization has become the primary content of the development support policies for small and medium-sized enterprises in various countries. In order to fully implement all policies and produce policy results in a timely manner, governments of various countries have spared no effort and spent a lot of resources and manpower to build a comprehensive package that includes the central government, local governments, civil society organizations, and even individual investors. Multistage management system. Western developed countries established administrative agencies for small and medium-sized enterprises in the early post-war period, while in ASEAN countries, after the mid-70s, the management functions of small and medium-sized enterprises were generally established and adjusted, and were specifically responsible for the formulation of SME development plans and policies. And coordinating the development of SME and initially forming an institutional network to guide SME.

4.2.2 SME financing benefits

(1) Malaysia's Financing Preferential Measures

The Malaysian government and financial institutions have broadened their financing channels and provided various financing facilities. Malaysia also established a credit

guarantee system for SME.

(2) Indonesia Financing Preferential Measures

Indonesia has two major loan programs for SME: Small Business Investment Credit (or Liquidity Plan) and Rural Enterprise Credit Plan.

(3) Philippines Financing Preferential Measures

Established in the SME Guarantee Fund to encourage the development of the private sector, it has imposed mandatory regulations on various lending businesses for banks to SME. The specific standard is 5-10% within five years.

(4) Singapore Financing Preferential Measures

Small Business Funding Scheme. The Singapore government has also given SME great help in financial policy. The most famous of these is the Small Business Funding Program. The plan was an integral part of the Economic Development Council's Capital Assistance Program in November 1976. In 1991, the plan was renamed the Local Enterprise Funding Program.

(5) Thailand Financing Preferential Measures

Before the East Asian financial crisis, Thailand was mainly conducted through the two official financial institutions of Thailand Industrial Finance Corporation and the Ministry of Industry Small Business Loan Bureau. The Ministry of Industry also cooperated with the state-owned commercial bank, Bank of Thailand, to launch a loan of 10 billion Thai strains to be loaned to SME that have joined the Ministry of Industry's rural industrial development projects. In order to solve the problem of liquidity shortage, the Thai government is also committed to improving the ability of financial institutions to identify loan projects, evaluate the performance of lending companies, and provide guidance to clients. The purpose is to rebuild people's confidence in banks and other financial institutions. In addition, the Thai government also intends to establish a special service bank for SME.

The Thai government attaches great importance to the development of high technology in SME. To this end, the Thai government has issued long-term and low-interest loans to private investors dedicated to the research, development and application of science and technology.

At present, Thailand is setting up a technology innovation fund to encourage companies to increase their technological content.

4.2.3 SME Technology Development Policy

(1) Provide technology to SME

There are numerous small and medium-sized enterprises, but many SME lack the corresponding human and financial resources to build their own R&D institutions. Some SME do not even have technical research capabilities. Therefore, they urgently need to improve their technological level and change their backward technology. To this end, many countries have established different types of scientific research institutions that serve the technological development of SME and provide SME with appropriate technologies. Indonesia has established thousands of SME development centers and technical assistance centers in the country, which are responsible for technology popularization and technical guidance for SME.

(2) Provide financial protection for SME technology development

Because large enterprises generally have sufficient manpower and capital, they can engage in more project development, and even fail to survive through tough financial resources, while SME are obviously constrained by lack of funds. Therefore, ASEAN countries pay more attention to assisting SME in accelerating technological progress from the aspect of funding.

(3) Strengthen intellectual development and provide talent support

Regarding large enterprises and SME, having advanced technology and high-quality talents is the key to the sustainable development of the company. There is a serious shortage of SME in ASEAN countries in terms of entrepreneurs, general technicians and skilled workers. To this end, governments around the world are developing intellectual development and providing talents in these areas.

(4) Provide information services for SME technology development

In today's world, information and technology are changing rapidly. Whether they can grasp these information in a timely manner and make correct decisions is very important for companies to effectively conduct technological development. The government itself is a larger center of information transfer and has advantages in collecting and disseminating information. Therefore, helping SME to understand scientific and technological information so that they can better plan technological innovation activities has become an important part of ASEAN's SME's technology policy.

4.2.4 SME Export Development Policy

With the globalization of the world economy, companies in all countries are facing fierce international competition, especially among SME. For this reason, many countries have formulated policies that support the export of SME and increase their competitiveness.

4.2.5 Small and Medium Enterprises and Large Enterprises Cooperation Policy

The scale of modern enterprises has a tendency to develop in two directions: on the one hand, production is centralized, production factors are increasingly concentrated on a small number of large enterprises, and on the other, production is decentralized, and the number of SME is increasing. Practice has proved that large, medium and small-sized enterprises have developed at the same time and have closely integrated and coordinated development. This is an objective trend in the development of the scale structure of enterprises.

(1) Singapore's "Local Industrial Improvement Plan"

In order to change the situation in which foreign multinational corporations have weak links with local industries and establish a strong supporting industrial system, in May 1986, the Singapore Economic Development Bureau formulated and implemented a local industrial improvement plan (later renamed the Local Enterprise Promotion Program). The company's strength is to improve the production technology and management level of local SME, to promote the establishment of a division of labor and cooperation between multinational companies and local SME, so that more manufacturers become parts suppliers of multinational companies.

The plan is divided into three phases: the first phase focuses on improving the basic operating efficiency of local SME; the second phase is to increase the level of SME identification of new products and improve processing technology, and at the same time promote multinational companies to subcontract part manufacturing to In the third phase, multinational corporations assist local companies in product research and development. At present, there are 32 foreign multinational companies participating in the program, and there are as many as 200 local SME. Among these multinationals are American Telegraph and Telegraph, Hewlett-Packard, General Electric, Apple Computer, Philips, Panasonic, Sony and other famous companies. Most of them are electronics and electronics companies. The local SME that participated in the program are mainly engaged in die casting and metal die casting. , plastic molding, electronic and electrical accessories and other auxiliary industrial enterprises. With the assistance of these multinational companies, the quality of local SME has been improved to varying degrees. Among them, more than 30 local companies have entered the second phase of the implementation of the plan.

(2) Indonesia's "Father Adoption System"

The scale of modern enterprises has a tendency to develop in two directions: on the one hand, production is centralized, production factors are increasingly concentrated on a small number of large enterprises, and on the other, production is decentralized, and the number of SME is increasing. Practice has proved that large, medium and small-sized enterprises have developed at the same time and have closely integrated and coordinated development. This is an objective trend in the development of the scale structure of enterprises.

According to the Economic Research Institute for ASEAN and East Asia (ERIA), the lack of strategic approach to innovation policy for SME is one of the impediments of SME development in ASEAN. It is therefore necessary to find ways to promote technology and technology transfer for developing SME's innovation capabilities. Protection and promotion of intellectual property rights, development of broadband infrastructure and industrial parks, and sufficient financial incentives in research and technology development are some policy measures which have to be instituted to boost the SME.



CHAPTER 5

THE ENLIGHTENMENT OF ASEAN SME TO CHINA

Through the introduction of the relevant policy measures mentioned above, it can be seen that ASEAN has spared no effort to support SME. In the long run, these policies have greatly helped SME out of their difficulties and promote the development of SME. The role of SME in ASEAN economies is self-evident, whether in times of economic prosperity or economic recession. During the financial crisis, some small and medium-sized enterprises in the service industry and high-tech industries with strong flexibility, advanced management, and close to consumer demand not only survived the crisis but also expanded their business. 1 Even though there are many companies that have suffered the impact of the crisis, the recovery cycle has been much shorter than before with the active support of the government. It is generally believed that SME have a stronger ability to withstand the crisis than large companies. 2 It can be said that the rapid revival of SME has accelerated the ASEAN countries to step out of the economic downturn, while the industrial upgrading of ASEAN countries and the “second takeoff” macroeconomic policy have brought new opportunities for the development of SME.

On the other hand, in the short-term, due to the large number of SME and their wide coverage, most of them are labor-intensive industries. Therefore, not every SME can benefit from the government’s support policies. There are also many SME located in remote rural areas who do not know what kind of government assistance measures, of course, there is no way to talk about benefits. As for SME that have access to government assistance, they cannot enjoy all the preferential measures. In other words, SME do not have equal rights to enjoy government support. Despite the variety of government measures, the supply of these policies appears to be a drop in demand for the needs of individual SME and cannot meet the long-term development needs of SME. As for the specific measures, many still cannot be put in place. For example, in 1998, the Thai government allocated 50 billion Thai strains for SME, but only 60% was used, because this part of the loans is mainly long-term loans, while SME lack working capital. 3 Therefore, ASEAN countries should strengthen support for SME in a wider range.

The formation of an ASEAN-China Investment Area should also aid in generating more investments for ASEAN. Not only will more ASEAN and Chinese companies be willing to investment within the integrated market, since market risk and uncertainty are lowered, but US, European and Japanese companies, which are interested in making inroads into the Asian market, will also be attracted to invest in the integrated market.

On its own, China has been successful in luring investors into its growing economy for it has the essential investment determinants in place. China's market potential is already well established and its performance in relation to some indicators of institutional quality and macroeconomic and political stability is better than other members of ASEAN. And despite the perceived inadequate legal framework, high inflation and the pervasiveness of bureaucratic red tape and corruption, foreign investors are looking at the long-term benefits of investing in China more than its short problems.

As such, the integration of ASEAN with China can entice more foreign corporations, which each market alone cannot otherwise attract. With a larger market, more intense competition, increased investment and economies of scale, investors will be more inclined to locate in the integrated region.

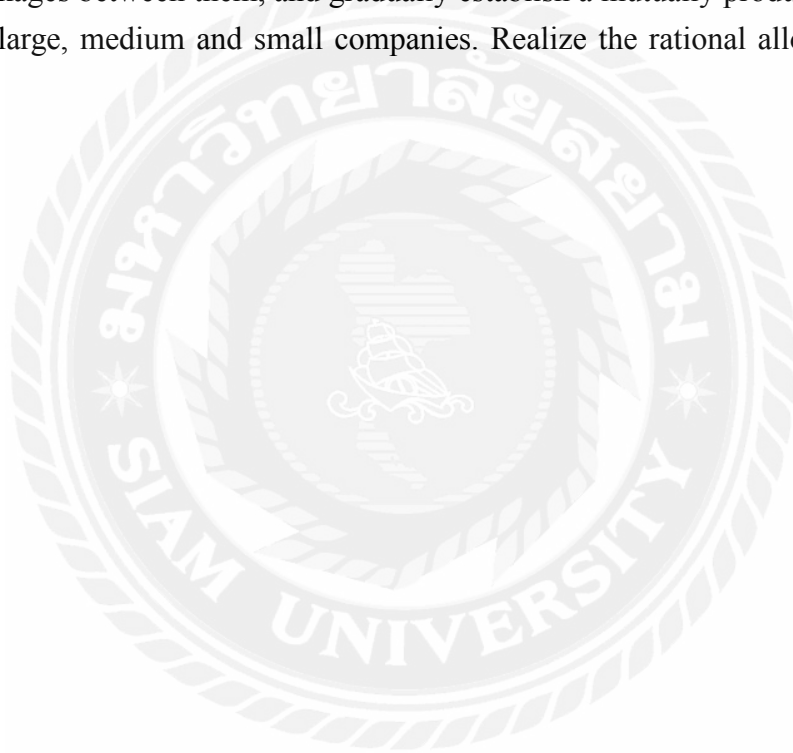
With China's accession to the WTO, SME will encounter more and more challenges. ASEAN countries and China are close neighbors, but also belong to developing countries (Singapore is a newly industrialized country). The development soil and environment of SME are largely similar. Its attitude towards the active support of SME and some of the policy measures adopted have certain implications for China:

First, we must strengthen legislation and establish Multistage management institutions for SME. Sound legislation is the basic guarantee for the stable development of SME.

Second, establish and improve the financial service system for SME. For a long time,

China's financing pattern has been oriented toward the state-owned economy and large enterprises. Financial support for SME is not enough. This is the main reason for the financing difficulties of Chinese SME.

Third, establish a mutually coordinated production system for large, medium and small enterprises. In China, long-term fragmentation has resulted in the convergence of industrial structures in all regions and the lack of complementarity. We should learn from Singapore, Indonesia, and other countries' practices and guide industrial and other measures to guide large companies to provide raw materials to SME, purchase products, promote linkages between them, and gradually establish a mutually productive production system for large, medium and small companies. Realize the rational allocation of social resources.



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