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**Council for Trade-Related Aspects of  
Intellectual Property Rights**

**EXTRACT FROM MINUTES OF  
MEETING OF THE  
COUNCIL FOR TRADE-RELATED ASPECTS OF  
INTELLECTUAL PROPERTY RIGHTS**

**HELD ON 19-20 OCTOBER 2017**

**ITEM 12: INTELLECTUAL PROPERTY AND INNOVATION:  
INCLUSIVE INNOVATION AND MSME TRADE**

**EXTRACTED FROM DOCUMENT IP/C/M/87/ADD.1**

## AGENDA ITEM 12: INTELLECTUAL PROPERTY AND INNOVATION: INCLUSIVE INNOVATION AND MSME TRADE

### 12.1 Switzerland

308. Switzerland is honoured to co-sponsor agenda item 12 in cooperation with Australia, the European Union, Japan, Chinese Taipei and the United States. This group of Members submitted Communication IP/C/W/635 of 9 October 2017 to provide Members with some background information on the topic of "Inclusive Innovation and MSME Trade, as well as to propose a number of questions which could guide the Council's discussion.

309. The Council has discussed a diverse range of subtopics under this agenda item over last few years, from the role of education and awareness raising, the challenges of innovative start-ups, to the role of women or IP & Sports. Today's proposed topic on IP & innovation is definitely home turf for the WTO: inclusive innovation and micro, small & medium enterprise (MSME) trade. The co-sponsors propose that Members share their experiences on IP-related measures they have taken to support MSMEs in their trade activities, for us all to find out which of these measures work and which ones may have not done so.

310. What IP strategies and policies have Members considered successful in helping their MSMEs to integrate into the global economy and in what sectors could they extend their trade exports best.? At the outset of our discussion, let me be clear about one thing: No one claims that by providing IP protection or ensuring IP enforcement alone would a country's economy or its MSMEs thrive in trade and exports. Clearly, many factors are relevant in that respect and adequate and effective IP protection and enforcement are just some among these factors. Thus, IP is just one piece of the puzzle. However, it's an important one. At a Panel event organized yesterday afternoon at the WTO by the Friends of IP & Innovation (FOII) Group of TRIPS Members, we have heard this message from representatives of MSMEs repeatedly

311. The US delegation will in their intervention report in more detail about the panel event and particularly the case studies that were presented yesterday by representatives from Government, academia and the private sector.

312. As for Switzerland, with your permission, I will ask my colleague for the purposes of our today's discussion to present two Swiss case examples on how MSMEs can use IPRs to maximize the potential to develop and grow through trade from their home base into export markets. Communication IP/C/W/635 refers among others to so called "unique selling points" or "USPs" that MSMEs can develop and harvest through making strategic use of IPRs. It won't come as a surprise to you that one of our case examples will deal with cheese, but we will start with an example about drinking water.

313. *Introduction.* We would like to further illustrate those innovation mechanisms and provide two specific examples of small Swiss MSMEs which successfully apply IPRs for business with innovative products in international trade.

314. How do you find your favorite coffee beans in retail stores, considering a wide variety of packaging and labels? For the average consumer they may all look more or less the same. Should you open some of the packaging and smell the beans, taste, maybe chew them?

315. How do you distinguish between two cheeses if the only visible and obvious difference is the price? Try to smell the product although it is well packaged? How do you know this is the product you are looking for and not one which is just similarly packaged to the one you had in mind? If you cannot really tell from the label, you may simply choose the cheaper product or the more expensive one, if you believe that the higher the price, the better the product.

316. Hence the importance of information. We need further information about the product to decide on our purchase, rather than just rely on our ability to smell or taste. This illustrates the underlying issue of our topic: facilitating MSMEs trade activities, making use of IP.

317. It is trust which enables trade. You would not enter a business transaction if you do not trust the other side or your business partner. But how to build trust if producers and consumers do not have the same level of information on the traded product?

318. In domestic and small markets the level of information may be more balanced. However, at the international level, the so-called "information problem" increasingly becomes a major issue. Producers, service providers, traders, they all need a proper marketing strategy. A strong and well protected brand can be crucial for success in trade.

319. Property rights are a key tool to create trust. Well-defined property rights clearly reduce the lack of trust between trading partners, reduce transaction costs and increase the information symmetry. IP rights are one part of the property rights system.

320. IPRs facilitate enterprises to succeed in global trade. The following two examples focus on two main examples of how intellectual property rights support trade activities of MSMEs.

321. Example 1: Trunz Water System AG. Switzerland is a small and open economy, on average more than 50% of MSME's turnover results from exports. Thus, let me first present you an example of a typical example of an innovative Swiss SME that is performing well in foreign markets.

322. Trunz Water Systems AG is a small Swiss enterprise which develops, manufactures and distributes independent water systems worldwide. Trunz' aim and motto is "Drinking water and electricity anywhere and anytime". The company owns different patents for their unique and sustainable technology. IPRs enabled Trunz to export their products and expand into foreign markets. As their products are highly research-intensive, IP is crucial to protect the company against unfair competition and free-riders. It was thanks to IPRs that Trunz Water Systems could secure a return on their initial investment, reinvest and step by step develop an innovative product of a high quality standard.

323. In addition, they make use of a trademark to differentiate themselves and their products from competitors. As was already pointed out in earlier interventions, trademarks are a critical instrument in the legal framework, and particularly for internationally operating firms like "Trunz Water Systems". In their case, trademarks offer the possibility to identify and make a product stand out, flag its quality and maintain the company's reputation worldwide.

324. The company won the Export Award of the Federal Agency "Switzerland Global Enterprise" in 2012 and is an example which illustrates how a successful national and international IP strategy, combined with an international cooperation strategy, can enable MSMEs to realize their potential for export, or increase their export volume.

325. "Trunz Water Systems" is also an example of how IP-protected goods can have positive spill-over effects for low- and middle-income countries. This is either by way of IP owned by domestic companies in those countries, or by way of local trading partners which benefit either as part of the distribution system being established for the traded product itself or through the licensing of new technologies to produce better products in domestic markets.

326. A proper legal IPR framework enhances the incentive for globally operating and trading enterprises, ensuring and identifying the quality of their products, protecting the IP and thereby allowing for reinvestment in the innovation cycle, for improved, even better products.

327. *Example 2: Tête de Moine.* Our second example illustrates the same with a small number of Swiss MSMEs that produce a special kind of cheese, the "Tête de Moine", and have established it as a successful export product. It is an example of how trade opportunities can be increased by improving the information flow and trust and how to make an existing product more attractive and successful in trade by adding an innovative edge – and why protecting these added values through the use of intellectual property rights is so important.

328. Switzerland is known as a country with extensive tradition and experience in cheese production. In the case of "Tête de Moine" the historical documents about cheese producing monks in the monastery of Bellelay reach back to 1192. Historical documents provide evidence of

continued characteristic features of the cheese, such as its specific taste, the quality and its use e.g. as a means of payment.

329. Product quality can be built over a short period of time, or can develop over time, and may be maintained over centuries. Most often, such successful products and services are also the result of a collective effort. The right IP tools can be essential to encourage building up reputation, develop exceptional products and maintain their quality over a long period of time.

330. Trademarks are commonly seen as such a tool or also, in the case in point: geographical indications (GIs). The producers of "Tête de Moine" in north-western Switzerland used this tool and developed their IP strategy early on. It is a good example of how a product adequately protected by IP grew in national trade and exports.

331. "Tête de Moine" not only benefits from a GI, but also from a patent on a device which was specifically developed for scraping [ei] the cheese. The producers' association recently also applied for a geographical trademark to be registered. There are also several word trademarks as well as text/picture trademarks registered.

332. Geographical indications and trademarks provide consumers additional and trustworthy information about the characteristics of a product. They foster trust by better signaling to consumers what they can expect from their product. Hence, the consumers' willingness to pay for an innovative and high-quality product.

333. "Tête de Moine" is associated with the so-called "Girolle", a traditional, innovative product, a technical device patented in 1981. The idea behind the "Girolle" is running a spike through the "Tête de Moine" cheese and applying a rotating knife to cut, or rather scrape, it. Thereby, you easily produce decorative, mouth-sized pieces of cheese in the shape a rosette or chanterelle. Some delegates hopefully had the opportunity to taste the Tête de Moine on the occasion of the Workshop on "Fairness and Transparency in IP" event at the WTO last Tuesday.

334. Since 1981, when the "Girolle" was commercially launched, sales of "Tête de Moine" have increased by an average of 60 tons each year. Since the early 1990s the production has almost doubled from 858 tons (in 1990) to 2'386 tons (in 2016). Roughly 63% of the cheese specialty is exported.

335. The IP strategy drafted for "Tête de Moine" paid off. As a matter of fact, the "Girolle" won a Swiss innovation prize in 1986. Since this product was first launched, 2.5 million items of the device have been sold. Nowadays, the export figures speak for themselves. It is also thanks to an extensive IP strategy that the association "Tête de Moine" was able to increase their export value for about 29% since 2006.

336. Trademarks and GIs are part of the "Tête de Moine" story and the remarkable increase in export volume of a processed agricultural product. Trademarks and GIs can provide much added-value also for producers in low-and middle-income countries. Their economies often have a high potential for trademarks and GI protected agricultural products, with IP increasing MSMEs' international trade opportunities.

337. *Conclusion.* The two different examples show that IPRs can be a main driver of MSMEs trade activities and open up new export opportunities. We see the following take-aways. First, a stable and proper IPR framework in the domestic and foreign country supports MSMEs to step into foreign markets and open up new trade opportunities. Second, IPRs are used to identify quality and reputation. They contribute to increase the information levels in general and especially for internationally traded goods. Third, IPRs are a key element and facilitator for trade activities, especially for MSMEs, in low- and middle-income countries, just as in high-income countries.

338. We are looking forward to hearing from other delegations about their experience, about MSMEs experience, and about policy approaches how to support them.

## 12.2 Korea, Republic of

339. It is an honour to be given this opportunity to briefly explain to you the contents of the guidebook for *SMEs' IP-Business Cycle*. The goal of this project was to create a guidebook to share experiences concerning IP business support policies and programmes among countries. The guidebook primarily focuses on IP creation and IP utilization. In a broad view, IP creation has six programmes in total in two categories: the private sector and the public sector; and IP utilization has eleven programmes in total in three categories: IP commercialization, IP trade and IP valuation.

340. In terms of IP creation support in the private sector, there are three programmes. As the starting point to the policies, we have the only programme of providing support for prior art search to enhance the possibility of acquiring IP. Then derived from that come programmes of subsidy for patent acquisition cost to increase SMEs' IP creation, and support for making client specific patent maps for more R&D and commercialization.

341. The public sector programmes aim to promote IP creation in universities and public research institutes. One programme matches patent management experts to universities and public research institutes, to establish IP infrastructure in such places, and the other provides support for selecting excellent technologies and subsidies for IP acquisition for creating IP of a high quality.

342. Proceeding to programmes for IP utilization, the guidebook focuses on those that support IP commercialization, IP trade and IP evaluation. IP commercialization supports the category of programmes that cover issues such as the commercialization of SMEs' IP. Basic programmes include, for example, subsidy cost for developing prototypes of SMEs' inventions such as 3D-designs and working mock-ups and preferential purchase by the government. Entering the developing phase, the programme of product innovation using IP, works to advise improvement of SMEs' products through solutions disclosed in prior art in different technical areas.

343. Also within IP utilization is IP trade support to enhance trade of patent technologies. There are two programmes for offline and online patent markets and later more developed programmes of IP trade export that procure IP trade and subsidy for consulting on IP trade. Through IP valuation support, SMEs can raise funds for their businesses by using IP-valuation for rules and investment. Subsequent to the programme for valuating technological value and business feasibility of IP, the value of IP can be converted to finance through programmes that support guaranteed rules, IP security rules and investment. We hope this guide will become useful for developing countries and LDCs and increase their IP capacity.

## 12.3 Japan

344. The delegation of Japan would like to express its sincere appreciation for the opportunity to share Japan's experiences in supporting global business activities of micro, small and medium enterprises or "MSME Trade".<sup>1</sup>

345. In addition, this delegation would like to thank the US delegation for hosting yesterday's side event, at which discussions between the panelists from various regions of the world were so inspiring that we were able to be more encouraged to disseminate the essential role of IP for innovation.

### Slide 1

346. Currently, there are about 3.82 million companies operating in Japan and 99.7% of those companies are MSMEs. Also, when considering the fact that MSMEs account for 54.6% of the gross value added of the Japanese economy, this delegation would say MSMEs serve as the basis for the Japanese economy.

347. Meanwhile, the graph at the lower right of the slide shows the number and percentage of direct exports from MSMEs in the manufacturing industry. As shown in the graph, the number of direct exports from MSMEs has been increasing over the years. However, the percentage of MSMEs' exports out of the total production volume still remains at a low level, which accounts for

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<sup>1</sup> The representative of Japan made a PowerPoint presentation, available in Room Document RD/IP/20.

only 3.5% in 2013. Thus, this delegation believes that MSMEs have a great potential to develop through increased international trade.

#### *Slide 2*

348. In this slide, this delegation would like to introduce one possible way for MSMEs to expand their businesses, and it is to increase their business transactions on a global scale. In general, quite a few MSMEs have technological advantages in very specific fields. Some MSMEs have also gained knowledge of niche or unique demands of potential users in neighboring and other foreign countries. This delegation believes that by linking these specific technologies with such niche or unique demands, high-quality, new products can be developed. This could facilitate new trade transactions by MSMEs and create new markets.

349. Please have a look at an example shown in the lower part of the slide. This case involves an SME that manufactures food processing machinery in Hokkaido, the northernmost area of Japan. That company was able to improve its equipment by making use of its own technology for processing marine products, based on the demand for automation in a neighboring country. By developing a business strategy based on the needs of foreign customers and by protecting its proprietary IP through obtaining patent rights, the company has been successful in expanding its business activities abroad. This delegation believes that such product development and business-expansion activities enable MSMEs to participate in regional and global value chains, and thus contribute to "MSME Trade."

#### *Slide 3*

350. However, any business expansions into foreign countries by MSMEs are not so easy. We should note that MSMEs have to deal with various risks and overcome many obstacles, in order to be involved in business activities abroad. In particular, when MSMEs expand their business activities to foreign countries, there is a great risk that their technologies and designs could be copied. According to the results of a survey that we conducted on MSMEs, which are shown in the figure in the upper left of the slide, 20% of MSMEs are concerned about the risk of expanding their businesses to foreign countries. They feel that they might suffer damage caused by infringements of their intellectual property rights through counterfeit goods.

351. In order to avoid such risks, it is essential for MSMEs to obtain IP rights also in foreign countries. However, we should also note that MSMEs need to deal with difficulties in managing and enforcing the IP rights that they obtained. According to another survey of ours, many MSMEs responded that a significant obstacle in managing and enforcing their IP rights is their lack of information and knowledge on intellectual property, and their lack of human resources capable of managing intellectual property.

#### *Slide 4*

352. In this regard, this delegation would like to introduce one of the initiatives that Japan has been undertaking to deal with such risks for MSMEs. In Japan, under the leadership of the Japan Patent Office and relevant authorities, Global IP Strategy Producers have been placed to support MSMEs throughout the country, to help with their IP activities in foreign countries. In fact, Producers offer various types of support such as formulating appropriate IP strategies depending on individual business circumstances, helping MSMEs to avoid infringements in countries where MSMEs are expanding their businesses; and establishing their own internal IP procedures to prevent technological leaks, etc.

353. This slide shows one successful example. It is a case in which an SME that manufactures sugarcane harvesting machines planned to sell its products in foreign countries. The company consulted a Global IP Strategy Producer and asked how to negotiate user agreements. Then, based on the Producer's advice, the company succeeded in concluding agreements with favorable conditions, so as to minimize risks of technological leaks, with a foreign business partner. The agreements were so successful that, as a result, the company was able to receive additional business offers. Now, while consulting Global IP Strategy Producers, the company has been advancing its business carefully in terms of managing its IP rights, and is planning to increase production through licensing and outsourcing in foreign countries.

354. This delegation believes that product development based on demand or requirements by foreign countries, especially neighboring countries, can significantly contribute to "MSME Trade."

However, in order for this to happen, it is crucial for MSMEs to make effective use of their IP. Governments can help MSMEs by providing customized technical advice on IP management. This delegation would like to thank you all once again for giving this opportunity, and sincerely hopes to share information with you on ways to implement and improve activities and policies for supporting MSMEs.

## 12.4 European Union

355. First of all we would also like to thank the organizers for yesterday's side event on innovation and growth, which I think was a great success.

356. Improving the ecosystem for start-ups and scale-ups has direct beneficial effect in driving growth and sustaining employment. Therefore, several Members have already put in place or are considering initiatives to create an environment conducive to innovation and entrepreneurship, in particular for MSMEs. Given the importance of the MSMEs in the world economy, support has been provided by many Members not only to improve the development of their domestic activities, but also to encourage small businesses to enter international markets. Furthermore, working in partnership with all levels of government, regions and cities and local communes and all stakeholders (including start-ups and scale-ups themselves) is vital in order to identify and implement those measures that can provide support to MSMEs in their trade activities.

357. There is a variety of policies and other tools used by governments to encourage entrepreneurs to start a business and to engage in innovative activities, including mechanisms to remove barriers for MSMEs, programmes which create new opportunities and support small businesses to connect with the right partners or access commercial opportunities, personalised support services, and financial instruments which aim to stimulate MSMEs' access to financing. In addition, since IPRs play a crucial role in enabling MSMEs to spur innovation and creativity, whilst promoting economic growth, there should be a focus on facilitating SME access to IP, which includes actions to coordinate IP support funding schemes for innovative SMEs, individualised support services for the acquisition and use of IPRs, and measures to support IPR enforcement.

358. Among other activities of the EU and its Member States, the EU aims at providing such information and support for MSMEs through the IPR SME Helpdesk programme, which encourages MSME participation in an open international trade framework. Since 2015, there are three IPR SME Helpdesks that were set up and funded by the EU in different regions of the world. These Helpdesks provide European MSMEs with free, practical, business advice relating to IPR in these regions, and it is foreseen that these projects will continue to carry out their activities beyond 2018.

359. More specially, the Helpdesks:

- Provide free information and services in the form of jargon-free first-line confidential advice on intellectual property and related issues, plus training, materials and online resources.
- They raise awareness about IPR matters in the three regions that affect European MSMEs, enabling them to make informed decisions.
- The services are available to all EU MSMEs, and the Helpdesks are working closely with European MSME networks, chambers of commerce and industry associations to provide advice on IP and related issues.
- The Helpdesks also produce industry and business-focused materials and training tools (e.g. IP specific guides, Country IP factsheets, industry specific guides etc.) that address IPR issues.
- Training events and webinars are another important service offered by the three IPR SME Helpdesks. They organize both face to face and online trainings which concern IPR protection, management and enforcement, and that are carefully tailored to the needs of SMEs. Each event features an interactive presentation from various IP experts and also provides MSMEs with the opportunity to sit down for a free, 20-minute one-on-one

advice session with the experts. Moreover, some of these activities are open to anyone interested in protecting their innovations and businesses, including of course from local companies.

360. The key role of IP in the success of MSMEs has long been recognized. Recent data from the EU Intellectual Property Office (EUIPO) show that businesses using IP rights perform better, and this is particularly true in the case of MSMEs. MSMEs owning IP rights have almost one third higher revenue per employee than MSMEs that do not.<sup>2</sup>

361. A variety of different strategies and support measures are applied by governments in order to encourage and help MSMEs in the use of IP, which aim help them achieve a better integration into the global economy. However, getting innovative start-ups and MSMEs to benefit from the IP system, whether by registering rights or by applying other IP protection methods, is not enough. Additional support must be provided to small businesses in order to help them make good use of the IP system.

362. As a matter of fact, the IPR SME Helpdesks projects prove how MSMEs are supported in being better integrated into the global economy.

- Very often, users of the services do not have a high level of theoretical awareness of IP importance as a business tool or they have erroneous concepts about use costs and general IP rights' management. Some of them do not even have a comprehensive IP strategy in place.
- The IPR SME Helpdesks provide assistance with such things. For example, following the advice of the Helpdesks to prepare an IP strategy and contracts with local partners. In the same vein, a large part of companies have decided to register an IPR after requesting advice from the regional Helpdesk.
- The Helpdesks also give the opportunity to local MSMEs in the host countries that engage in commercial cooperation with EU MSMEs to strengthen the links between them with regards to the protection and enforcement of IPR.
- By monitoring relevant IPR developments affecting MSMEs in the territories covered by the programmes, the Helpdesks are able to provide basic support for initial contacts with local law enforcement agencies in the host countries.
- Finally, the Helpdesks support a better integration of MSMEs into the global economy by taking advantage of the potential synergies with other EU initiatives (such as the EEN Network to promote technology transfer funded under the COSME programme, the IP Key projects etc.).

~~363.~~ MSMEs have a key role in the world economy and bring a substantial contribution to international growth and employment. In fact, across the EU28, MSMEs make up 99.8% of all enterprises, 57.4% of value added, and 66.8 % of employment.<sup>3</sup> MSMEs also have a significant social contribution by providing certain benefits, such as more flexible working arrangements.

364. However, it is well known that MSMEs usually have limited resources and management capacities, so they are less able than large-scaled enterprises to engage in global markets.

365. By using IP as a business tool, MSMEs can improve the competitiveness and increase their revenues. Yet, evidence shows that only around 10% of SMEs have registered IP rights, compared to one third of large companies.<sup>4</sup> Moreover, small businesses will not be able to receive the full value of their IP if they cannot enforce them when need. Therefore, given the important role MSMEs play in fostering innovation and growth, it is important to fully unlock their potential with the multilateral trading system by making sure they are taking full advantage of their IPRs in order to be able to compete with companies bigger and more established than themselves.

366. Concretely, one of the export sectors in which MSMEs have been very successful in increasing their share of exports thanks to an efficient IP-strategy is the ICT sector.

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<sup>2</sup> Intellectual property rights and firm performance in Europe: an economic analysis (EUIPO, 2015)

<sup>3</sup> Annual Report on European SMEs 2015/2016: SME recovery continues (European Commission 2016).

<sup>4</sup> Intellectual property rights and firm performance in Europe: an economic analysis (EUIPO, 2015).



- For example, a small European technology enterprise that developed the Near Field Communication (NFC) technology, I am sure you all have this in your mobile phones, it is also by the way the Apple pay mechanism, found itself competing against giant European and Asian tech companies that had accessed its inventions and patents, but failed to pay their fair dues.
- The main problem was that few of these tech giants, including Asian and European tech companies, were willing to take the correct licence on their extensive patent portfolio even though all these large enterprises were using and profiting from their technology.
- In general, it is very challenging for an SME to afford the litigation costs facing such large companies for patent enforcement.
- Nevertheless, the MSME, with the help of EU Member State public services supporting MSMEs in such case, went through the painful process of litigation against several large companies and finally winning in litigation. And this actually helped the company to survive; it was at the brink of not surviving.

367. Examples like this clearly show how IPRs and an efficient IP-strategy supported by public policy measures, including the correct enforcement, can contribute to the promotion of MSME competitiveness in global and emerging markets. The small enterprise succeeded to survive by taking advantage of IPR protection and the rule of law.

## 12.5 Australia

368. Australia joins co-sponsors the European Union, Japan, Switzerland, Chinese Taipei and the United States of this discussion today on Intellectual Property and Inclusive Innovation: MSME Trade circulated in IP/C/W/635. We thank our colleagues of Switzerland for introducing this agenda item this afternoon.

369. In our presentation today, Australia will highlight an example of a small business that has successfully relied on our intellectual property and innovation policies to advance its commercial interests including internationally.

370. *Case study on Stormseal – A recipient of an Accelerating Growth Grant.* This business developed a product known as Stormseal to respond to natural disasters. Stormseal is a strong polyethylene film product that heat shrinks to cover a damaged roof or wall, providing secure protection from wind, rain and hail. Stormseal received an Accelerating Commercialisation grant from the Australian Government through our National Innovation and Science Agenda. The owner came up with the idea for Stormseal after his experience assisting with severe storm damage repairs in 2007 when he saw insurance claims multiply due to failing tarpaulins. To develop his idea, the owner sought out intellectual property protection in the form of trademarks and patents. He said "Successful businesses are valued by the strength of their IP." Bolstered by the support of the IP protections and assistance, the owner is now considering entering international markets.

371. Our discussions this year regarding intellectual property, inclusive innovation and MSMEs have been informative. We now have a greater awareness and appreciation for the role and value of intellectual property frameworks in relation to MSME collaboration, growth and trade. We also thank all Member States for attending yesterday's side event showcasing real world examples of businesses, universities and others that had relied on intellectual property and been able to access global value chains.

372. Thank you for the opportunity to present our case study today and to speak to the frameworks we consider vital for a flourishing MSME trade. We look forward to hearing your examples.

## 12.6 United States

373. I would like to thank Australia, Canada, the European Union, Japan, Switzerland, and Chinese Taipei for co-sponsoring this item, and all of the delegations that took the time to prepare

interventions on this topic throughout the year; your contributions have given life to this important set of issues.

374. The United States was pleased to help organize a side event yesterday that examined these issues from a variety of different perspectives, including that of MSMEs. In addition to the insightful speakers, one of the highlights was the sushi provided by the Japanese delegation, so thank you very much for that.

375. The stories of hard work and perseverance in a competitive global environment were inspiring and instructive in helping the audience to better understand how policymakers can play a helpful role in promoting MSME growth and success.

- For instance an official from the Innovation in the Research Contracts & Innovation Department at the University of Cape Town and legal counsel from a cutting-edge Israeli security firm underscored the increasingly important role that IP protection, particularly in those cases, patent protection, plays in attracting early stage capital for start-ups.
- The founder of an Indonesian guitar company helped explain his company's creative strategy to invest in brand identity so as to stand out in Indonesia's competitive guitar marketplace.
- Finally, a Colombian official overseeing an effort to promote innovative MSME development highlighted his agency's impressive efforts to foster innovation and creativity as well as helping overcome challenges for these companies to make international connections.
- It was striking to hear how the challenges facing companies in four different regions in the world are quite similar to the ones we see facing US MSMEs.
- Given the common challenges that MSMEs, governments, and other stakeholders face, I hope that the following information on US programmes will be beneficial to other Members as it is intended to stimulate the growth and trade of MSMEs.
- The United States' 30 million MSMEs account for nearly two-thirds of net new private sector jobs in recent decades. In addition, our youngest companies – those less than one year old – have created an average of 1.5 million jobs per year over the past three decades.
- MSMEs that export, tend to grow even faster, create more jobs, and pay higher wages than similar businesses that do not.
- Therefore, the US Government is working to increase the number of small to medium-sized businesses that export by making it easier for them to access federal export assistance. That includes expanding access to small business trade financing, helping them protect their IPR, and ensuring the most efficient delivery of services to small businesses.
- Additionally, a global focus can help ensure the growth and competitiveness of US startups. The US Government is committed to give entrepreneurs the tools and resources needed to thrive and compete in today's global economy.
- Our federal agencies support entrepreneurs throughout every phase of the business-life-cycle so that MSMEs can achieve success through the export of their products and services around the world.

#### *USG Matchmaking Programmes*

376. Various government agencies have a number of services available to small businesses to help them grow and eventually, boost exports.

377. International business development is a labor-intensive endeavor for any company. And this was also something that we heard repeatedly yesterday. The US Commercial Service, part of the Department of Commerce, helps to jump-start MSMEs efforts by helping companies to identify, screen, and meet prospective partners, agents, distributors, and customers. IP is a crucial component in this process.

378. The International Trade Administration, with more than 100 offices across the country in US Export Assistance Centers and Commercial Service Officers in more than 75 international markets, are key sources of business counseling, market research, business matchmaking, trade events, and knowledge regarding implications of foreign regulations. The Commercial Services offers the experience and services needed to grow international sales of US made products and services. Some of the services include:

- Customized Market Research -answers questions about an overseas market including market trends and size, customary distribution and promotion practices, market entry requirements, regulations, product standards and registration, key competitors and potential agents, distributors, or strategic partners.
- International Partner Search programmes provide US MSMEs with a list of up to five agents, distributors and partners that have expressed an interest in their product or service.
- Certified Trade Missions- provides an effective way for groups of US companies to explore business opportunities in overseas markets and meet with agents, distributors, government and industry officials and prospective customers.
- Gold Key Service provides US firms traveling to a foreign market with up to five pre-screened appointments to establish relationships with potential overseas agents, distributors, sales representatives, business partners and other local entities in-country.
- The International Buyer Program (IBP) is a joint government-industry effort that brings thousands of international buyers to the United States for business-to-business matchmaking with US firms exhibiting at major industry trade shows.
- Other government agencies provide resources that help MSMEs become export ready and help them expand their business abroad.

379. For example, the Small Business Association, through their Small Business Development Centers (SBDCs) provide an array of technical assistance

- They serve as key resource partners for helping small businesses become export ready through one-on-one consulting and low-cost training.
- They organize trade missions, conduct market research, and arrange for meetings between paid participants and potential customers.

380. The US Trade and Development Agency (USTDA) helps companies create US jobs through the export of US goods and services for priority development projects in emerging economies.

381. The Minority Business Development Agency (MBDA) is an agency in the US Department of Commerce helps create and maintain US jobs by promoting the growth and global competitiveness of MSMEs owned and operated by members of the minority communities.

382. With a national network of 40 MBDA business centers, MBDA provides minority business owners and entrepreneurs with strategic business consulting, procurement matchmaking, capital sourcing, bonding and certification services, teaming arrangements and global marketing.

383. An example of some MBDA programmes include: *Millennials Entrepreneurs Redefined*- This is the US Black Chambers Community Economic Development Corporation's Millennials Entrepreneurs Redefined programme which provides resources and connects a national network of our community's most promising entrepreneurs. The programme serves diverse millennials

(aged 18-35) who (a) have not yet started a business but have an innovative idea, or (b) have an emerging business with less than \$10,000 in capital and/or revenue.

384. There is also the Inclusive Innovation Initiative (I-3) - which is a national outreach effort to increase the participation of minority business enterprises (MBEs) and minority-serving institutions in the national federal laboratory network. I-3 provides a competitive advantage for under-represented entrepreneurs and technologies.

#### *Clusters*

385. In addition to the various matchmaking programmes the US government offers, the USG has joined forces with universities and foreign governments to create additional programmes to foster MSME growth and trade.

386. The US Cluster Mapping Project is a national economic initiative that provides over 50 million open data records on industry clusters and regional business environments in the United States to promote economic growth and national competitiveness. The project is led by Harvard Business School's Institute for Strategy and Competitiveness in partnership with the US Department of Commerce.

387. Internationally, DOC (EDA) and Harvard University have worked with Mexico, as just one example, to create compatible cluster maps that can be analyzed in a binational fashion to identify areas for investment and job creation and enhance regional economic development between the United States and Mexico. This tool allows the public and private sectors to better understand supply chain linkages and better assess where to locate new businesses.

#### *In Conclusion*

388. Today, more than ever, we see the power and impact new businesses have throughout developing communities as MSMEs create jobs, export, improve quality of life, and help define the characteristics that make communities alive and unique.

389. Looking back on the wealth of experience gained over the course of this year examining different factors relevant to MSMEs and Innovation, including through informative interventions by delegates and yesterday's side event, a few points stand out:

- MSMEs represent a critical and treasured component of each of our economies.
- Virtually all MSMEs have an interest in IP protection and enforcement, whether it be through in the areas of patent, copyright, trademark, trade secrets, or a combination of these. Although awareness of those opportunities through IP vary significantly among MSMEs.
- Governments around the world are increasingly seeking to address the needs of MSMEs through targeted programmes focusing on disparate areas, including matchmaking, incubators and clusters, IP technical and legal assistance, and wide-ranging partnerships.

390. As we continue to move forward with these initiatives, it's increasingly important to ensure that the fundamental IP policies that serve MSME and large companies alike are sound so as to maximize the return on investment of the significant contributions made by governments and MSMEs. I look forward to hearing other comments on this topic.

## **12.7 Chinese Taipei**

391. First of all, on behalf of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, I would like to thank the US for organizing the IP and Innovation seminar yesterday. It is useful to hear voices from private sectors calling governments to take more IP measures to help companies to better integrate into global trade.

392. Micro, small and medium-sized enterprises (MSMEs) account for about 98% of our companies. They are therefore one of the key drivers of economic growth, and have always been the backbone of our economy. Despite their particular strengths in terms of innovation and

creativity, however, for much of the time, MSMEs play only a small part in the supply chains of big companies, mainly due to a lack of knowledge in how to make full use of the IP system. For this reason, the participation of MSMEs in export activities still remains relatively limited.

393. To provide support to MSMEs and make it easier for them to integrate into global markets, my delegation is very pleased to co-sponsor this proposal. And today, we would like to share with WTO Members the results of some of our measures, and in particular our experiences with two projects that we have recently carried out.

394. The first of these is on "Enhancing the Integration of the Business Strategy and Intellectual Property Management System". Introduced in 2012, this new project is dedicated to helping MSMEs to set up their own IP Management System, thereby reducing the relevant IP risks and possible litigation costs as they seek to make inroads into the international market. As an integral part of this project, experts make on-site visits to businesses to offer consultation and diagnostic services relating specifically to their IP management weaknesses. In addition, plans are made to design and carry out new IP management systems, which are also verified later on-site so as to ensure the effectiveness of the plans.

395. Over the past three years, a total of 14 MSMEs have joined the project, and built up their own IP Management Systems. This has resulted so far in a reduction in operating costs, indirectly, by an estimated total of US\$27 million, and an increase in total output to the value of US\$1.3 billion.

396. For example, O'right, a leading local, green, hair-care brand, had previously experienced a number of trademark squatting incidents when it tried to push into overseas markets. The company joined the project in 2013, and has established its IP Management System since. In addition to providing IP training courses, the project helped the company to coordinate the processes of its different departments, before designing and setting-up its own IP management system in the hope of further improving its competitiveness. The company also established an IP Evaluation Committee, which manages all R&D proposals. As a result of the project, the patent quality of O'right has improved significantly, its number of patent applications has doubled, and its products are now sold all over the world, including the United States, Europe, China, Japan, Republic of Korea, and South East Asia.

397. The second project I would like to share with you is our "Branding Campaign". This offers MSMEs the support and resources that they need when attempting to build or transform brands. It provides consultation and diagnostic services to local businesses, specifically on their IP portfolios, IP management weaknesses, patent strengths, possible obstacles to patents, and patent portfolio strategies, to help them develop high-value and distinct, differentiated products and brands that are even more competitive globally. To date, the project has encouraged more than 10 MSMEs to expand their international patent portfolios, generating licensing fees to the value of some US\$53 thousand annually.

398. Tongtai Machine & Tool Company, for example, a local company developing high-end machine-tools and customized automated production equipment, suffered serious setbacks in its attempts at brand globalization, due to patent infringement and trademark squatting when it tried to enter international markets. The company therefore took advantage of the project to receive consultation and training assistance on its patent and trademark portfolio, as well as on IP knowledge in general. Advice and information was provided on key aspects, such as trends and developments in technology and patents, to help Tongtai improve its own-brand products. This has succeeded in cutting the company's new product development process by some six to nine months, and has helped Tongtai to design around and avoid at least five patent claims involving high infringement risks, making an annual saving on licensing fees of some US\$80 thousand.

399. Today, Tongtai has built up a trademark portfolio covering 21 global brands in 16 countries, including Switzerland, Brazil, and South Africa, as well as countries in the EU and in South East Asia, generating an increased output value of about US\$1.5 million in real terms.

400. To summarize, the IP and innovation strengths of MSMEs definitely play a key role in boosting economic growth. It is of crucial importance, therefore, that governments provide support

to MSMEs and equip them with comprehensive IP strategies, thereby tapping into their potential while expanding trade.

401. We would certainly welcome hearing about any relevant measures and experiences from other WTO Members as well.

## **12.8 Canada**

402. Canada is pleased to co-sponsor today's agenda item on IP and Innovation, Inclusive Innovation and MSME trade. Canada would also like to thank Switzerland for drafting the guiding communication for today's discussion as well as the co-sponsors and other Members that have shared national experiences and insights on this issue so far. We would also note yesterday's Friends of IP and Innovation SMEs–event. We found the interventions by all participants to be instructive and pertinent, but found the opportunity to hear the MSME-perspective directly to be particularly useful.

403. In examining the relationship between small and medium-sized enterprise IP ownership and trade, a 2014 survey on financing and growth of SMEs conducted by Innovation, Science and Economic Development Canada, found that SMEs that hold IP were four times more likely to export than those that did not. As well, according to the Canadian Intellectual Property Office, or CIPO, 2016 IP Canada report, Canadian IP activity has notably grown in recent years with overall global IP rights applications by Canadians growing by 35% from 2005 to 2014.

404. With respect to patents, growth and applications abroad has been rapid, with 34% more patents filed abroad in 2014 than in 2005. More than half of this growth has come from the use of the WIPO patent co-operation treaty by Canadian filers. Particularly, as Canadians continue to diversify their export markets by filing in multiple jurisdictions.

405. Similarly, trademark applications are another key factor in the growing use of IP rights by Canadian firms internationally, as our applications for industrial design protection in global markets. At the same time however, SMEs often have a low awareness of IP and overlook the value of IP protection when seeking to expand into new markets and to access global business opportunities. Underutilized IP can translate into potential lost business opportunities while fully leveraged IP rights can open the door to new business partnerships, for instance through the sale or licensing of IP, creating opportunities for growth, access to foreign markets and new investment.

406. In this sense, building IP literacy is important to ensuring that SMEs have a sound understanding of IP rights when entering foreign markets and can better utilize and leverage their IP assets as part of their business and growth strategies. In Canada, CIPO has launched an IP awareness and education programme to deliver tailored and responsive products, services and training to innovators and SMEs. CIPO's IP awareness and education programme offerings include guides, one-pagers and process maps. In addition to seminars and training sessions, they provide business with the tools and information they need to better acquire, manage and leverage their IP assets. Seminars and training services for businesses, partners and intermediaries, including those for particular markets and sectors, and a suite of network services including referral consultation and support to advisory services is currently in the development stage.

407. CIPO also maintains a dedicated webpage for Canadian businesses seeking to learn more about managing IP as they prepare to grow their business in Canada and internationally. This page includes advice on learning the basics of IP rules in countries in which exporters are seeking to do business, taking stock of IP assets, for instance by building an inventory of IP assets in business plans and developing an IP strategy linked to a firm's export business plan. CIPO's guide also includes advice on searching international IP databases in export markets, formal registration and protection of IP rights, and information on preventing and remedying IP infringement in foreign markets.

408. In addition, the government of Canada is building upon CIPO's initiatives to further increase the use of IP by businesses to support their growth and competitiveness. The government of Canada also offers a range of programmes and services as well as financial support aimed at supporting MSME expansion into export markets. For instance, Canada's Going Global Innovation

or GGI programme administered by Global Affairs Canada's Trade Commissioner Service, supports researchers who aim to commercialize technology by pursuing collaborative, international research and development opportunities through partnerships with key players in foreign markets. GGI provides assistance to eligible beneficiaries such as Canadian SME and innovators by contributing up to 75% of eligible expenses for prude projects related to international collaboration. GGI provides eligible applicants with up to CAN\$75,000, with funding to cover eligible costs required to seek international partnerships in foreign markets.

409. More recently, in January 2016, Canada announced the launch of the CanExport, a five-year programme which will provide CAN\$50 million in direct financial assistance to SMEs that are registered in Canada and that are seeking to develop new export-opportunities, especially in high-growth emerging markets. Delivered by Global Affairs Canada's Trade Commissioner Service in partnership with the National Research Council Industrial Research Assistance programme, CanExport provides financial support for a wide range of export marketing activities. Among the eligible expenses covered by CanExport funding, applicants may use financial assistance in respect of IP protection and certification expenses in foreign markets as well as certification fees necessary for market access and adaptation and translation of contractual agreements for target markets.

410. These are just some of the services and programmes offered to MSMEs in Canada and it is supporting their growth and expansion into foreign markets. Canada would be pleased to provide additional information on any of these services and programmes to other Members upon request. We would once again like to thank other Members for sharing their national experiences and for the productive exchange of ideas on this issue with the view to discussing how IP frameworks can be used to support MSME trade in this regard.

## 12.9 Chile

411. The Ministry of the Economy of Chile has promoted a series of initiatives to increase the number of enterprises that incorporate innovation as a strategy for competitiveness and productivity, the actions differing according to the type of enterprise.

412. Starting in 2015, measures were introduced to modernize funding schemes, followed as of 2016 by initiatives to universalize innovation. During this year and next year, we hope to be able to develop a pro innovation culture.

413. The support programmes include:

- a) support for the patenting of Chilean inventions abroad, strengthening the business plan and developing international patenting strategies;
- b) innovation vouchers for SMEs that come up with innovative solutions to productivity and/or competitiveness challenges;
- c) innovation prototypes in support of product and process improvements, that would make it possible, inter alia, to finance research and development in the areas of technological integration, design and construction of prototypes;
- d) high technology innovation in support of the development of innovative solutions to complex production challenges in relation to knowledge or of a general nature;
- e) finally, aware of the importance of strengthening networks, we have the so called Pymelab 2017, which aims to foster regional innovation ecosystems by creating regional networks that bring together local players and promote regional participation in company innovation initiatives and projects.

414. Chile has a whole range of initiatives to stimulate innovation in the SMEs in order to boost their competitiveness and productivity through collaborative, open and identifiable innovation processes. We hope to be able to share positive results from these initiatives in the short and medium term.

## 12.10 Costa Rica

415. It is clear to Costa Rica that it is necessary to develop and strengthen micro, small and medium sized enterprises if it is to maintain and improve the quality of life of all its inhabitants.

416. According to the Ministry of the Economy, Industry and Trade, micro, small and medium-sized enterprises accounted for 93.3% of the country's businesses in 2016.

417. SMEs' share of total exports (f.o.b.) in the trade, industry, services and IT sectors that year was 14.8%.

418. Integrating intellectual property into SMEs' business strategy is key, as:

- it adds value, enhancing SMEs' competitiveness by protecting their creations and innovations;
- the designing of logos, products, marks, and so on creates an identity for an SME that distinguishes it in the domestic market and facilitates internalization; and
- intellectual property becomes an asset that can generate financial compensation through licensing or the granting of permits.

419. For these reasons, various policies have been developed to incentivize innovation in SMEs and to encourage the protection of patents, marks, etc. through intellectual property education. We will discuss some of these programmes now.

#### *Promoting intellectual property rights as an economic asset*

420. As we have stated, Costa Rica recognizes the importance of innovation as a tool for achieving economic growth and social inclusion. It is therefore a priority under the National Development Plan<sup>5</sup> to bring the innovation programme up to date.

421. The Ministry of Science and Technology (MICIT) plays a key role in developing programmes to attain the National Development Plan's objectives. It has therefore worked closely with SMEs to promote innovation and intellectual property protection. In 2016, 80 training events were organized targeting this sector.

#### *Programme to Support Small and Medium Sized Enterprises (PROPYME)*

422. Through the PROPYME, the MICIT funds actions and activities aimed at promoting and building the management capacity and competitiveness of Costa Rica's SMEs, using technological development as a tool for contributing to the country's economic and social development.

423. The beneficiaries of this fund are enterprises engaged in projects relating to technological development, patents for inventions, technology transfer, the development of human potential, and technological services.

424. The fund is competitive and it is possible to receive funding for up to 80% of the project proposed.

#### *Technology and Innovation Centre (CATI)*

425. The CATI is a centre attached to the Registry of Industrial Property that seeks to provide Costa Rican inventors and entrepreneurs with information on technology and registration procedures with respect to industrial property in order to encourage innovation processes and Costa Rica's scientific and technological development.

#### *The "My Creations Matter" Project*

426. The five-year "My Creations Matter" project was officially launched in August 2016 and consists of an awareness-raising campaign targeting primary and secondary schools and educators.

427. As part of the project, activities are carried out with children and young people in order to create a culture of respect for intellectual property rights.

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<sup>5</sup> [https://documentos.mideplan.go.cr/alfresco/d/d/workspace/SpacesStore/cd1da1b4\\_868b\\_4f6f\\_bdf8\\_b2dee0525b76/PND%202015\\_2018%20Alberto%20Ca%C3%per%20centB1as%20Escalante%20WEB.pdf](https://documentos.mideplan.go.cr/alfresco/d/d/workspace/SpacesStore/cd1da1b4_868b_4f6f_bdf8_b2dee0525b76/PND%202015_2018%20Alberto%20Ca%C3%per%20centB1as%20Escalante%20WEB.pdf).



428. The project is developed along two lines, one educational and the other informational. In the first, awareness-raising and training workshops for teachers – and corresponding activities for the educational community – are held with the aim of conveying to students didactically the basics of copyright and related rights.

429. The aim of the informational component is to use digital media as a tool for outreach in order to communicate interactively with children, young people and educators.

430. The implementation of the "My Creations Matter" project demonstrates the Costa Rican Government's commitment to promoting, building and consolidating a culture of respect among its citizens by encouraging outreach and raising awareness in this area.

431. This is a strategy that will bear fruit in the long term and that, in addition, demonstrates the commitment to innovation.

### **12.11 Brazil**

432. From the outset, allow me to thank the proponents for the initiative and the documents.

433. Micro, small and medium-sized enterprises (MSMEs) play a major role in social and economic policies of countries. Brazil, alongside different Member States, is working on areas in which the WTO could develop measures in favor of MSMEs, as provided, among others, in document JOB/GC/127.

434. Experts point the following barriers to MSMEs interested in engaging on international trade: lack of knowledge regarding legislation from other countries, burdensome requirements and procedures, as well as the necessity of enhancing market intelligence.

435. We are open to examining actions to increase participation of MSMEs in international trade. One potential way is the development of information platforms targeting MSMEs. Such bases should contain information that assists MSMEs in their internationalization efforts, for the mutual benefit of trading partners by generating growth and reducing transaction costs.

436. In the last session of the Council, we provided information about initiatives undertaken by the Brazilian Government to assist MSMEs. Please refer to the report of that session for additional information.

437. Brazil favors that intellectual property works as a stimulus to innovation, rather than a barrier to access to technology. This includes deepening the understanding of features of the intellectual property system related to the achievement of the objective set in Article 7 of the TRIPS Agreement.

438. I would also add the importance that IP offices issue patents of high quality that enhance legal certainty. Patents of low quality can represent an additional barrier to entrepreneurs, something that particularly affects MSMEs.

### **12.12 India**

439. There were some arguments today that increasing patent monopolies would drive greater innovation. However, the evidence does not support this assertion. On the contrary, the view gaining ground is that increasing patent monopolies would actually stifle innovation. In fact, many of the examples presented today are actually how IP had promoted MSME trade and business opportunity and not on how IP monopoly will promote innovation or inclusive innovation.

440. Intellectual property is only one element in a larger innovation ecosystem and IP laws alone do not promote technology development. According to the Trilateral study by WTO, WHO and WIPO on "Promoting Access to Medical Technologies and Innovation: Intersections between public health, intellectual property and trade (2013)" page 126,

Patent law is not a stand-alone innovation system. It is only one element of the innovation process, and one which can be deployed differently in diverse

innovation scenarios. Patent law has little bearing on many other factors that lead to the successful development of technologies, e.g. the nature and extent of demand, commercial advantages gained by marketing and ancillary services and support, commercial and technical viability of production processes, and compliance with regulatory requirements, including through effective management of clinical trials data.

441. Joseph Stiglitz, the Nobel laureate, in his 2016 paper on "Industrial policy, learning, and development", questioned the benefits of IP and stated that IPR, especially if poorly designed, can impede innovation and learning. I quote, "There are significant static costs of intellectual property. It impedes the use of information and gives rise to monopoly power. Increasingly, the alleged dynamic benefits have come to be questioned. IPR, especially if poorly designed, can impede innovation and learning. Knowledge is the most important ingredient to production of knowledge, and IPR reduces access to knowledge. Moreover, the patent system intervenes with the open system that is essential for the advancement of science. In addition, the patent thicket and patent trolls have provided further impediments to research. The patent system even distorts the pattern of research, encouraging more research directed at extending market power. These adverse effects are especially significant for developing countries. Successful development entails closing the knowledge gap and necessitating access to knowledge. It is even more important in areas of health—access to life saving medicines has implications that go beyond the budget."

442. India declared the decade of 2011-2020 as the Decade of Innovation. The spirit of innovation has to permeate all sectors of economy from universities, business and government to people at all levels.

443. MSME sector in India consisting of 36 million units provides employment to over 80 million persons. The sector, through more than 6,000 products, contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

~~444.~~ To enhance awareness of MSMEs about Intellectual Property Rights (IPRs), Government of India launched a scheme titled "Building Awareness on Intellectual Property Rights (IPR)" for the MSME in August 2008. The scheme enhances awareness of MSMEs about IPRs to take measures for protecting their ideas and business strategies, which would also assist them in technology upgradation and enhancing competitiveness.

445. A national innovation survey was conducted during 2011-12 in India by the Government of India and the report, based on the analysis of sample survey of 9001 firms, largely MSMEs, spread across various provinces and various industrial sectors in the country, identified many barriers to innovation with regard to MSMEs, including availability of finance and in general the cost of innovation, availability of skilled manpower, access to market information and availability of information technology, infrastructure, domination of established player in the market, regulatory requirements etc. IPR related issues are not found to be of any concern for the innovation activities of the firms.

446. I conclude by quoting from statement made by our Prime Minister during the launch of Mission Innovation in Paris in 2015, "Innovation must be backed by means to make it affordable and ensure adoption".

### **12.13 South Africa**

447. South Africa has progressively shifted away from dependence on primary resource production and commodity-based industries to open up to international trade and to building capacity in some knowledge-intensive industries.

448. The Ministry of Small Business Development was established in 2014 marking a turning point in history of MSME's and Co-operatives development in South Africa, demonstrating Government's commitment to place MSME's and Co-operatives at the centre of economic growth and job creation.

449. In the context of economic growth, MSMEs play an important role as levers for economic development. Research undertaken in this respect highlights the fact that generally, an active MSME sector creates opportunities resulting in higher volumes of production, employment, entrepreneurial talents and increases in export of goods and services. Furthermore, it is noted that, in addition to being a lever for increasing economic growth, MSMEs can eventually grow into larger firms that are able to contribute to increased employment opportunities as they evolve through the business cycle.

450. The term MSME covers widely different types of firms. Everything is included, from fragile zero growth micro-firms (normally employing up to a couple of workers generating subsistence level revenues) to fast growing medium sized firms with up to 250 employees. The role these firms play for the developing economy and the challenges they face are often completely different. Micro firms often struggle with fluctuating revenues, red tape complexity, and lack of knowledge and relevant competencies. For medium sized firms, access to sufficient amounts of risk capital, access to technology and access to stable electricity supply may be more of a challenge.

451. South African organizations are classified as 'small' when they have fewer than 50 employees and 'medium' when they have fewer than 200 employees (or fewer than 100 for agricultural organizations). Only 25% of new MSMEs created in South Africa survive the first two years of operation. As in most countries across the world, MSMEs play a critical role in economic contribution and employment. MSMEs are estimated to contribute 46% of the total economic activity and 84% of private employment in South Africa. Research shows that 68% of all workers in South Africa are employed by small businesses employing fewer than 50 people.

452. Innovation in MSMEs lags that involves large enterprises, MSMEs face significant challenges in this context. MSMEs tend to have limited resources (financial, human, and physical) and fewer systematic management capabilities. Their market penetration is restricted due to the size of their organizations, while securing and enforcing IP is challenging due to the costs involved. A lack of basic business management and risk management system is also relevant in this regard. MSMEs are thus vulnerable when they enter into commercialization relationships.

453. The Department of Trade and Industry (DTI) supports the export process for MSMEs which is driven from a sectoral perspective, and sector strategies offer the framework within which exports are encouraged and incentivized. The DTI focuses on promoting sectors of the economy that have shown the greatest growth potential and marketability.

454. In partnership with Provincial Investment Promotion Agencies (PIPAs) and Export Promotion Agencies, the DTI promotes investment and export activities in targeted markets. It has teams operating from regional offices around the world providing market intelligence and identifying opportunities for South African companies, as well as sector specialists offering advice on export processes and procedures.

455. Export-oriented companies have, in partnership with the DTI, organized themselves into so-called Export Councils, which target specific markets. These assist exporters in reaching their targets, and specifically enable small businesses in any sector to access DTI support structures.

456. The DTI also provides incentives to exporters – with a special focus on small, medium and micro enterprises (SMMEs) and black economic empowerment (BEE) exporters – through the Export Marketing and Investment Assistance (EMIA) scheme.

~~457.~~ I would like to quote just one example of a small business that has been able through support access foreign markets and this company is called PlayPump™.

458. The story of this company is essentially that the idea was first dreamt up by an engineer and borehole-driller, Mr. Ronnie Stuiver. As he traveled the country drilling wells, and saw fascinated children would crowd round him – most with boundless energy and few outlets for play. He devised a merry-go-round attached to a simple pump. When children spin the merry-go-round, the attached pump pulls water from the ground. His company later developed and patented the PlayPump™ water system. The word PlayPump™ is registered as a trademark throughout the world, and has been installed in disadvantaged communities across the African continent.

459. Many developing countries with moderate research activities suffer from an innovation void because they fail to bridge the gap between knowledge generation and knowledge application. The story of PlayPump™ depicts how a small initiative can be very effective in bridging the gap to bring basic technology to communities and thus transform the lives of millions of people.

#### **12.14 China**

460. China believes that establishing a suitable IP system can help MSMEs participate the global trade and can have positive effect on development of the Members' economy and innovation. But IP is not the only factor influences MSMEs involve in the global trade. Talent, capitals are also important, especially for those in the developing Members. China believes that the discussion on this issue shall be from a wider perspective.

#### **12.15 Switzerland**

461. I would like to thank all the delegations who participated in the discussion under this agenda item. We had an extremely rich and broad exchange of experiences, which we found, from our perspective, very helpful. I would like to particularly mention the intervention by the distinguished delegate of South Africa, who pointed out challenges and problems that particularly MSMEs face in getting into trade and really making positive use of intellectual property to enhance and grow trade in the export potential. I think it is sometimes more the problems and challenges that we might need to look at rather than the top performing companies that are running well anyway. That is certainly where we can take lessons home and we will read in detail the minutes once they are out and may come back with other considerations with regard to some of the interventions made today.