

31 July 2019

Hon. Juan Andrés Fontaine

Chair, APEC SME Ministers' Meeting

Minister of Economy, Development and Tourism

Chile

Dear Minister Fontaine:

On behalf of the APEC Business Advisory Council (ABAC), I would like to share our key recommendations related to Micro, Small and Medium Enterprises (MSMEs).

Across the region, MSMEs are the backbone of Asia-Pacific economic development, accounting for more than 95 percent of all enterprises, and generate more than 50 percent of domestic employment. These businesses, including women-led MSMEs, struggle to engage successfully in cross-border trade, digital platforms and e-commerce, as well as global value chains.

Addressing these challenges requires concerted efforts across a number of fronts, and it is an effort worth undertaking if we are to achieve our long-term vision for the region. Factors such as population growth, technological disruption and economic and trade turbulence, further hinder the development of business, with MSMEs and women-led enterprises affected more deeply due to their more vulnerable context.

ABAC urges Leaders to remove barriers hindering the successful engagement of MSMEs and women in economic activity and trade. We recommend that APEC economies take action to:

- build business readiness and trade capacity for MSMEs, especially in relation to services and digital trade, as well as reduce trade barriers, thereby facilitating their access to trade-related information, developing MSME dispute resolution tools; and fostering the continued sharing of best practices from around APEC and globally to assist MSMEs;
- recognize the important role of digital technology as a key enabler for MSMEs, promote the development of MSME-accessible infrastructure; support the APEC Cross-Border E-Commerce Facilitation Framework; and continue developing and expanding capacity building programs such as ABAC's Cross Border E-Commerce Training and the APEC Canada Growing Business Partnership Project;

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- support approaches that enable MSMEs to access innovative financing; and
- continue to support women’s economic empowerment initiatives, *inter alia*, by supporting the APEC Canada Growing Business Partnerships initiative, APEC Women Connect program and a WTO women’s economic empowerment initiative by the time of the WTO Ministerial in Kazakhstan that captures APEC commitments to eliminate discrimination between men and women with regard to the rights of business ownership and entrepreneurship;

We set out below a more detailed account of our conclusions and recommendations on each of these areas.

1. Enhancing the ability of MSMEs to participate successfully in trade and in global value chains

A report commissioned by ABAC in 2018 to the University of Southern California’s Marshall School of Business examined how best to foster the successful participation of MSMEs in global value chains and across borders. The research found that MSMEs face structural challenges around business readiness, access to information, financing and networks, and challenges in the domestic regulatory and business environment. The research also found that MSMEs are disproportionately affected by barriers to trade such as non-tariff barriers, regulatory compliance requirements and lack of access to effective dispute resolution and identified digital technology as a key enabler for MSMEs.

ABAC calls for region-wide synergies between economies in APEC to address the issues and implement appropriate policies and programs to build business readiness and trade capacity for MSMEs. Actions that would help MSMEs to participate more successfully in global value chains and trade include capacity building and increasing business readiness, as well reducing trade barriers including non-tariff barriers and services trade barriers.

ABAC has been working on a number of initiatives that focus particularly on mentorship including the APEC Canada Growing Business Partnership Project, which combines best practices sharing with on the ground workshops, toolkits geared towards individual economies and APEC-wide mentorship linkages, as well as the ASEAN Mentorship for Entrepreneurs Network (AMEN) - the Thailand “Big Brothers project” which aim to support MSMEs in their growth journey. In light of the success of these projects, we urge APEC economies to consider partnering with ABAC to develop an APEC-wide entrepreneurs’ mentorship network.

Another challenge identified in the Marshall School study is the need for MSMEs to address the issue of online disputes. As part of the APEC 2019 work plan, ABAC is seeking to build a region-wide framework for online dispute resolution platforms, which will both reduce the time taken to resolve a dispute, and reduce legal costs. We encourage APEC to support ABAC’s initiative and to develop MSME dispute resolution tools to assist MSMEs in readiness to internationalize.

2. Helping MSMEs to engage with e-commerce and digitally-provided services

The digital economy, and in particular e-commerce and digitally-provided services, can help to reduce costs and improve connectivity for MSMEs in trade, but there are specific barriers hindering MSMEs from accessing these platforms and services.

ABAC calls on Ministers to develop policies to improve MSMEs' access to the digital economy, especially those in remote areas and vulnerable groups including persons with disabilities. We also urge APEC to continue developing and expanding capacity building programs that improve skills in information and communications technology. We urge economies to promote both online and offline capacity building efforts to educate MSMEs to be e-Commerce ready.

As part of its efforts to promote MSMEs' success in global value chains, ABAC is establishing SMEs Global Value Chain Network (SG Network), a platform that engages all parties involved in SMEs' empowerment through an integrated online service platform and offline forums and building the MondeB2B platform as an online marketplace to link businesses via a 'secured' business-to-business (B2B) channel to encourage cross-border trade. ABAC would like to recommend that Ministers endorse and support these initiatives and encourage their adoption in their economies.

3. Sustainably Financing MSMEs in the 21st Century

Advances in technology and digitalization have made it possible for more MSMEs to access global markets and supply chains. Innovative finance, whether provided by new players with new business models or by incumbent institutions that have developed innovative services or in partnership with fintech firms, are critical to addressing the obstacles in the flow of financing to MSMEs. We advocate improving the financial infrastructure that enables banks to make risk-based lending decisions to MSMEs.

4. Strengthening the Participation of Women in the Economy

As representatives of the private sector, we recognize that addressing the barriers that prevent women's economic participation is a business imperative that impacts our bottom line, as well the GDP growth in our economies. As we work to develop goals beyond the 2020 Bogor Goals, ABAC is focused on taking action towards enabling startups/MSMEs, including women-owned businesses and entrepreneurs, and urges Ministers to support our work by developing policies in tandem with our recommendations.

ABAC recognizes the importance of promoting sustainable growth in the APEC region by integrating women and girls into the economy, thereby actively working to close the gender gap. This presents an important opportunity to equip policymakers and industry leaders with the necessary information and skills to effect further changes. In addition, developing a leadership pipeline that strives to train, retrain and promote women within our organizations enables our businesses to better perform and more effectively answer the needs of customers by leveraging new perspectives. We also urge Leaders to act to close the gender gap in trade by committing to a standstill on current laws and regulations and further binding commitments to prohibit the discrimination between men and women to culminate in a Women's Economic Empowerment Trade Initiative for agreement by time of the WTO Ministerial Meeting in Kazakhstan. With the right policies, APEC economies can further increase the overall productivity of their existing workforces and improve living conditions for every day citizens.

ABAC agrees with the 48th SME Working Group meeting held in Qingdao, China that optimizing the business environment for SMEs is key to driving economic growth in the Asia-Pacific region. This entails fostering a dynamic market which will stimulate creativity and promote inclusive and sustainable economic growth within APEC.

To conclude, we urge keeping MSMEs engaged in trade liberalization discussions and other key initiatives to ensure that their concerns can be addressed.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R. von Appen', with a stylized flourish at the end.

Richard von Appen
ABAC Chair 2019