

*Deb Henretta*  
*ABAC Chair 2011*

29 April 2011

The Honorable  
**Francisco Sanchez**  
Chair, APEC SME Ministerial Meeting &  
Under Secretary for International Trade  
U.S. Department of Commerce  
1401 Constitution Ave., NW  
Washington, DC 20230

Dear Minister Sanchez:

On behalf of the APEC Business Advisory Council (ABAC), I would like to share our key recommendations related to small, medium and micro-enterprises (SMMEs) and entrepreneurship. This letter responds to nine areas identified by APEC as barriers to SMME cross-border trade. Of these, ABAC has prioritized critical areas to business.

**The most fundamental challenge faced by SMMEs remains access to finance.** ABAC recommends that SME Ministers promote and implement reforms to ensure a clear legal infrastructure for lending, including more predictable rules for secured lending and related innovative financial solutions, as well as fully transparent credit information systems which will incentivize lenders to significantly expand more affordable credit to SMMEs in the region. ABAC is holding specific workshops this year to develop capacity building activities that APEC could spearhead to help member economies bring about these improvements and foster greater access to credit for SMMEs along with strengthened market-based risk disciplines for lending institutions. We recommend that SME Ministers be mindful of developments in G20 and Basel III and ensure that these issues like the new capital framework do not increase the cost of, or limit access to, finance.

ABAC encourages enabling frameworks for start-ups that make available alternative financing such as venture capital and micro-finance solutions. There are considerable benefits from closer public-private sector partnerships in seeding the formation of innovation-based micro-enterprises through co-investment approaches such as matching government grants or initial funding schemes.

**The second major issue for SMMEs is the lack of capacity to internationalize** and difficulty in identifying foreign business opportunities. Consistent with last year's recommendation, we recommend that APEC create market knowledge centers; encourage the participation of domestic SMMEs in multinational supply chains; and promote better use of online technology and improve ICT infrastructure. Further, we ask governments to keep SMMEs in mind when setting trade liberalization policies and agreements, especially in the context of next generation agreements.

**The third major issue is the need for transparency and open business environments.** As they venture into foreign markets, SMMEs are consistently faced with varying requirements. Challenged by limited resources, an open and transparent business environment lowers costs associated with handling different policy and regulatory requirements. ABAC continues to support initiatives that promote open and transparent business environment such as the APEC Transparency Standards and the Santiago Commitment to Fight Corruption and Ensure Transparency. In addition, ABAC recommends continuing the development of voluntary codes of ethics for the medical device industry and following on with other identified industry sectors.

**The fourth major issue is the inability to protect intellectual property rights (IPRs).** Identifying sources of infringement and pursuing remedies are costly, technically difficult, and lengthy tasks. SMMEs, especially in developing economies, find it difficult to take advantage of IPR to develop innovative products and services. In response, APEC economies should improve the IPR environment for SMMEs by establishing IPR support centers that can help SMMEs learn about best practices. In addition, ABAC recommended that APEC economies review and enhance patent laws to encourage innovation.

ABAC members have also been actively involved in initiatives and events that address economic inclusion. With a high proportion of SMMEs established and run by women and young people, ABAC endorsed the establishment of the ABAC Women's Forum, which aims to identify key capacity building policies that enhance opportunities for women in business. ABAC also endorsed the revitalization of an annual Young Entrepreneurs' Summit set to take place in October in Kuala Lumpur, Malaysia. These activities will provide platforms for more focused and specific recommendations on inclusion that will be forwarded as actionable items to APEC economies in 2011.

ABAC has supported efforts to deepen our understanding of how to strengthen SMMEs. We have, for example, extended work on an innovative growth initiative, a research project that will help us identify practices and policies that foster innovation among SMMEs. ABAC will hold APEC SME Summits in Peru, China and Hawaii in 2011. These events will provide valuable platforms for APEC's SMMEs to share experiences about their opportunities and challenges and identify key policy solutions.

ABAC believes that the above recommendations will enhance conditions for APEC's SMMEs and for sustained growth throughout the region. We look forward to participating at your meeting in Big Sky, Montana next month to discuss these recommendations in greater detail.

Sincerely,



**Deb Henretta**  
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