

4 August 2024

The Honorable Sergio Gonzalez Guerrero
Chair, APEC SME Ministerial Meeting
Minister of Production
Peru

Dear Minister Gonzalez,

Micro-, small and medium-sized enterprises (MSMEs) account for over 97% of all companies and over 60% of the workforce in our region, and are an important source of employment and economic empowerment for groups with untapped economic potential, including women and Indigenous entrepreneurs. When MSMEs struggle, inclusive and sustainable prosperity can be driven out of reach for all. Given ongoing disruption in global supply chains, regulatory fragmentation, climate impacts, challenges in formalization and a legacy of structural gender inequality, the members of the APEC Business Advisory Council (ABAC) urge policymakers to take focused action to support MSMEs in three main areas:

1. Creating an enabling digital environment can unlock inclusion and success.

Digitalization can accelerate the transition to the formal economy, financial inclusion, and support engagement in trade, but MSMEs cannot leverage these opportunities without the enabling regulatory settings and skills. The following areas can have a multiplier effect:

- **Digitally-delivered services, as a catalyst for opportunity and resilience.** These services were valued at US \$4.25T in 2023 and can continue to open up trade opportunities and provide tools for greater productivity and inclusion – but only if trade rules are coherent and opportunities are accessible to MSMEs.
 - *ABAC urges APEC economies to develop a 'New Services Agenda' that seeks to dismantle barriers, facilitate trade and boost capability to participate in digitally-delivered services trade.*
 - *ABAC calls on APEC economies to invest in digital infrastructure and digital skills training to enable MSMEs to be competitive, innovative, access regional and global markets and to benefit from digital platforms.*
- **Artificial Intelligence (AI), to drive innovation and productivity.** AI is driving a tectonic shift, offering significant opportunities to access global markets through applications like multilingual translation and to enhance productivity. Many MSMEs face challenges in awareness, expertise and resources to successfully integrate and scale AI.
 - *ABAC calls on APEC economies to establish targeted capacity building and cybersecurity initiatives to enable MSMEs to benefit from secure and responsible AI.*
- **Interoperable paperless trade and digital supply chain financing,** including deep-tier supply chain financing, enhance efficiency and inclusion in trade for MSMEs. To maximize the benefits, MSMEs need support with digital identities, establishing supply chain data pools for informed lending decisions and cross-border environmental, social and governance (ESG) reporting, and an APEC-wide platform for trade finance tokenization.

- *ABAC calls on APEC economies to adopt interoperable paperless trade and support digital trade finance facilitation and deep-tier supply chain financing.*

2. Financial inclusion remains a substantial challenge for MSMEs, including for women entrepreneurs. MSMEs find it disproportionately challenging to access the financing they need to scale and join global supply chains. These challenges are hugely magnified for women entrepreneurs seeking venture capital.

- *ABAC calls for APEC to establish programs which support women-led enterprises to access venture capital and financing, and to work with the private sector to encourage diversity in business practices.*
- *ABAC encourages mobilizing pension funds as a source of capital to support MSMEs and supporting MSMEs' digital financial literacy to access alternative financing.*

3. MSMEs are vulnerable to climate impacts and to exclusion from climate responses. Climate disruption is hitting MSMEs disproportionately hard, and especially those led by women and Indigenous entrepreneurs. At the same time, they may struggle to demonstrate sustainability credentials, risking exclusion from supply chains – and poorer environmental outcomes overall.

- *ABAC calls on APEC economies to prioritize a Just Transition for MSMEs, including by developing tailored support for their participation in sustainable supply chains and global value chains.*

We thank you for your attention to our key messages. ABAC stands ready to collaborate with you during the 30th APEC SME Ministerial meeting taking place in Pucallpa, Peru in September.

Yours sincerely,



Julia Torreblanca
ABAC Chair 2024