

19 July 2012

Mr. Vladimir Simonenko

Chair, APEC SME Ministerial Meeting &
Deputy Minister of Economic Development
Russian Federation

Dear Deputy Minister Simonenko:

On behalf of the APEC Business Advisory Council, I would like to share our key recommendations related to small, medium and micro-enterprises (SMMEs) and entrepreneurship. Among the issues identified by APEC as barriers to SMME cross-border trade, ABAC has prioritized areas that are critical to support the continued growth and development of SMMEs and entrepreneurship. These issues are common to both developed and developing economies and promote collaboration between APEC and ABAC.

ABAC supports **policies promoting the creation of new businesses and business models**. In this regard, we believe economies need to tackle barriers hampering SMMEs from taking advantage of **cross-border strategic alliances that can facilitate innovative growth**. Turbulence in the global economy in the last few years has shown us that, for APEC economies to continue their economic development, the quality of growth is crucial in order to create an environment that fosters the development of innovation and emerging economic sectors. ABAC recommends that APEC economies: i) enhance industry and business information exchange for SMMEs relating to industrial clusters, intellectual property rights, industrial standards and human capital to enhance business competitiveness; ii) build awareness and promote creation of International R&D and Innovation Strategic Alliances; and iii) promote policies to facilitate cross-border human capital flows. ABAC is supporting studies to identify policies to foster innovative growth and how SMMEs can utilize the resources of cross-border innovative alliances.

Access to finance is a major constraint for SMME development. ABAC identified the **need for government support in encouraging access to angel and venture investment capital by entrepreneurs** by: i) catalyzing angel and venture capital through support programs which encourage investments in small businesses for example, tax credit, matching funds or optional buy-out program and ii) identifying and mobilizing angel and venture investors to support SMME growth across different sectors. These efforts need to be supported by promoting enabling legal and regulatory environments for the entire chain of financial activities that support companies across various stages of innovation, including angel and venture capital in the early and middle stages and private equity, commercial and investment banks and institutional investors in the latter stages, as well as exit mechanisms. They also require that fundamental conditions that encourage entrepreneurship and innovation, particularly at the incubation stage, are in place. We recommend that APEC economies collaborate with ABAC in developing public-private partnership mechanisms to help governments undertake these important tasks.

ABAC promotes initiatives that facilitate SMMEs' participation in international business. In this regard, we consider it important to **promote the development of information and communication technology (ICT) and e-commerce platforms for use by SMMEs to reduce transaction costs and connect them to global markets.** By using these technologies, we can further promote and facilitate the internationalization of SMMEs. Targeted outcomes will be immediate access to global buyers, built-in and easy to use online shops, established e-payment and trust and safety systems as well as experienced online training which can help SMMEs begin to sell their products globally.

ABAC supports the development of online single window initiatives to facilitate use of market access information which can help SMMEs take advantage of export opportunities for goods and services. Customs transparency is regularly cited by the private sector as a major impediment to doing business in the APEC region. This lack of transparency creates a significant barrier to trade and investment and hinders APEC's efforts to support the free flow of trade in goods and services across the region. ABAC strongly supports the development of the APEC Next Generation Interactive Tariff Database and the Services Trade Access Requirements (STAR) Database as tools to address these barriers. We encourage APEC officials to coordinate efforts to enhance continuity, address funding, and ensure that the databases are commercially relevant. Furthermore, APEC SME Summits are an important venue to promote use of these databases and further coordination between ABAC and APEC is necessary to build momentum for awareness and use of these databases.

ABAC is committed to further analyze critical barriers to SMME business by promoting studies and surveys that help identify best practices and policies fostering SMME business development.

Encouraging women and young people to participate in business across the APEC region will provide a boost to inclusive and sustained economic growth. ABAC endorsed the establishment and welcomes the progress of the ABAC Women's Forum. ABAC also applauds the success of the APEC Young Entrepreneurs' Summit recently held in Beijing. We look forward to supporting initiatives that enhance capabilities and create networking opportunities to increase the participation of women and young entrepreneurs in international markets.

Following analysis on the characterization of SMMEs, their contribution to the economy and the differences in classifications among economies, we will ensure that our 2013 work program is tailored so that it is relevant to the defined target population.

Seeking to address the high cost of corruption in sectors of export interest to SMEs, ABAC welcomes the Ministers endorsement of principles for voluntary codes of business ethics in the medical device sector, biopharmaceutical sector and the construction and engineering sector. ABAC welcomes the progress of companies and industry associations to develop and implement voluntary codes of business ethics consistent with these principles and encourages economies to embrace these principles as well as implement codes of ethics consistent with them.

ABAC believes that these recommendations will strengthen APEC SMMEs' participation in business as they are drivers of sustained economic growth. We look forward to participating at your meeting in St. Petersburg in August to discuss these recommendations.

Yours sincerely,



Ziyavudin Magomedov
ABAC Chair 2012