



15 September 2009

The Honorable

Lee Yi Shyan

Chair, APEC SME Ministerial Meeting and
Minister of State
Ministry of Trade and Industry
Singapore

Dear Minister Lee:

The current global economic crisis has highlighted the vulnerability of SMEs and micro-enterprises which represent over 70% of regional GDP. We encourage APEC economies to continue relief policies for these sectors, including the extension of trade finance, until clear and unambiguous economic indicators confirm the return to economic normality. In support, ABAC is currently conducting a study of SME relief programs within APEC, the report of which will be presented at our next meeting in November.

Affirming the global relevance of SMEs in ABAC's inclusive agenda, we held SME events in Brunei in May and in Peru and China in September. An APEC SME Summit will also be held in Singapore in conjunction with the APEC Leaders' and CEO Summits. Further, we would like to highlight that ABAC, at its recent Danang meeting, endorsed a non-binding commitment to host an APEC SME Summit each year. We seek your continued support for the hosting of such SME events, thereby providing a dedicated international forum for SMEs to examine and discuss challenges and concerns specific to them.

The driving force behind inclusive growth is the sharing of benefits more widely across all segments of society. Strategies for inclusive growth include the facilitation of economic restructuring, so as to make economies more resilient and adaptable to competitive pressures, and strengthening social resilience, so as to provide security for the vulnerable while rewarding effort. From a business perspective, an APEC discussion on inclusive growth should include policies to encourage, facilitate and support the development of SMEs, the backbone of virtually every economy in the region.

Green sustainable growth is an essential element in maintaining a healthy and prosperous society. ABAC is currently developing a platform to further support SME innovation initiatives. The Innovation Supply Chain Platform report, which will be presented in ABAC during the APEC Leaders' Week, will provide a solution to eliminate the bottlenecks between developer and market. The Innovation Supply Chain is a public-private partnership project which allows for a systematic process strongly supported by financial capacity to assist SMEs.

The growth and development of SMEs is enhanced when they can leverage the benefits provided by information communication technologies (ICTs). ICTs provide cost savings through efficiencies and economies of scale, enabling a wider dissemination of services of societal benefit and affording opportunities for SMEs to gain access to services and market

opportunities that would be impossible in the absence of internet intermediation. We urge SME Ministers to adopt policies, such as those identified in the APEC Digital Prosperity Checklist, to address barriers to ICT utilization by SMEs through the strengthening of ICT training programs, business process consultations and financial support.

The challenges of obtaining finance for SMEs remain the pinnacle concern and ABAC has recommended that APEC undertake initiatives to promote a more predictable legal architecture for secured lending, including an exclusively available system for registering and perfecting security interests in both movables and receivables as collateral, efficient judicial procedures for enforcement of security interests, and clear regulations around asset-based lending requirements to further enable both lenders and borrowers to assess risk and enhance sound credit and lending activities.

ABAC is also proposing the launch of an APEC financial inclusion initiative under the Finance Ministers' Process as a component of the overall theme of inclusive growth. The proposed initiative focuses on helping member economies provide an enabling environment for microfinance through sharing of best practices in facilitating agent and mobile phone banking, promoting diversity of microfinance service providers, enhancing governance and management of state banks with microfinance operations, developing financial identity and improving consumer protection for people at the bottom of the economic pyramid. We seek your endorsement of this initiative.

Finally, we would like to share with you the key themes that emerged during our three SME events this year:

- First, government has an important role to play in creating an enabling environment for the functioning and capacity building of SMEs. The ease of doing business, including a reduction of existing red tape and bureaucracy, is vital for successful SME operations. Governments are therefore encouraged to be proactive in providing forums for SMEs to provide policymakers feedback on how to improve the business environment.
- Second, innovation is key to the sustainability of an SME. The flexibility and ability of an SME to quickly effect change is one of just a few competitive advantages that SMEs have over larger corporations. Governments can support innovation in SMEs by implementing policies that encourage incremental improvements in products, systems and processes and by introducing educational curricula which foster creativity and entrepreneurship.
- Third, open markets and foreign direct investments by large multinational companies can have a constructive and positive impact on the development of local SMEs. Collaboration through formalized programs or joint projects provide local SMEs the opportunity to learn from the best practices of larger international companies, including the adoption of global standards, skills and experiences which allow them to compete and succeed in projects abroad.

We look forward to discussing the above issues and recommendations with APEC SME Ministers at your upcoming meeting in Singapore on 8-9 October 2009.

Yours sincerely,



Teng Theng Dar
ABAC Chair 2009



Ma Yun
Chair, ABAC Capacity Building and
Action Plan Working Group