



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Meeting Paper 3-C APEC SME Ministers' Joint Statement 2015

Office of the Chair, APEC SME Ministers' Meeting

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Iloilo, Philippines, 25 September 2015

2015 APEC Small and Medium Enterprises Ministerial Meeting Statement

“Mainstreaming Micro, Small and Medium Enterprises in the Global Economy”

1. We, the APEC Ministers and their representatives responsible for small and medium enterprises (SMEs) met in Iloilo City on 25 September 2015 for the 22nd APEC SME Ministerial Meeting under the Chairmanship of Secretary Gregory L. Domingo, Department of Trade and Industry, the Philippines. The meeting was also attended by the Chair of the **APEC Business Advisory Council (ABAC)**, SOM Chair Laura Del Rosario and the Executive Director of the APEC Secretariat.
2. We appreciate the active participation of micro, small and medium enterprises (MSMEs) from across the APEC region at the meetings held on 21-24 September 2015. **We value the views and contributions of MSMEs, women and young entrepreneurs, business and government leaders, supply chain experts, finance specialists, and academia in shaping APEC's agenda.**

Highlighting the Importance of Micro Enterprises

3. Recognizing the importance of micro enterprises in the economy and the need to address their special concerns, we agree to use the term “MSMEs” in referring to micro, small and medium enterprises (MSME) at this meeting.
4. We welcome the emphasis given this year on strengthening MSMEs’ participation in regional and global markets as one of the priorities under the APEC 2015 theme, “Building Inclusive Economies, Building a Better World.” This brought into focus the challenges faced by MSMEs, and possible measures to address these. We appreciate the substantial contribution by the Ministers Responsible for Trade (MRT) Meeting, the Structural Reform Ministers Meeting, the Finance Ministers Meeting, and the Women in the Economy Forum to support the agenda on MSMEs.
5. Guided by this priority, our discussions at this Ministerial Meeting centered on the theme “Mainstreaming MSMEs in the Global Economy.” Our discussions focused on how we can ensure that APEC's work to achieve free and open trade is as relevant to MSMEs as it is to big business.
6. We reviewed the progress of APEC's work in promoting MSME development and recognize the progress we have achieved thus far. The foundations of our work have been built over time, starting from the Leaders’ instructions to convene the first SME Ministerial Meeting in 1993; the Action Program for Small and Medium Enterprises under the Osaka Action Agenda (OAA); the preparation of the Integrated Plan of Action for SMEs (SPAN) and the succeeding Strategic Plans; the Daegu Initiative; the identification of barriers to SME international trade during the 2011 Joint MRT-SME Ministerial Meeting; and the Nanjing Declaration on Promoting Innovation and Sustainability.
7. Much work, however, remains to be done. In order to address the myriad challenges facing MSMEs, **we broadened our work on many fronts, giving intensified attention** to innovation, entrepreneurial development, business ethics, business resiliency, women’s economic

development, **finance** and our intensified efforts on providing capacity building programs. Through our individual and collective actions, the MSME sector can become a more potent force that contributes to the economic prosperity in the Asia-Pacific region.

8. This year's discussions on MSMEs have been robust, guided by our collective desire to provide MSMEs opportunities and provide a cohesive approach for them to contribute to the region's growth. **We recognize the relevance of other APEC work on** structural reform and services, promoting connectivity, and regional economic integration, as well as **financial inclusion in supporting MSMEs**.
9. We welcome the "Boracay Action Agenda to Globalize MSMEs," as this strengthens APEC's focus in providing MSMEs wider opportunities in the global economy and encourages cooperation among APEC sub-fora, ABAC, and other international organizations. **We support the Cebu Action Plan (CAP), a roadmap for a more sustainable financial future for the Asia-Pacific region, which aims among others in improving policy frameworks that enable MSMEs to use their transaction records and a broader range of collateral to access loans, and expand trade and supply chain finance.** Further, we welcome the decision of the Structural Reform Ministerial Meeting to continue work on inclusive, behind-the-border reforms towards a development path that promotes competitiveness, inclusiveness and resilience in the Asia-Pacific region.

Removing Trade Barriers to Facilitate MSME Entry to Markets

10. We reaffirm the importance of addressing trade and investment barriers, and implementing trade facilitation measures as underscored in the Boracay Action Agenda, in order to provide a better business environment for MSMEs. We note the relevant initiatives already in place to reduce trade barriers, such as the 2nd APEC Ease of Doing Business Action Plan; APEC Business Travel Card; the APEC Supply Chain Connectivity Framework Action Plan; and the APEC Connectivity Blueprint. We instruct the SMEWG to continuously engage with relevant fora to maximize the benefits of these work streams to MSMEs.
11. **We also endorse the efforts by the SMEWG to address challenges related to** non-tariff measures; information and regulatory concerns; as well as **supply chain financing**, and expect further work in conjunction with relevant fora, to eliminate barriers, reduce trade-related costs, and facilitate trading of MSMEs globally.
12. **We note the contribution of the United States, the Philippines and the SMEWG in organizing the APEC SME Global Supply Chain Event in Atlanta, Georgia on 8-9 June 2015, which brought together** MSMEs, academic institutions, multinational corporations, regulators, logistics providers, and **finance experts**. The event provided an excellent platform for greater understanding on advancing the integration of MSMEs into regional and global supply chains, with special focus on the importance of food safety and quality. These discussions are vital in the light of the importance of increasing MSMEs income through the development of supply chains, including the improvement of quality of agricultural products.
13. We instruct officials to widen the reach of advocacies on MSME trade regulatory education, and to engage MSMEs and **ABAC** in the **development of policy and regulatory environment conducive to the growth of MSMEs**. A platform for information sharing, networking, consultations, and feedback is vital to this effort.
14. We appreciate the following APEC projects by the Philippines in support of this work: "APEC Workshop on Facilitating SME Trade through Better Understanding of Non-Tariff Measures in the Asia Pacific Region for the Agriculture, Food Processing and Handicraft Sectors" and the APEC Workshop on Business Matching and Internship Consortium for

Global Value Chain Integration. We welcome complementary efforts of the Committee on Trade and Investment, such as the APEC Trade Repository (APECTR) to be launched in November 2015.

15. We agree that corruption and unethical business practices act as a significant market access barrier for MSMEs, which disproportionately impact on their ability to succeed. We agree that APEC economies must continue to address these barriers, as they undermine innovation, job growth, economic stability and cross-border trade. We commend the progress of the APEC Business Ethics for SME Initiative in addressing unethical practices in sectors of export interest to MSMEs. We congratulate the medical device and biopharmaceutical sectors for achieving the Nanjing Declaration's goal of doubling the number of industry associations that have adopted the Code of Ethics -- from 33 to 66.
16. We acknowledge the important role that the digital economy plays in enhancing access to the global market and driving innovation for MSMEs. We recognize the importance of leveraging the digital economy to expand internationalization opportunities for MSMEs by widening access to the internet and building capacities to enable MSMEs to adopt internet-based models such as Online-to-Offline (O2O) utilizing e-commerce platforms and online portals that will enable them to explore and conduct cross-border transactions. The role of information and communication technology (ICT) in this regard is indispensable. We welcome the Digital Economy Action Plan for MSMEs and Work Agenda for MSMEs as concrete and practical steps that APEC could undertake to accelerate MSME access to international markets. Regulatory alignment, an efficient digital ecosystem, human capacity building, and a holistic approach to the creation of a digital economy are vital to these efforts.
17. Technologies and digital economy are crucial to harnessing APEC's potential for economic growth. To ensure the inclusion of APEC's future generations in an integrated and inclusive regional economy that is supported by MSMEs, APEC needs to vigorously promote science, technology, engineering and math (STEM) in the education of its human resources. This will help cultivate talents for innovation and strengthen innovation capacities of MSMEs. APEC needs to promote education and capacity building among MSMEs in ways that these create a better understanding of the interconnectedness between science and technology, academics, and real-world problem solving.

Advancing Modernization and Standards and Conformance of MSMEs

18. We recognize that MSMEs' ability to meet standards and regulations will boost their competitiveness and increase their prospects for internationalization and integration into global value chains (GVCs). APEC economies need to collectively work toward addressing the barriers posed by differing standards and technical regulations. We welcome the collaboration of the SMEWG with the Sub-Committee on Standards and Conformance (SCSC) in developing a work plan to review policy issues, enhance information exchange, and identify practical capacity building programs that will heighten MSMEs' compliance capacities in accord with international standards, regulations and conformity assessment procedures. The Australia led project to facilitate harmonisation of standards for the movement of data and information across APEC economies is an initiative that shows how internet-based platforms help lower barriers to entry for MSMEs to access regional and global markets without having to establish physical operations in different economies. As trade in digital goods and services increases, the free flow of data across borders is an important pre-condition to enabling businesses to operate in numerous markets without restriction.
19. We recognize the vital role of MSMEs in bringing new ideas to the market and in fostering

innovation. APEC needs to build an ecosystem that supports enterprise creation and improves the environment for innovation, as well as facilitates financial inclusion for start-ups. Chinese Taipei's "APEC Accelerator Network (AAN) Initiative" and the "APEC Challenge," as well as the Philippines' SME Technology Entrepreneurship Conference (SlingShotMNL2015), and ABAC's Interactive Mapping of Incubators and Accelerators in APEC are efforts that help achieve these. Partnerships, linkages, and networking among innovation centers, research communities, and academia, as well as those involving large and small businesses need to be supported and enhanced.

20. We also recognize that MSMEs can leverage their intellectual property (IP) assets such as brands and trademarks for growth and expansion. Enhanced knowledge of intellectual property and IP valuation and commercialization can assist MSMEs develop competitive and global brands. We also recognize the importance of assisting MSMEs in growing their brands through IP awareness and protection and inclusion of necessary measures for the effective use of IP assets by MSMEs.
21. We note with appreciation China's concept paper on Enabling Inclusive Growth through the Internet Economy, which emphasizes the contribution of the Internet to the development of MSMEs under the APEC Ad Hoc Steering Group on Internet Economy.
22. We recall our discussions in Nanjing on the potential for new technology to facilitate MSMEs' market access and internationalization in a digital world. We noted discussions in public and private dialogues examining the vast opportunities in the services sector as the single biggest contributor to employment and output in APEC economies. We therefore instruct officials to work towards the creation of an ecosystem of entrepreneurship in the APEC region to encourage the development and growth of globally competitive innovation-driven MSMEs.

Promoting Inclusive Growth through Sustainable and Resilient MSMEs

23. We agree to promote policy, business and regulatory environments that foster the long-term growth potential of MSMEs. We recognize the contribution of local development plans and the role of enterprise clusters in enhancing productivity, innovation, and inclusive growth.
24. APEC needs to further strengthen MSMEs' participation in local supply chains and GVCs through long-term, value-driven partnerships between large enterprises and MSMEs. Knowledge inputs and policy measures are key to promoting these partnerships. We note the Public-Private Dialogue on Inclusive Business, held during the Investment Experts' Group Meetings in Cebu last August 2015, highlighting the need for sustainable, win-win partnerships between large enterprises and the Base of the Pyramid, towards the achievement of building truly inclusive economies. We look forward to the High Level Dialogue on Inclusive Business in November 2015.
25. We welcome the contribution of institutions that serve MSMEs across member economies in cooperation with APEC SME Service Alliance (ASSA) towards promoting market development, training programs, and management consulting to facilitate inclusive growth of MSMEs.
26. We welcome the 9th APEC Small and Medium Enterprises Technology Conference and Fair (SMETC) that will be convened in China, in July 2016, with the aim of promoting MSME integration into Global Value Chains. We appreciate the establishment of APEC SME Database on the best practices of SME innovation to enhance information sharing pertaining to innovative growth of SMEs.

27. We acknowledge that MSMEs' participation in international markets is enhanced when they leverage on the benefits of e-commerce. We, therefore, support the Philippine initiative to create a virtual marketplace of MSMEs which will facilitate business matching, and provide information about international trade standards and regulations, as well as on trade promotion assistance packages provided by APEC. We recognize its added value as a networking platform and feedback mechanism on how challenges faced by MSMEs seeking to participate in global trade may be addressed. This is a vital initiative resulting from the recommendations of projects and meetings this year.
28. We recognize the importance of MSMEs' access to finance as a key enabler of MSME expansion, internationalization, and productivity improvement among MSMEs. In this context, we affirm the policy directions set in the Boracay Action Agenda and Cebu Action Plan to widen various financial options for MSMEs, including non-traditional and innovative financing, as well as public-private financing initiatives. We further acknowledge that MSMEs require both capacity-building and financial support, and urge financial institutions to look beyond financial records and consider MSMEs' overall business plans and potential.
29. We call for greater efforts to promote MSMEs' resilience against unexpected events, disasters, and financial crises in order to improve global supply chain resilience. We recognize the role of public finance, such as credit guarantee systems designed for MSMEs' operational continuity, rather than the rescue of financial institutions. We also express our appreciation for Chinese Taipei's hosting of the APEC Business Continuity Planning (BCP) Workshops in collaboration with the Philippines, Indonesia, Mexico, Thailand and Viet Nam which have trained over 800 BCP trainers since 2013. We also welcome the publication of the BCP Guidebook in seven languages and the APEC SME Disaster Resilient Policy Framework as a reference for economies to design their own disaster resilience policies.
30. Recognizing that MSMEs' access to finance is a cross-cutting issue, we support efforts for closer collaboration with relevant public and private sector institutions, including ABAC in discussing ways to widen access to finance and business resilience among MSMEs. We thus welcome the outcome of the APEC SME Finance Forum held on 22 September 2015, with the participation of MSME policy makers, business groups, the Asia-Pacific Financial Forum (APFF) and other financial stakeholders.
31. We note with interest the progress in establishing a special loan amounting up to USD 2 billion by China Development Bank (CDB) in supporting innovative cooperation and mutual investment of SMEs in the Asia Pacific Region. We also acknowledge the initiatives that CDB and their counterparts in the Asia-Pacific Region facilitate the financial support for SMEs through inter-bank cooperation.
32. We recognize the growing importance of financial literacy, particularly following the 2008 global financial crisis due to significant evidence that providing the owners and managers of MSMEs with specialized financial education can provide important economic benefits to their companies, making them more cost-efficient and dynamic. Therefore, we appreciate Thailand's Initiative in conducting the financial literacy survey to address this issue by identifying and evaluating the state of financial education in APEC member economies. The information gathered is intended as a means of assessing the need for and shaping possible new APEC SMEWG initiatives towards the promotion of MSME financial literacy.
33. We also recognize that digital resilience is a crucial issue in BCP considering the increasing demands on mobile internet and Online-to-Offline (O2O) business and the growing concerns on online security. We, therefore, encourage all member economies to work towards building a secure and fully developed digital economy as part of BCPs, guided by

the objective of limiting disruptions to global supply chains and safeguarding trade and investment for inclusive growth.

The APEC Iloilo Initiative: Growing Global MSMEs for Inclusive Development

34. We hereby adopt the attached “APEC Iloilo Initiative: Growing Global MSMEs for Inclusive Development” as a guiding framework in integrating MSMEs in international trade and GVCs. We will work to implement the initiatives under this framework to maximize the benefits of cooperation. We agree to launch the “APEC MSME Marketplace” as a one-stop portal to facilitate access to information related to doing business in the region and to inform on projects and activities that promote MSMEs’ integration to international trade.
35. We affirm the recommendations of the private sector in Atlanta and Iloilo in 2015, to provide a bigger voice to MSMEs in the APEC process, in accordance with the Leaders’ instruction in 1993. We value the views shared by ABAC in support of MSME development, and appreciate its efforts in organizing the SME Ministers-CEO Dialogue in Iloilo City, Philippines. We look forward to the APEC SME Summit as a culminating activity in November 2015, highlighting APEC’s greater commitment to MSME development.

Cooperation and Collaboration with Related Organisations

36. As we seek to build on the achievements this year, we instruct officials to harness synergies across APEC work streams to maximize the expertise of relevant APEC committees and sub-fora in promoting MSMEs’ growth. We task the SMEWG to exercise leadership in guiding other APEC fora toward ensuring greater complementation in efforts to address issues that threaten the survival and hinder the growth of MSMEs.
37. We welcome the collaboration initiated by the SMEWG with other APEC fora in 2015, including its work with the SCSC to address MSMEs’ compliance to international standards. We acknowledge its commitment to lead coordination work on MSME-related activities within APEC, and to continue collaborating with relevant organizations, as well as ABAC, to expand and complement advocacy and other initiatives on MSME development.
38. We encourage close coordination by the SMEWG with relevant APEC fora to review the trade facilitation work streams, improve trade facilitation for MSMEs, and intensify the delivery of capacity building programs to ensure that MSMEs benefit from trade and investment liberalization towards achieving stronger economic growth across the region.

Recommendations on the APEC SMEWG Strategic Plan 2017-2020

39. In developing the next SMEWG Strategic Plan, we instruct officials to coordinate across all APEC fora and integrate priorities under the Boracay Action Agenda and its implementation plan; the Digital Economy Action Plan; and the Iloilo Initiative, and to put in place an appropriate monitoring system to assess the progress. We welcome the initiative of the SMEWG in developing the SME Internationalization Index to measure the growth of MSMEs in the APEC region.
40. We support giving the SMEWG permanent status in APEC.

APEC 2016 SME Meetings

41. We look forward to our next meeting in Peru for the APEC SME Ministerial Meeting and Related Activities in September 2016.

Towards the 2015 APEC Economic Leaders’ Meeting in Manila

42. We agree to present this SME Ministerial Statement as the contribution to the APEC Economic Leaders' Meeting in November 2015 in Manila, the Philippines.