



30 July 2023

**The Honorable Marisa Lago**

Chair, APEC SME Ministerial Meeting  
Under Secretary for International Trade  
Department of Commerce  
United States

Dear Under Secretary Lago,

The APEC Business Advisory Council is pleased to share its recommendations for the economic success of micro, small and medium-sized enterprises (MSMEs). MSMEs are the connective tissue of all APEC economies, making a vital contribution to growth, innovation and living standards across both the formal and informal sectors. Empowering MSMEs, including those led by women, Indigenous entrepreneurs, youth and others with untapped economic potential, has a cascading effect on the prosperity and wellbeing of communities and economies overall.

At the same time, thanks to their small size, MSMEs are particularly vulnerable to rising costs, uncertainty and disruptive forces in the operating environment. The shocks that have affected supply chains and trade flows in recent years, including the pandemic, along with the rapid digitalization of economies, have created many challenges for smaller businesses and set back the process of formalization.

As the Putrajaya Vision and Aotearoa Plan of Action recognize, MSMEs need help to build the capacity they need to succeed, including making the transition to the formal economy and engaging in cross-border trade. APEC economies must reassess the way that they design and provide such support, to ensure that it remains fit for purpose. This important effort requires action across a number of different dimensions.

**Rethinking MSME Programs and Initiatives**

The 'New MSME Economy Report' that ABAC commissioned from the University of Southern California's Marshall School of Business in 2022 identified a number of shortcomings in existing MSME programs. Programs were found to be complex and lacking in coherence; training was not targeted to specific needs, including for MSMEs led by women or Indigenous entrepreneurs; and support was not sustained over time, meaning that MSMEs could struggle to access relevant resources as their needs, and the operating environment, evolved.

The Aotearoa Plan of Action recognizes that in-depth analysis of relevant data on MSMEs is essential: it can help policymakers to monitor the landscape, identify gaps in support and barriers to success, and provide the analytical basis on which to design effective programs. For women, APEC has started down this path with the Women in the Economy Dashboard. This year, ABAC has taken this approach further with a detailed study of disaggregated data, drawn from private sector and public sources, on women's participation in science, technology, engineering and

mathematics (STEM) education and employment. This work complements but goes beyond the APEC Women in STEM Metrics project. Similar robust data-based analysis is needed for others, including Indigenous businesses.

In rethinking MSME programs and initiatives, ABAC recommends that APEC:

- Provide persistent, intentional and targeted support that responds to identified needs, and takes into account the diverse interests of women- and Indigenous-led businesses;
- Utilize robust disaggregated data analysis in the design of support programs for MSMEs;
- Set up accessible single-entry points, such as a web portal, to access support and resources;
- Establish a dedicated MSME training academy, to boost lifelong learning;
- Foster an enabling trade environment, including through the use of dedicated provisions in trade agreements and policies, and in the Free Trade Area of the Asia-Pacific.

## **Digitalization**

Digitalization holds enormous economic promise for MSMEs. Digital tools and technologies can boost productivity and innovation, enable global reach and aid connectivity, and can also help MSMEs to transition to the formal economy. Further, digital technologies are rapidly moving from ‘nice to have’ to ‘must have’; MSMEs that fall behind in digitalization risk exclusion.

However, many MSMEs lack the means, knowledge, and skilled human capital to leverage digital solutions. ABAC’s 2022 Marshall School study showed that MSMEs struggle with future readiness in particular.<sup>1</sup> They need support for digital literacy and to access digital tools and technologies, including important foundational elements such as cybersecurity, where ABAC has developed a Cybersecurity Self-Assessment Toolkit for MSMEs, along with an enabling regulatory environment and high-quality digital infrastructure. This is particularly the case for entrepreneurs from groups with untapped economic perspective: as the lines between the “digital economy” and the economy blur, it will be critical for prosperity and growth that, among other things, women are strongly represented in STEM roles, and that Indigenous businesses can use technology as a springboard to overcome structural biases.

To support MSMEs to ‘go digital’, ABAC recommends that APEC:

- Design programs to equip MSMEs, including those led by women and Indigenous entrepreneurs, to operate effectively in a digitalized environment;
- Ensure that MSMEs have access to affordable high-speed internet and operate in an enabling regulatory environment, including for data protection and access to digital tools and services;
- Encourage MSMEs to utilize ABAC’s Cybersecurity Self-Assessment Toolkit for MSMEs, or to work with cybersecurity vendors to better understand cyber risk;
- Seek to advance women’s participation in STEM education and careers, based on detailed analysis of the barriers to such participation, and well-designed programs to address these.

## **Supply Chain Resilience**

In 2022, APEC committed to promote resilience and efficiency across all sectors, emphasized digitization as an enabler of supply chains and highlighted the importance of balancing growth and environmental protection. In the same spirit, in 2023 ABAC has undertaken detailed business

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<sup>1</sup> [https://www2.abaconline.org/assets/2022/Publications/The%20New%20MSME%20Economy%20Post-Pandemic%20Drivers%20for%20Growth\\_.pdf](https://www2.abaconline.org/assets/2022/Publications/The%20New%20MSME%20Economy%20Post-Pandemic%20Drivers%20for%20Growth_.pdf)

research and developed a ‘living toolkit’, available through a web portal, to help businesses achieve supply chain resilience, which can be used as a platform to support MSMEs. Key considerations in resilience include flexibility, visibility, connectivity, robustness and redundancy.

To support greater supply chain resilience, ABAC recommends that APEC should:

- Champion the ABAC MSME Supply Chain Resilience Toolkit, and the recommendations noted above that will foster MSMEs’ own resilience;
- Establish a regional supply chain cooperation mechanism for future readiness against shocks, and strengthen infrastructure and transportation linkages;
- Accelerate digitalization of supply chains to keep up with cross-border e-commerce, including by creating the right enabling policy and regulatory environment and by investing in the necessary technologies at the border.

### **MSME Participation in Green and Sustainable Growth**

Along with the other significant disruptions discussed above, the global business environment is increasingly focused on sustainability – and, importantly in the context of MSME success, in businesses being able to verify their sustainable business practices. Despite serving hundreds of millions of consumers daily, MSMEs are largely invisible in the ‘Environmental, Social and Governance’ (ESG) agenda. They typically have low awareness of, and no formal obligation to adopt, ESG practices. At the same time, MSMEs are often participants in global supply chains and value chains, where these considerations are becoming ever more prominent.

It will be increasingly important for MSMEs to be able to demonstrate their ESG credentials, not only as good business practice, but also to avoid unintended exclusion from global value chain opportunities where ESG approaches are prioritized. To that end, an ESG Framework for MSMEs is needed to enable measurement of key metrics such as flow of materials and information, financing associated to grow the MSMEs, employee welfare, and logistics components that are environmentally and/or socially sound and sustainable, and to support the development of robust policy, incentives and enforcement mechanisms.

ABAC recommends that APEC should:

- Develop and implement an MSME ESG Framework, in partnership with ABAC and other stakeholders, that is pragmatic, achievable and accessible to MSMEs and which will drive MSME ESG inclusion.

ABAC stands ready to support APEC economies in making the range of recommendations above a reality. In short, our shared goal must be to enable MSMEs not only to survive, but also to thrive and become more resilient – despite the disruptions that the future may bring.

Yours sincerely,



**Dominic Ng**  
ABAC Chair 2023