

5 August 2025

The Honorable Seongsook Han

Chair, APEC SME Ministerial Meeting
Minister of SMEs and Startups
Republic of Korea

Dear Minister Han,

Micro-, small and medium sized enterprises (MSMEs) are critical to the economic prosperity of the APEC region. Accounting for 97% of all businesses and half the workforce across APEC economies, they are drivers of innovation, job growth, and provide opportunities for economic participation for women, Indigenous entrepreneurs and other groups with untapped potential. Currently, MSMEs need support as they are particularly vulnerable to external shocks, as they lack the scale to hedge against sudden regulatory or market access changes.

Uncertainties in global supply chains, lack of regulatory coherence, unequal access to digital technologies, and the gender pay gap are all challenges currently disproportionately impacting MSMEs and require urgent action from APEC economies.

Bridging the Digital Divide

Empowering MSMEs to embrace emerging technologies, including artificial intelligence (AI), is essential not only for inclusive economic growth but for building resilient, future-ready APEC economies—yet many MSMEs remain on the margins of this transition. Small businesses—especially those in rural or traditional sectors—continue to face barriers to digital adoption, from limited connectivity to lack of access to technologies like e-commerce platforms, cloud computing, digital payments, paperless trade and digitally delivered services. Beyond its role in fostering inclusion, this transition also presents a strategic opportunity for MSMEs to broaden their participation in regional trade and diversify their market presence across the region.

In addition to infrastructure, many MSMEs also lack resources, skills and cyber security needed to adopt emerging technologies, including AI, further deepening the divide in AI readiness. Building an AI-ready workforce will require targeted investments in education and training, to upskill existing workers and equip new entrants into the labor force. At the same time, regulatory approaches must be proportionate and inclusive. MSMEs do not have the capacity to navigate overly complex compliance regimes as we prepare for increased advancements in AI and quantum technologies. Nor do MSMEs have ready access to affordable cybersecurity tools, or the awareness needed to operate safely in the AI-driven economy.

To ensure MSMEs can fully and safely participate in an AI-enabled digital economy, ABAC urges APEC Ministers to:

- **Invest in digital infrastructure** to expand access in underserved regions by partnering with private sector AI and cloud providers to accelerate deployment.

- **Collaborate across sectors**—including industry, civil society, and academia—to design practical digital skills and AI training programs that meet the real needs of MSMEs.
- **Develop smart, balanced regulatory frameworks** that enable safe and responsible AI adoption without imposing disproportionate burdens on smaller firms.
- **Expand access to affordable, interoperable tools** that help MSMEs assess and manage cyber risks with minimal technical and financial burden.
- **Agree a New Services Agenda for digitally delivered services**, including tailored capacity building and an enabling regulatory environment to support wider and more successful participation by MSMEs in digital trade.
- **Endorse our proposed APEC Centre of Excellence on Paperless Trade (ACCEPT)** to support more efficient, low-cost and resilient supply chains for MSMEs.

We recall also our Greener Trade Framework and urge Ministers to adopt such a framework in APEC. It will be critical that we ensure a Just Transition in the climate response, and achieving a coherent, principles-based approach to greener trade is central to enabling MSMEs to participate fully in the transition to a low-carbon economy and to avoid leaving such enterprises behind.

Addressing the Gender Pay Gap in MSMEs: A Strategic Imperative for Inclusive Growth

Closing the gender pay gap is an impactful yet underleveraged strategy for driving inclusive growth, innovation, and productivity—particularly among the region’s MSMEs. Beyond being a moral imperative, closing the gap could unlock up to USD \$4.5 trillion in regional gross domestic product (GDP).

Structural barriers—such as occupational segregation, limited leadership access, and undervaluation of care work—continue to constrain the full economic participation of women. MSMEs often lack the capacity, data, and tools to identify and address these disparities, limiting women’s full and equal participation in the MSME sector.

In response, ABAC has developed the *Equal Pay Framework*—a voluntary, business-led initiative to help MSMEs assess and address gender-based wage gaps. ABAC encourages APEC Ministers to **champion the Equal Pay Framework** as a non-binding regional standard and to embed equal pay transparency and principles within broader structural reform, MSME development, and inclusive growth strategies.

MSMEs are the backbone of our economies and our communities, and we stand ready to collaborate with APEC Ministers to ensure they continue to drive innovation and economic growth.

Yours sincerely,



H. S. Cho
ABAC Chair 2025