

## The APEC Iloilo Initiative: Growing Global MSMEs for Inclusive Development

The 22<sup>nd</sup> APEC Small and Medium Enterprise Ministerial Meeting  
Iloilo City, Philippines  
September 25, 2015

### APEC and MSMEs

APEC has been taking the lead in driving regional economic growth through trade and investment liberalization, and in pursuing regional economic integration. The growth of APEC economies soared through the years, with their combined real GDP doubling from just USD 16 trillion in 1989 to USD 31 trillion in 2013.

Micro, small and medium enterprises (MSMEs) have contributed to this growth trajectory. They make up over 97 percent of all enterprises and generate more than 70 per cent of all jobs in the region. However, the sector has yet to realize greater participation in global trade. MSMEs on the average account for less than 35 percent of annual global exports.

It is interesting to highlight APEC's achievements in this regard founded by the Leaders' instructions to convene the first SME Ministerial Meeting in 1993. This forum has generated a chain of valuable accomplishments, namely: the Action Program for Small and Medium Enterprises under the Osaka Action Agenda (OAA) in 1995; the preparation of the Integrated Plan of Action for SMEs (SPAN) in 1998; the series of Strategic Plans; the Daegu Initiative; the organization of the Joint SME-MRT Ministerial Meeting in 2011 to address top barriers to SME trade; as well as the Nanjing Declaration on Promoting Innovation and Sustainability.<sup>1</sup>

While APEC's efforts have been wide-ranging from providing capacity building programs to facilitating access to financial services, MSMEs continue to be confronted with challenges on several fronts, thus impairing their ability to gain entry to regional and global markets, or even to be part of global value chains (GVCs). The key constraints include underdeveloped infrastructure; inadequate information especially regarding market opportunities across borders; and existing international trade policy frameworks and regulations that are less suited for the MSMEs; lack of facilities needed to comply with such border measures; limited access to competitively priced and internationally acceptable inputs; and lack of access to financing thus imposing significant barriers to MSME expansion.

MSMEs are also faced with challenges related to innovation on many fronts, but the most crucial of which are the lack of ability to develop globally competitive, market driven products and solutions and their inability to fully leverage on the benefits provided by the digital and internet economy. MSMEs have a role in bringing new ideas to the market and in fostering innovation in the 21st century; however, there is a need to boost innovation by creating an ecosystem that supports enterprise creation and increase innovation capabilities of MSMEs. These impediments prevent MSMEs from taking advantage of the potential benefits of freer markets in an increasingly integrated world.

The Bogor Goals set the target of free and open trade and investment in the APEC region. Over the years, numerous initiatives in APEC have been undertaken to promote free and open trade and investments, and to deepen regional economic integration. These have produced benefits in many ways in the form of increased levels of trade, greater cross border investment flows, and expanded choices for the consumers. It is important, however, to ensure that the work being done to promote free and open trade is as relevant to MSMEs as they are to bigger businesses

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<sup>1</sup>Some other important initiatives may be read from the Singapore Study on APEC SME Internationalization Best Practices; APEC Ease of Doing Business; APEC Business Travel Card; APEC Global Supply Chain Event. A major effort outside of the SMEEMM for MSMEs is the Boracay Action Agenda to Globalize MSMEs, which the Ministers Responsible for Trade, adopted in Boracay, the Philippines in May 2015.

### Proposed Further Initiatives:

A key feature of APEC's work involves building strong linkages across economies and various sectors to promote collective action or collaboration in addressing the challenges that face the region. The value of connecting the wide range of work being done in the MSME arena cannot be overemphasized. Building linkages, promoting knowledge sharing, adopting a holistic view of GVCs toward strengthening trade and investment linkages among MSMEs and big business, harnessing broader interaction and collaboration across the broad range of initiatives being done for MSMEs are vital to building efficiencies and sustaining the momentum for MSME growth and development. Platforms that can help connect these efforts and the stakeholders-- policy makers, business sector, the academe, innovation centers, funders, among others -- are essential to generating greater impacts and reach of the work of APEC for MSMEs.

In this regard, the following priority initiatives are proposed:

- 1) **Providing Bigger Voice, Better Opportunities for MSMEs.** The SMEWG's efforts this year is well recognized, particularly in organizing the APEC Global Supply Chain Event held in Atlanta, Georgia, USA on 8-9 June 2015 that brought opportunities to discuss current global supply chain issues, non-tariff measures (NTMs) as well as how economies are addressing the issues of regulations, innovation, and raising the profile of MSMEs to multinational corporations. Events like this promote dialogues and collaborative activities that support the development of supply chain through financing, improvement of management skills, including specialized initiatives such as certification of agriculture and food products to increase MSMEs' income. The recommendation of the private sector to provide bigger voice to MSMEs in the APEC process in accordance with the Leaders' instruction in 1993 to conduct policy dialogues on small and medium business enterprises is well noted. The organization of the CEO Roundtable Discussion and the CEO Dialogue with SME Ministers by ABAC on the margins of the SME Ministerial Meeting in Iloilo City, Philippines is likewise commendable as it widens multi-stakeholder consultation. The Dialogue generated meaningful outcomes that will help us with our work in strengthening MSMEs so that they can be creators of big ideas and solutions and cement their invaluable role in global trade. ABAC's continuing support in this process is appreciated.

The following activities will be carried out to support this aim of providing bigger voice and better opportunities to MSMEs:

- a) Organization of the APEC SME Summit by ABAC as a culminating activity under the Philippine APEC year with the view to mainstreaming the region's innovation agenda for SMEs in APEC's agenda;
- b) Holding of annual SME Ministers-CEO Dialogue on the margins of the SME Ministerial Meeting;
- c) Establishing and strengthening of the operation of the MSME association in each economy and across the Asia-Pacific Region; and
- d) Building a network of MSMEs, incubators, accelerators, and innovation centers in APEC to promote information exchanges, business networking, and capacity building.

- 2) **Advancing policy frameworks to promote MSME participation in GVCs and international trade through the APEC MSME Marketplace**

The "APEC MSME Marketplace" is an interactive repository of APEC activities and member economies' individual efforts as a tool to promote cooperation and linkages across MSMEs and other stakeholders with interest in MSME development. The initiative is an online portal which has the following functionalities: facilitating business matching for MSMEs, funders, innovation centers, incubators, and other stakeholders with interest on MSME development; providing information about international trade standards and regulations; disseminating information on available trade promotion assistance packages that APEC economies individually or collectively provide for MSME

development and internationalization; and building networks and linkages among the MSMEs, academe, innovation centers, and other relevant stakeholders that have a shared interest to foster MSME participation in regional and global supply chains and markets may face as they participate in global trade.

The following pillars make up this portal:

*Pillar 1: Facilitating business networking and matching involving MSMEs.*

This pillar will allow MSMEs to leverage on the vast opportunities offered by international markets, including new niche markets; possibilities to exploit economies of scale, scope, volume and technological advantages; ways of spreading risks; lowering and sharing costs, and even affording improved access to finance. This pillar will seek to strengthen MSME participation, not only in local supply chains, but also in GVCs through long-term, value-driven partnerships with large enterprises (LEs) and small businesses. Through matching opportunities that will be made available by the MSME Marketplace, MSME participation in cross-border e-Commerce will also be promoted.

To support this activity, APEC economies shall contribute by providing relevant information on MSMEs and LEs which include listings and/or websites, whichever is practical, to encourage business networking and matching among these enterprises. Economies are also enjoined to identify and or accredit online marketplaces, innovation centers, incubators and accelerators, among others, that support MSMEs. While contribution to the portal is voluntary, its development will be progressive and will tap on the contributions of ABAC, harnessing the outcomes of its various initiatives and research works (i.e., Mapping of Incubators and Accelerators across APEC economies; C-BET; among others).

*Pillar 2: Enhancing MSME Awareness and Feedback on Trade Regulations.*

This pillar responds to the need of MSMEs for information on trade-related measures and standards by economy. There are several sources of this information such as the APEC Trade Repository (APECTR), the WTO International Trade Information Portal (I-TIP)<sup>2</sup> and the International Trade Centre's Market Access Map or MacMAP<sup>3</sup>.

Another important functionality of this portal is that of providing MSMEs access to information on new NTMs. This facility will also allow MSMEs to share their views on proposed regulatory frameworks. This effectively serves as a consultation platform that allows governments/international trade bodies to gain insights from MSMEs as basis for developing new policies that will be relevant and helpful to MSMEs. It also helps increase the transparency and promote inclusiveness in policy making.

*Pillar 3: Improving Mechanism for Knowledge Sharing on Trade Facilitation, Business Support, Partnerships, and Capacity Building Activities for MSMEs.*

This pillar will provide a platform for information sharing on key development and experiences of MSMEs in the context of global value chains, production and cross-border supply chains. This portal can help inspire partnerships, innovation, and linkages between MSMEs and LEs, thus increasing the potential and avenues for MSME internationalization. This will feature stories or cases featuring transformative partnerships on how MSMEs have been engaged by LEs and exporters in their value chains. This pillar will feature information on inclusive business models, cases of successful MSMEs export businesses, lessons extracted from successful experiences of internationalization and, cooperation among economies, between public and private sectors, and international organizations that helped hurdle barriers of MSMEs or

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<sup>2</sup> See <http://i-tip.wto.org>.

<sup>3</sup> See [www.macmap.org](http://www.macmap.org).

advance their participation in global trade and value chain participation. This includes information and initiatives on the following:

- a) APEC Business Travel Card;
- b) MSME and international and economy Trade Promotion Organization (TPOs) whose mandates are to assist MSMEs internationalize;
- c) Business Support Organizations (BSOs), trade association, supply chain institutes, academia, including the APEC SME Services Alliance (ASSA) among others, which are capable of generating knowledge on best practices on MSME internationalization;
- d) APEC projects and activities in support of MSMEs which aim to disseminate information on trade capacity building programs implemented collectively by APEC, individual or group of economies, or the private sector (e.g. ABAC's Cross Border E-Commerce Training Program or CBET, business ethics, etc.);
- e) Guidebooks or toolkits for MSMEs on doing business across borders;
- f) Financing facilities for MSMEs, including best practices and policy initiatives in improving MSMEs' access to finance;
- g) Platforms for networking among MSMEs;
- h) Mapping of business incubators and accelerators and venture capital firms seeking to invest and do business in the region (e.g. ABAC's interactive mapping of incubators and accelerators across all APEC economies);
- i) Inclusive business models where companies nurture long-term value based partnerships with smaller businesses by incorporating MSMEs as part of their local supply chain, and eventually integrating them into the global value chain (e.g., ABAC-AIM joint study on Small Business as Part of Big Business Value Chain);
- j) Focused work on women, youth, artisan and other activities;
- k) Education initiatives/programs that promote science, technology, math and engineering (STEM) advancement to promote innovation in MSMEs; Capacity building activities to promote effective utilization and commercialization of intellectual property by MSMEs.
- l) Capacity building activities in support of MSMEs and statistics on MSMEs.

The Philippines shall operationalize the MSME Marketplace. The APEC Secretariat's technical assistance, as well as the SMEWG's guidance, are requested.

APEC economies are encouraged to help realize the operationalization of the MSME Marketplace. The Iloilo Initiative is a collective effort of all APEC economies. The MSME Marketplace can only succeed with all economies and MSMEs populating the various e-bulletins of it following the rules of use of the facilities.

With this initiative the seed of internationalization is bound to grow into global MSMEs in the near future.

## Annex 1

Proposed Timeframe for the Development of the APEC MSME Marketplace

SMEWG 42 - 2016: A Technical (Adhoc) Group will be created among volunteering economies to prepare a detailed implementation plan to give effect to the objectives of the MSME Marketplace. ABAC may be invited as contributor of information.

SMEWG 43 - 2016: Participating member economies and ABAC will provide relevant information for sharing to the MSME Marketplace including the outcomes and progress of respective economies' APEC initiatives. This portal will also provide updates on the progress of the Implementation of the Boracay Action Agenda to Globalize MSMEs.

SMEMM 23 - 2016: Present the progress of work done on the MSME Marketplace.

SME Ministerial Meeting 2017 - 2020: APEC member economies shall work together to advance the implementation of the portal.