

Joint Meeting of APEC Ministers Responsible for Trade and Small and Medium Enterprises 2011

Joint Statement

We, the APEC Ministers Responsible for Trade, the APEC Ministers Responsible for Small and Medium Enterprises (SMEs), and their representatives responsible for SMEs, met in Big Sky, Montana, United States on 20 May 2011 to address barriers to trade confronting small business owners and exporters in the region.

Importance of SMEs to Our Economies

Recognizing the vital role SMEs play in economic growth and job creation in our economies, we met jointly for the first time to agree on an inventive way to address the issues that are critical to SME exporters in the region. Our goal is to take a holistic approach to make a significant impact in enhancing the business environment for SMEs trading in the region. SMEs account for 90 percent of the businesses operating in our economies and employ well over half of the workforce for the majority of our economies. Because of their entrepreneurial nature, SMEs are an important source of innovative business models and new technologies that contribute to economic growth and job creation in our economies.

Identifying Top Barriers to SMEs Trading in the Region

We noted that there are a variety of barriers that limit the ability of SMEs to trade in the region. These include:

- ***Lack of access to financing:*** Access to financing is critical for SME exporters since purchasers often look for vendors that can extend credit. SMEs' ability to access financing can also be hindered by unique borrowing requirements, like the need for longer repayment periods.
- ***Lack of capacity to internationalize and difficulty in identifying foreign business opportunities:*** Providing effective resources to educate SMEs about how to access global markets and actively identify business

opportunities in other markets is fundamental to encouraging SMEs to export.

- ***Need for open and transparent business environments:*** An open and transparent business environment lowers the cost of doing business and increases predictability, which is critical for SMEs that lack the resources to address issues related to corruption.
- ***High transportation and related costs:*** High transportation and related costs have a greater impact on SMEs because they have difficulty taking advantage of economies of scale and have difficulty identifying less costly alternatives.
- ***Customs clearance delays caused by difficulties in navigating overly complex customs requirements and documentation:*** Customs clearance delays can more significantly affect SMEs because of their lower inventory volumes, their role as a provider of goods or services in larger supply chains, and other factors common to SMEs.
- ***Problems navigating differing legal, regulatory, and technical requirements:*** These varying requirements can be particularly challenging for SMEs to meet given challenges they may face in obtaining information and demonstrating conformance in a reliable and accurate manner.
- ***Difficulty with intellectual property acquisition, protection, and enforcement:*** The lack of knowledge and resources to acquire, protect, and enforce intellectual property rights in foreign markets are major obstacles to small business owners who are deciding whether to export. Increasing the awareness of SME exporters on issues associated with emerging technologies is also an important goal.
- ***Inadequate policy and regulatory frameworks to support cross-border electronic commerce:*** Electronic commerce is a powerful enabler for the internationalization of SMEs. Critical to the ability of SMEs to conduct this type of trade are enabling policy and regulatory frameworks in APEC economies.
- ***Difficulty in taking advantage of preferential tariff rates and other aspects of trade agreements:*** Improving the understanding of how to utilize regional free trade agreements will make it easier for SMEs to benefit from these agreements, which will lower their overall cost when exporting and, in turn, increase their competitiveness.

Taking Actions to Address Top Barriers to SMEs Trading in the Region

We agreed that APEC should focus its work on addressing these barriers in a

way that provides a direct and practical benefit to SMEs. APEC is well positioned to take on this challenge with its broad expertise in addressing barriers to trade and investment, and in providing assistance to SMEs in engaging in international trade. To take this work forward, we instructed officials to identify and undertake specific and concrete actions to address each of these barriers by the APEC Economic Leaders' Meeting in November 2011.