

**Digital Commerce in the 21<sup>st</sup> Century: Opportunities & Challenges**

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# **THE NEW MSME ECONOMY**

## **Post-Pandemic Drivers for Growth**

Key findings from report prepared for the  
APEC Business Advisory Council (ABAC), November 2022

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## **Economies that promote their MSMEs achieve:**

- **higher economic and social growth**
- **tremendous societal impact, especially on women and other underrepresented groups**

## **In turn, MSMEs become :**

- **more globally competitive**
- **pay higher wages**
- **are more innovative**
- **benefit their home economies**

**The pandemic disruption  
accelerated adoption of  
digital technologies  
by between  
seven to 10 years**

Source: Digital First Economy, July 2022

# ABAC Study

Assessing MSME resilience and competitiveness in the new MSME economy across APEC economies



**3,000+**  
hours of research

Primary research across 21 economies, and secondary research on publications by WEF, WTO, World Bank, APEC, OECD, and others



**60**

Thought leader interviews

Business leaders, government officials, labor organizations, NGO's, academia



**952**

questionnaire respondents

Business leaders, government officials, labor organizations, NGO's, academia

# Key Findings

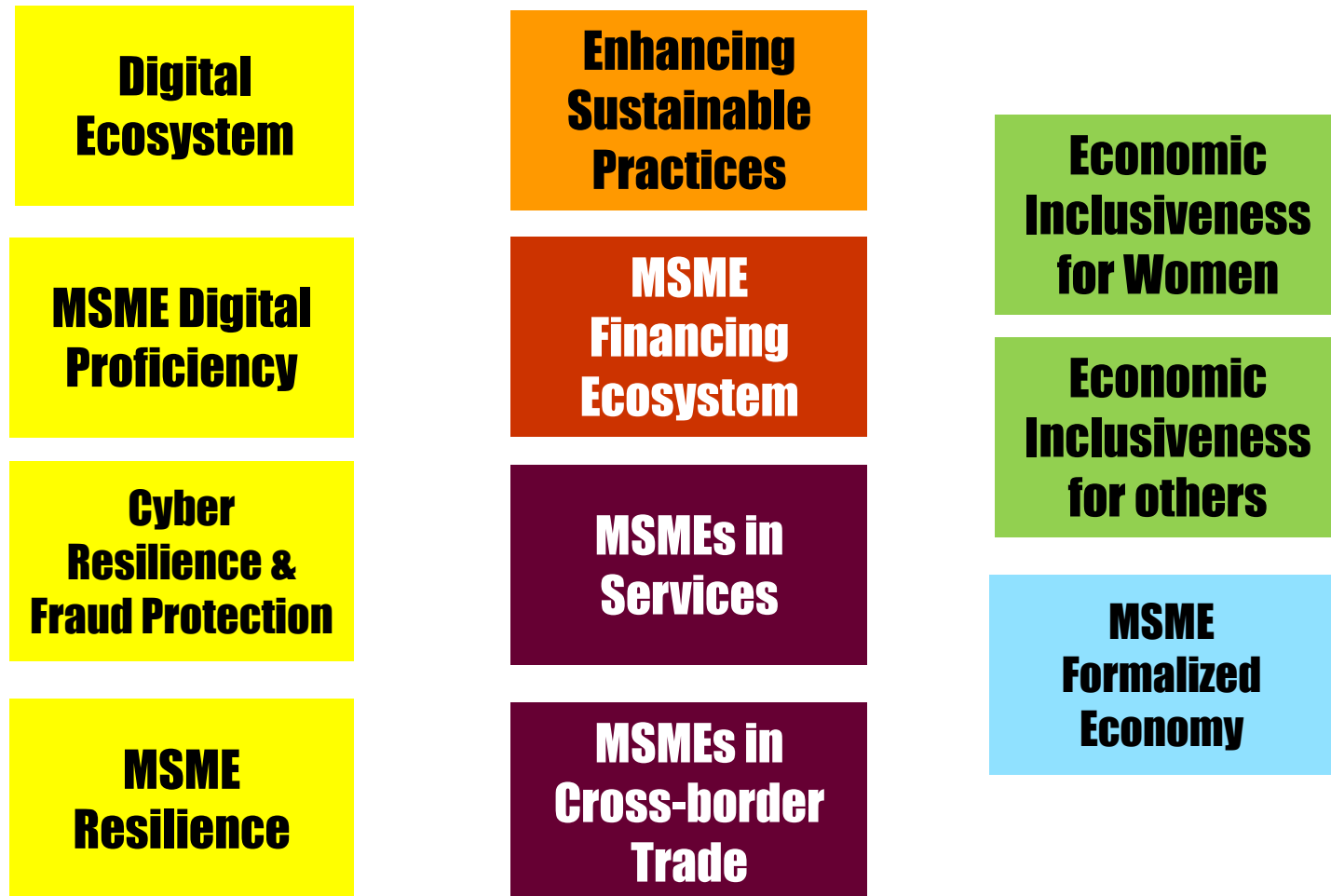
- MSMEs expressed high levels of frustration and anxiety about the future
- Economic overhang of the pandemic disruption will be long-lasting
- Poorly focused and delivered MSME support programs is THE major challenge in improving MSME resilience
- **The new MSME economy is digital, with new imperatives and new challenges**

Full report is available on the ABAC website – [abaconline.org](https://www2.abaconline.org)  
[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)

# Assessing MSME resilience and competitiveness in the new MSME economy

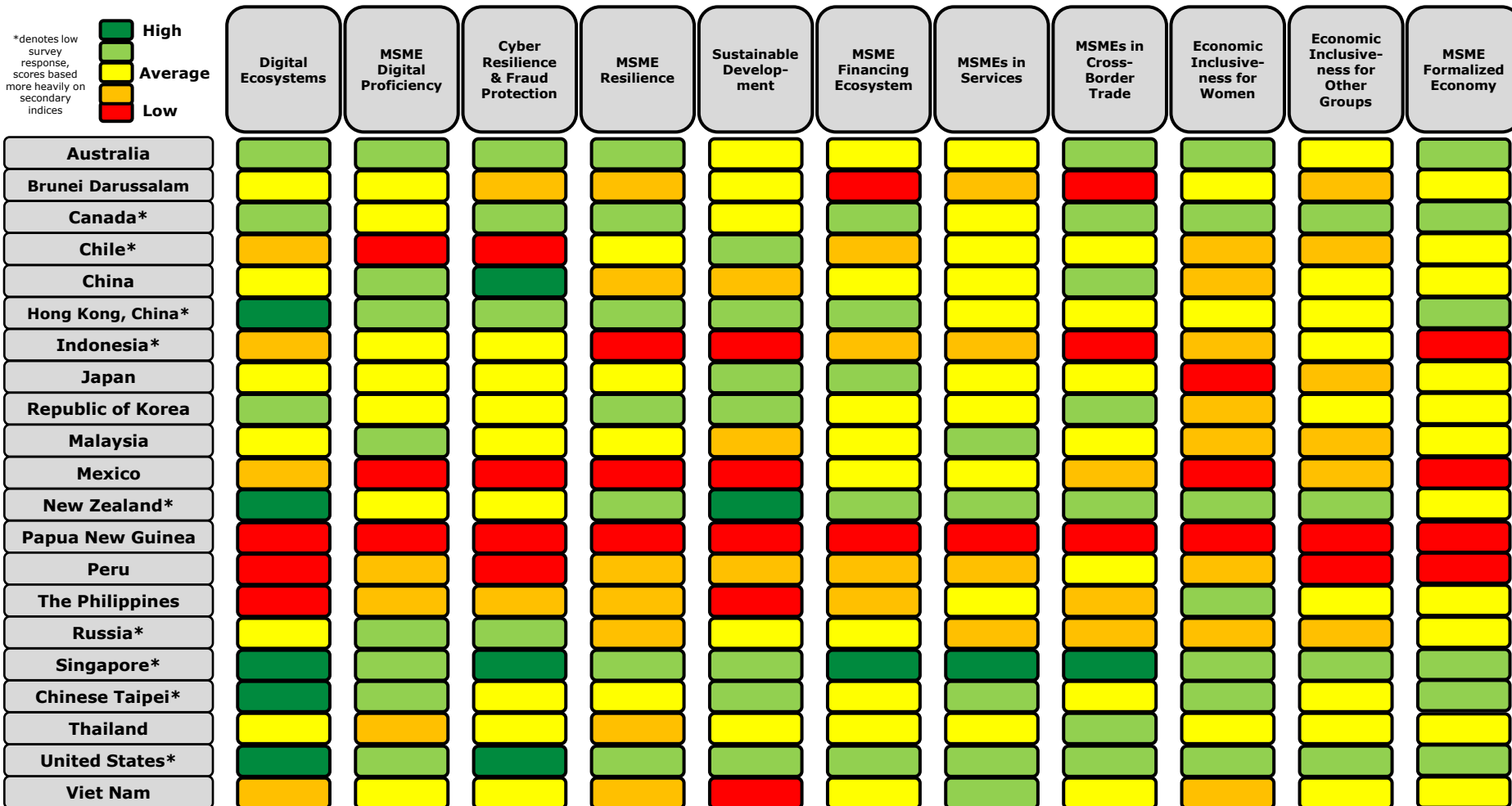
## APEC MSME Scorecard with 11 pillars

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# Comparative APEC MSME Scorecard

## Assessment of MSME Future-Readiness



# Assessment\* of Chilean MSME Future Readiness

Digital Ecosystem	MSME Digital Proficiency	Cyber Resilience & Fraud Protection	MSME Resilience	Sustainable Development	MSME Financing Ecosystem	MSMEs in Services	MSMEs in Cross-border Trade	Economic Inclusiveness for Women	Economic Inclusiveness for Others	MSME Formalized Economy

Please note: this assessment was based on a small sample. The assessments for Chile include/factor in complementary research rankings

# Action Agenda... Accelerating MSME digitalization and the development of digital ecosystems

**Commit to developing a “Digital First” economy.** Supporting MSMEs requires a commitment to developing a digital-first economy. A partial digital economy does not work.

It begins with delivering **affordable and accessible internet connectivity**. And... extends to providing MSMEs with **cyber security and fraud protection**.

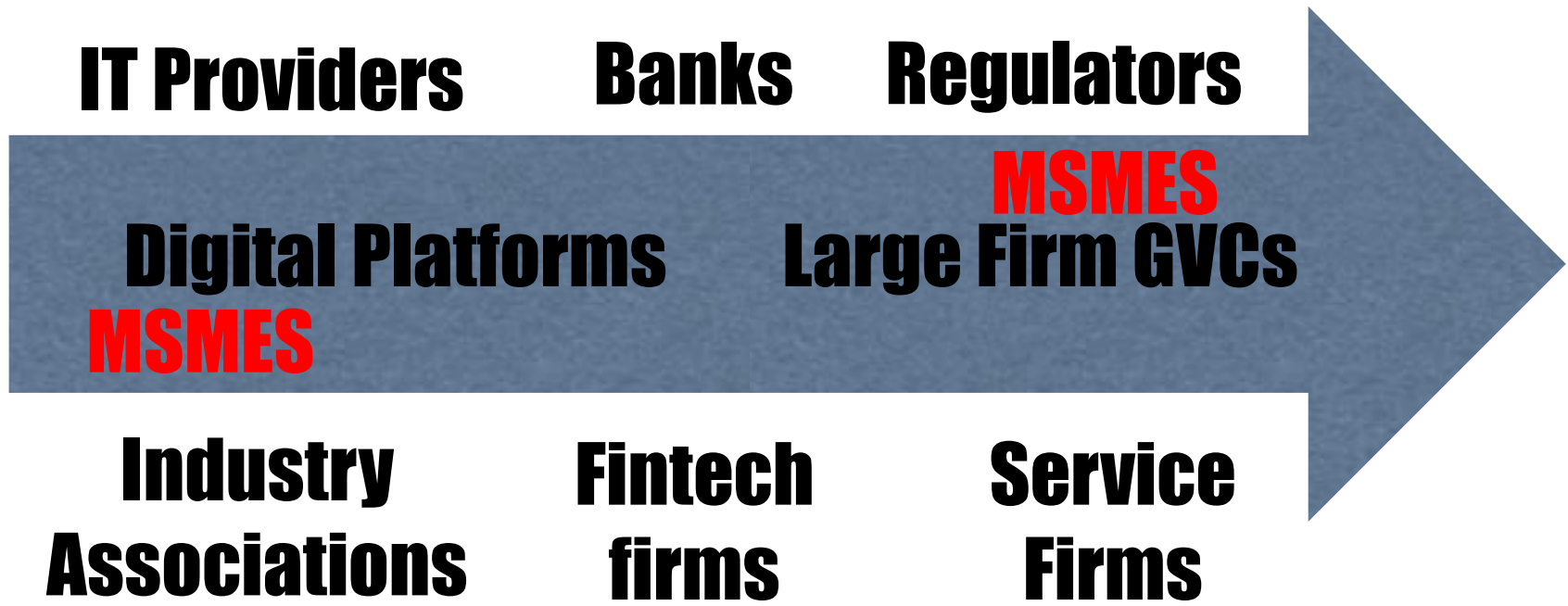
**Ensuring MSMEs can access needed digital skills training**

**Building a supportive digital operating environment and regulatory ecosystem for MSMEs.** This includes supporting eInvoices, ePayments, digital IDs, eContracts/agreements, and fostering confidence and trust in digital technologies.



# Action Agenda... Promoting and supporting private-public sector-specific digital ecosystems

**Focus on developing sector/industry specific collaborative business ecosystems.** Two-sided markets develop around independent business interests and need light-touch regulatory guidance to allow innovation to thrive



# **Action Agenda...** MSME financing needs new solutions – support digital innovation beyond the traditional banking system

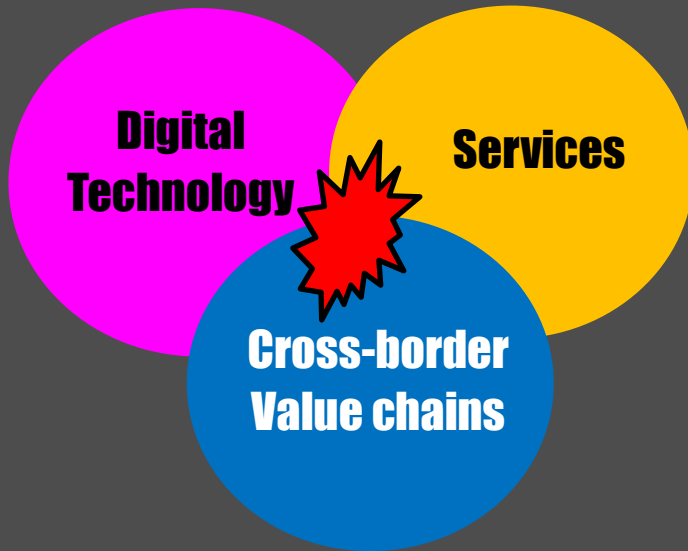
**New digital approaches to MSME financing.** Support is needed to develop new alternative data-derived credit-worthiness scores as alternatives to collateral-based financing

**Support innovate banks and fintech firms introducing new financing solutions.** Policy maker support is need to:

1. Reduce MSME skepticism by communicating “trust and credibility” in new financing approaches
2. Provide light-touch regulation to encourage the emergence of fintech firms, and to limit potential “bad” behavior
3. Anticipate and limited vested-interest driven behavior by established banking institutions

# New frontier: Digitally-delivered services (Tradeable services)

**Digitally-delivered services can have a catalytic effect and should be prioritized.** Focusing on digitally delivered services and building the digital market infrastructure needed to support them addresses challenges faced by all MSMEs



## Why?

- Global reach. No physical distance in digitally delivered services
- Globalizing MSMEs bring benefits to domestic economies
- No tariffs or at-the-border barriers
- Women are disproportionately in services
- Services businesses have no physical collateral so they inherently require innovative financing solutions
- Digital businesses can access financing “anywhere”
- Services MSMEs, if best of breed, can compete/join GVC anywhere in the world
- “Force” policy makers to:
  - accelerate adoption of fully digital transactions,
  - tackle mutual recognition of qualification issues, and
  - solve regulatory coherence challenges