

# REMARKS BY BURNO FERRARI GARCÍA DE ALBA AT THE APEC SMALL AND MEDIUM ENTERPRISES SUMMIT 2010

Yokohama, Japan, November 11<sup>th</sup> 2010



— Dear friends:

## I. Opening

I am glad for this opportunity to talk with you about a fundamental matter for our economies. As we all know, Small and Medium Enterprises (SMEs) contribute greatly in economic growth of both developed and developing countries. In Mexico, for example, they are the heart of the economy. They are responsible for 70 percent of all private sector jobs —and they create roughly half of all new jobs in the last year.

This is not different in Asia-Pacific, where they represent 90 percent of the businesses and about 60 percent of the jobs in the region. Without any doubt Small and Medium Enterprises are one of the most important priorities for fostering economic growth and alleviating poverty. That is why in Mexico, since day one of the Calderon administration, we have put the empowerment of small businesses and entrepreneurs at the top of our economic agenda.

We have addressed three major challenges facing small businesses development: access to finance and training, participation in trade and lack of innovation.

## **II. Financing**

**First and foremost, small and medium enterprises need to be appropriately funded, both in terms of investments and of working capital.** A proper access of finance is now even more important than before the economic depression.

In Mexico, we are overcoming this challenge by strengthening our guarantee schemes, in order to share the risk of financing with our entrepreneurs. As a consequence, banks have been more willing and able to increase the loans to productive projects.

**During the first four years of the current administration, credits for more than 17 billion dollars have been granted to small and medium enterprises.** This amount is four and a half times of the total credit received in the last administration. This policy has helped us to maintain and also generate more than 3 million jobs, even during the crisis.

We also know that finance constrains are not the only needs of enterprises, and many times they are not the most important ones. In fact, some businesses' requirements are the lack of training, the absence of technology and the need of modern marketing and management strategies that let companies produce more with the same inputs.

For that reason, one component of our SMEs support strategy is to strength entrepreneurial formation. We support businesses on solid bases of training, advisory, and consulting in four aspects: operation, commercialization, management and innovation.

We have created around two hundred centers all across the country to offer in one stop shop all the public and private programs for SME's. We built a network of one thousand and seven hundred financial and entrepreneurial advisors, and we are also designing programs to share knowledge between business and universities, research centers and think-tanks.

## **III. Trade**

**On the second place, regarding trade, greater participation by small businesses would generate additional benefits for our nations.** With access to a larger market, individual firms are able to reap the advantages of the scale economies, and generate additional revenues.

We need to democratize the benefits of trade so that more companies benefit from it. In Mexico 500 companies of the 37,000 that export account for eighty three percent of total exports.

Moreover, small businesses in aggregate can make a significant contribution to national export revenue, particularly if the number of exporting small businesses grows faster than the number of larger export businesses.

**That is why we need to ratify our commitment to trade liberalization. Every obstacle we eliminate to trade, it's an invitation for SMEs to export.** Efforts to simplify importing and exporting processes, including by making rules and procedures more transparent, fair, simple and predictable, would alleviate some of the comparative burdens faced by small business, as well as facilitate greater access to global export markets.

In Mexico, we set in motion the most ambitious Program for Simplification of Foreign Trade on the last few decades. In doing so, we have extended the benefits of international trade to the whole country's productive plant. There are some recent outcomes that I would like to share with you briefly:

- As much as 14,000 unnecessary regulations were eliminated, in line with the regulatory reform agenda of APEC.
- A process is underway to establish a Single Window for foreign trade;
- To conclude with the Bogor assessment, Mexico agrees that now that tariffs have fallen, we have to focus on non-tariff barriers. In this regard we have initiated an ambitious equivalence process to recognize at the border standards and certifications procedures of some APEC Economies, avoiding double certifications and enhancing access to cutting edge technologies.

With this reform, companies have simpler and more competitive access to the Mexican market, by trading inputs with easier regulation and a lower tariff burdens. We also have improved infrastructure customs to increase the efficiency in our exports. We know that opening the doors to trade and investment is to spark the engines of economic growth and development.

Firms which expose themselves to more intensive competition of global markets acquire new skills, new technology and new marketing techniques. Exporters are demanded to increase quality and reduce costs in their productions, thereby tending to apply knowledge and technologies faster and more innovatively than non-exporters.

#### **IV. Innovation**

**And precisely to increase innovation is the third challenge that SMEs face.** While small and medium enterprises have some advantages to innovate and that could make it easier for them to compete at international level; it is very well known that there is a little percentage of SME's that actually innovate. In fact, large firms innovate much more. And that is what we have to change.

New companies emerge as key players of innovation because they can detect opportunities from market changes. But innovation also has to come from existing enterprises in collaboration with the private and academic sector, government and research organizations.

That is why in Mexico we have approved a new Science and Technology Law that strengthened the ties between different sectors of the economy with the generation of knowledge. The reform established innovation as a priority of the government and also created new funds for supporting research and development in the private sector.

Since 2009, we have invested roughly four hundred million dollars to support enterprises efforts to innovate. These resources have benefited more than twelve hundred small and medium businesses in Mexico. We know we have to increase these funds so we are working on it: innovation has great positive effects in the firms that make it as in the whole economy.

Innovation is a long run goal; it is not possible to achieve it with just one idea or in the short term. It takes a lot of time: several months or even years. Innovation is not only about resources but perseverance and creativity.

#### **V. Closing remarks**

Dear friends:

As Mister Tadashi Okamura has put it: "SMEs constitute the essential economic backbone of APEC". That is why we must work together to support them and promote their development.

Finally, I also want to express my personal respect and admiration to the Japanese entrepreneurs. We have benefitted not only of their many technologies but most of all of their "creative thinking", which has blossomed

throughout the years, contributing to shape today's lifestyle, embracing quality, novelty and speed.

This "creative thinking" has been based on ancient Japanese values and tradition and has created important concepts such as:

Minimalism: "the Japanese excel at the miniaturization techniques for making smaller and lighter products"

Adaptation: "Japanese manufactures excel at applied technology, adapting or redefining technologies to meet particular needs".

Symbiosis with machines: "Japanese custom of personifying tools and machines and treating them as friends of its owners", One of the concepts, simplification: "the impulse to remove all excess and to show only the essence owes much to the Japanese philosophy of Zen".

Referring to this last value that has to do with what is essential, Octavio Paz once remarked "I learned precision of language from Japanese poetry" ... "We Latin people sometimes wax eloquent in our writing, but the Japanese teach us practicality --- not to waste words".

Your companies and government have taught us not to waste resources, not to waste time, not to lose ourselves in the superfluous. We have to look at the essence, be strategic. These times oblige us to leave the superfluous aside, to look at the essence.

Thank you very much.