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Help the small businesses, Abac calls

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THE Apec Business Advisory Council (Abac) has called for immediate measures to ensure the survival of small- and medium-scale enterprises.

It said in a report to Apec leaders that this was especially important because these industries provide the bulk of employment in the member economies of the Asia Pacific Economic Cooperation (Apec).

Abac chairman Tan Sri Tajudin Ramli said the SMEs are facing a grave situation where thousands of small businesses have collapsed and many more are threatened in the current regional financial crisis.

"In the process, scores of workers and families are becoming unemployed. The problem is extremely serious in a number of economies.

"Immediate action is needed to ensure the short-term survival and ultimate long-term health of the SMEs," he said in the 1998 Abac Report to Economic Leaders.

The report was presented to Prime Minister Datuk Seri Dr Mahathir Mohamad on Friday.

Dr Mahathir, who holds the Apec chair, is scheduled to present the report to the leaders when they meet at the Kuala Lumpur informal summit on November 17 and 18.

Tajudin, who is also Malaysia Airlines executive chairman, said Abac's recommendations are divided into two categories - the nurturing of a financial climate to support SME operations and the promotion of employment and business conditions critical for the development of SMEs.

Suggested initiatives to put in place a more favourable financial environment include creating financial institutions to support SMEs, developing performance-based lending practices, and encouraging banks to allow loan restructuring and providing credit on an equal and open basis.

Other measures which should be considered, it said, are the provision of micro-lending, allocation of funds from the International Monetary Fund (IMF) to provide low-interest loans to SMEs, and short-term tax relief.

As for the promotion of employment and business opportunities for SMEs, Abac proposes that large corporations be encouraged to use SMEs on sub-contract basis. It also said governments agencies should turn more to SMEs when purchasing goods and services.

In addition, the paper suggested the unbundling of components of infrastructure projects to increase opportunities for SME participation, centralisation of sales opportunities through electronic networking, and pursuit of micro-business development.

There are over 40 million SMEs throughout Apec.

On ways to overcome the financial crisis, Abac stresses that a stable financial environment is necessary for trade and investment to flourish.

"Without financial stability, the benefits of trade liberalisation cannot be fully realised," Tajudin said.

One of regional initiatives proposed is the establishment of a mechanism to enhance the credit-standing of government bonds, denominated in hard currencies and issued by affected economies, through guarantees, exchangeable government bonds or collateralised bond obligations.

Mechanisms are also required to cushion the impact of currency instability on the private sector, including multilateral currency swap structures, it said, adding that the IMF has to broaden its approaches by taking into account the social implications of its programmes.

On e-commerce, Abac believes that the private sector should rightly take

the lead while governments can prepare the framework for cross-border consumer protection.

However, governments should avoid introducing new laws when existing ones can be applied to lay out the framework, it said.

"One area in which e-commerce may be promoted in government is through maximum usage of technology in government operations, such as on-line tax payment and procurement.

"In like manner, e-commerce provides great opportunities for SMEs, mindful that the need for educational and training programmes will be paramount," Tajudin said.

He also called on governments to address squarely the Y2K issue as through the very process of globalisation, the problems faced by smaller member economies have been systemically linked to the more developed member economies.

Tajudin warns that even if 20 per cent of all systems fails to make the switchover by the turn of the century, the potential impact on all Apec economies will be tremendous.

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