

# Issue Paper



## Forging Resilience Amid Systemic Inequities

### COP29 : Geopolitical Maneuvers in Climate Action

- Jack Huang, Senior Consultant, United Nations

### Women's Economic Participation in East Asia: Progress and Challenges in South Korea

- Young-Im Lee, Associate Professor of Political Science, California State University, Sacramento

### Great Expectations : SME-Led Economic Development on APEC agendas

- Frances Chang, Assistant Research Fellow, APEC Study Center



## Issue Paper

CTPECC holds a number of forums and seminars annually based on current issues in the global political economy. Inspired by these events, the *CTPECC Issue Paper* seeks to address opportunities and challenges in future regional development. *Issue Paper* also provides valuable information and perspectives, delivering the insightful views of experts.

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# 1. Introduction

There is a growing unease in the air of the Asia-Pacific, as systemic inequities threaten the region's long-term resilience. These challenges, rooted in environmental vulnerability, gender disparities, and unequal economic opportunities, demand thoughtful action to sustain prosperity and equity. This season's authors provide timely perspectives that align closely with the theme, offering insights and potential solutions to address these pressing issues.

Jack Huang's observation during COP29 emphasizes the geopolitical complexities in global climate governance. The recently concluded conference in Baku highlighted the enduring North-South divide over financial accountability and justice in climate action, where geopolitical strategies frequently overshadowed opportunities for collaboration.

Professor Young-Im Lee brings her expertise to examining the persistent gender gaps in the region's labor markets, highlighting common workplace challenges faced by women, such as limited access to capital and frequent career interruptions. Traditional gender roles and norms remain major obstacles to achieving economic equality for women across the Asia-Pacific. Addressing these issues is essential for fostering inclusive growth.

Frances Chang highlights SMEs' vital role in economic resilience and innovation, noting that APEC's SME agenda marks progress in East Asia's capitalist framework by addressing institutional gaps through regional integration. While signs of greater equity in trade governance are evident, it is too soon to view these as transformative. Prioritizing SME empowerment and fostering an inclusive economic environment remain crucial.

These articles collectively underscore the rise of human and environmental security challenges in the Asia-Pacific. Resilience must be forged through inclusive policies, collaborative frameworks, and sustained efforts to address systemic inequities. We hope these reflections not only deepen your understanding but also spark meaningful discussions and inspire collective action within your field.



## 2-1. COP29 : Geopolitical Maneuvers in Climate Action

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The COP29 conference, held in Baku, Azerbaijan in 2024, served as a pivotal moment in global climate governance. Beyond its focus on technical and policy issues related to climate change, COP29 became a battleground for the interplay of international order and power dynamics. As geopolitical tensions escalate worldwide, climate action has evolved from being a purely environmental agenda to a crucial tool in economic and diplomatic strategy, with nations leveraging it to advance their strategic interests. The conference provided a platform to refine and implement Article 6 of the Paris Agreement, while simultaneously highlighting the profound influence of international politics on climate governance.

Looking back over the decades, global climate governance has consistently been shaped by the power dynamics of major nations. During the Kyoto Protocol era, the carbon market's initial framework was heavily influenced by Western nations but faltered due to limited global participation. The Paris Agreement was seen as a victory for multilateralism, introducing a more flexible framework based on nationally determined contributions (NDCs). This approach addressed concerns over sovereignty and eased divisions among major powers. However, the geopolitical impact on climate governance has not diminished. Instead, the intensifying competition over energy transition and the persistent disparities between the Global North and South have made the intersection of geopolitics and climate action more critical than ever. Successive COP conferences have underscored this historical context, reflecting disputes over resource allocation and the accountability for historical emissions, making them a lens through which to understand the entwined nature of global climate action and power struggles.

The choice of Baku as the host city further underscored the geopolitical undertones of COP29. Azerbaijan, a traditional energy exporter, is seeking to redefine its economic trajectory in light of the global shift away from fossil fuels. Its energy cooperation with Europe, alongside its complex geopolitical ties with Russia and Turkey, positions Azerbaijan as a key player on the international stage. Hosting COP29 was not only an opportunity for Azerbaijan to showcase its energy transition efforts but also a microcosm of the broader geopolitical contestation surrounding climate issues.



## The United States and the European Union: Contrasting Challenges in Climate Leadership

The United States and the European Union, traditionally seen as leaders in global climate governance, demonstrated contrasting priorities and political challenges during COP29. While the U.S. grapples with a precarious balance between domestic energy security and international climate commitments, the EU faces internal political divisions and the rise of nationalist sentiments, which have undermined its leadership in international climate negotiations.

Under the current administration, the U.S. has adopted a more conservative stance on energy policy. Although it has remained within the Paris Agreement, its support for carbon markets and climate financing has noticeably waned. At COP29, the U.S. delegation approached the technical refinements of Article 6 with caution, particularly regarding global mitigation (OMGE) and carbon credit transparency. This reflects domestic political realities, with the Republican Party's growing influence in Congress compelling the administration to accommodate traditional energy interests. Such a stance has weakened the U.S.'s leadership in international climate efforts.

Meanwhile, the EU is contending with pressures both within and beyond its borders. Internally, the rise of right-wing forces in countries like Italy and Poland has challenged the EU's ambitious climate policies. The Italian government criticized the European Green Deal as overly aggressive and potentially detrimental to economic competitiveness, while Poland demanded extended transition periods and greater financial support to reduce its dependence on coal. Externally, the EU sought to advance a "Green Transition Plan" for Africa and Asia at COP29, pledging €50 billion in climate financing by 2025. However, critics argued that this initiative is less about climate justice and more a geopolitical counterweight to China's Belt and Road Initiative.

## Asia's Role in Climate Strategy: Japan and China

Two recent high-profile gatherings—COP29 and the APEC Summit—highlighted Asia's varied approaches to climate strategy. Japan has focused on technological collaboration and carbon market participation to establish itself as a leader in clean energy, while China has leveraged climate action to bolster its influence among developing nations and enhance its global reputation.



During COP29, Japan unveiled several new energy policies, emphasizing hydrogen and nuclear energy as cornerstones of its energy transition. Japan also used the framework of Article 6.2 to collaborate with countries like Vietnam and Switzerland on carbon trading. For instance, Japan supported Vietnam’s wind and solar energy projects, with the resulting carbon credits counted toward Japan’s NDC targets. These initiatives not only showcase Japan’s technological strengths in clean energy but also reflect its intent to balance China’s growing influence in ASEAN. At the APEC Summit, Japan and the U.S. furthered their shared vision for an “Asia-Pacific Clean Energy Technology Alliance,” consolidating their climate diplomacy efforts in the region.

China, meanwhile, has actively pursued regional dominance through climate initiatives, integrating them into its Belt and Road Initiative. The “Green Silk Road” initiative seeks to deepen energy cooperation with ASEAN and African nations. During COP29, China announced a new climate goal to increase its share of non-fossil energy to 40% by 2035. Domestically, China is expanding its carbon trading pilot programs and aims to strengthen its position in the global carbon market through technology exports and financial support.

## The Future of Climate Action Amid Political Competition

COP29 illuminated the intricate interplay between climate action and international politics. The diverging priorities of the U.S. and EU, the strategic maneuvering of major Asian economies, and the pervasive influence of geopolitics on climate issues all suggest that climate governance is becoming a new arena for global competition.

According to the International Energy Agency (IEA), achieving the Paris Agreement’s goals will require over \$4.5 trillion in annual climate investments by 2030. However, the allocation of these funds is heavily influenced by political bargaining. The U.S.’s bilateral cooperation strategies, the EU’s Green Transition Plan, China’s Green Silk Road, and Japan’s technology-focused approach all illustrate how climate action has become a means for major powers to pursue geopolitical objectives.

While COP29 offered technical advancements in global carbon markets and climate financing frameworks, significant challenges remain. These include addressing disparities between the Global North and South, harmonizing conflicting national interests, and ensuring that climate action does not devolve into a tool for political expediency. Moving forward, international climate governance must strike a balance between competition and collaboration to effectively combat climate change. The outcomes of COP29 underscore that the future of climate action will be shaped not only by science and technology but also by the power dynamics and political structures of the international order.



Additionally, the unveiling of the New Collective Quantified Goal (NCQG) draft during COP29 highlighted the ongoing friction between developed and developing nations over climate finance. Developing nations advocated for a primarily public-funded mechanism and demanded \$1–2 trillion annually to address mitigation, adaptation, and loss and damage. Conversely, developed nations insisted that emerging economies, such as China and Gulf states, should share a portion of the financial burden. These disagreements reveal the complex balance of economic interests, historical responsibilities, and future developmental rights at the heart of climate negotiations.

In conclusion, COP29 epitomized the tension between promises and realities in global climate governance. Despite efforts to refine mechanisms and secure financial commitments, geopolitical factors have profoundly shaped the discourse, leading to persistent divisions over targets and resource allocation. For nations worldwide, climate action is both a response to environmental challenges and a means of asserting global influence. The true significance of COP29 lies not in its immediate achievements but in its reflection of how international politics and climate action intersect to shape a new global order. As stakeholders work toward reconciling their differences, it is imperative to prioritize transparent, innovative mechanisms and ensure that climate action is inclusive, equitable, and aligned with the principles of sustainability and justice for future generations.



## 2-2. Women’s Economic Participation in East Asia: Progress and Challenges in South Korea

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### The Importance of Addressing Women’s Issues in APEC

The Asia-Pacific Economic Cooperation (APEC) is a regional forum established in 1989 that now consists of 21 member economies, encompassing a vast and diverse portion of the global economy<sup>1</sup>. While APEC’s foundational objectives focused on trade liberalization, business facilitation, and economic cooperation as outlined in the 1991 Seoul Declaration<sup>2</sup>, the importance of addressing gender equality and women’s economic participation has become increasingly recognized. Women make up half of the population and are achieving higher levels of education, yet economic participation continues to lag behind that of men. The full potential of women’s contributions remains untapped, despite over 600 million women participating in the Asia-Pacific labor force, with over 60% engaged in the formal sector.<sup>3</sup> This recognition highlights the need for targeted initiatives to address persistent gender disparities in the region. Women often face systemic challenges such as unequal access to capital, restricted market entry, limited skills development opportunities, and underrepresentation in leadership positions.<sup>4</sup> These barriers contribute to significant gaps in job security, income, and opportunities for advancement.

APEC has embraced this challenge through various targeted initiatives aimed at integrating gender considerations into its broader economic framework. For example, the Policy Partnership on Women and the Economy (PPWE) was established in 2011 as a public-private mechanism designed to integrate gender considerations into APEC’s policies and activities. This partnership works on five main pillars crucial for women’s economic empowerment: access to capital, access to markets, skills and capacity building, women’s leadership and agency, and innovation and technology.

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1. Asia-Pacific Economic Cooperation (APEC). “What is Asia-Pacific Economic Cooperation?” Last page update in January 2024. Retrieved on November 11, 2024. <https://www.apec.org/about-us/about-apec>
  2. APEC. “Seoul APEC Declaration.” Retrieved on November 11, 2024. [https://www.apec.org/meeting-papers/annual-ministerial-meetings/1991/1991\\_amm/annex\\_b\\_seoul\\_apec](https://www.apec.org/meeting-papers/annual-ministerial-meetings/1991/1991_amm/annex_b_seoul_apec)
  3. APEC. “Policy Partnership on Women and the Economy.” Last page update in Marc 2024. Retrieved on November 11, 2024. <https://www.apec.org/groups/som-steering-committee-on-economic-and-technical-cooperation/working-groups/policy-partnership-on-women-and-the-economy>
  4. APEC. “2011 High Level Policy Dialogue on Women and the Economy: San Francisco, California, the United States.” September 16, 2011. Retrieved on November 11, 2024. [https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/women/2011\\_women](https://www.apec.org/meeting-papers/sectoral-ministerial-meetings/women/2011_women)





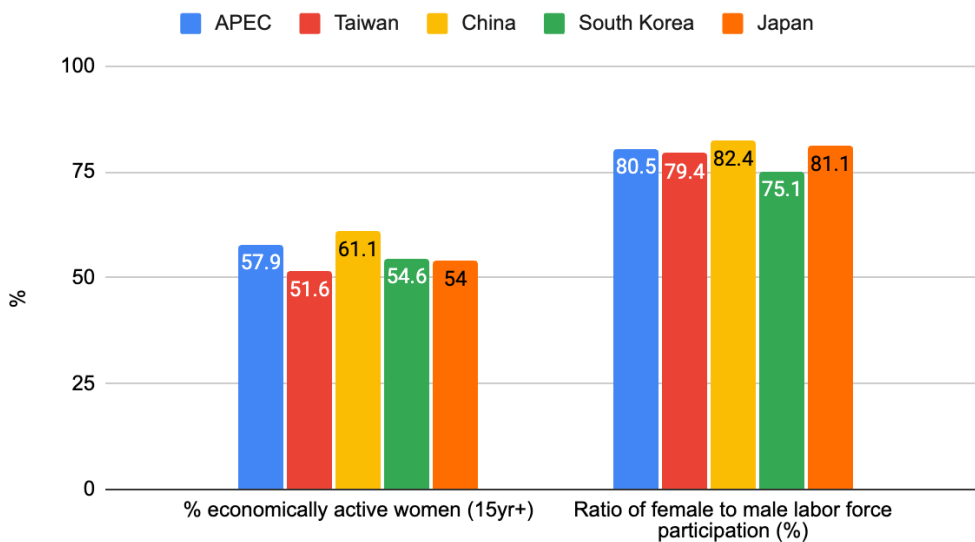
The PPWE also coordinates with other APEC working groups to ensure that gender issues remain a central focus in economic discussions.<sup>5</sup> The Women and the Economy Forum (WEF), initiated by former U.S. Secretary of State Hillary Clinton in 2011, is another cornerstone of APEC’s efforts to promote gender equality.<sup>6</sup> The forum has played a pivotal role in highlighting the critical importance of women’s economic participation and has influenced policy discussions across member economies.

## Women’s Economic Participation in East Asia: Progress and Persistent Gaps

APEC has made progress toward promoting women’s participation and representation in the economy, especially in the four East Asian economies (Taiwan, China, South Korea, and Japan). The APEC Women and the Economy Dashboard 2023, published by APEC Policy Support Unit, provides a wealth of statistics to trace these trends.<sup>7</sup> The following discussion is based on the author’s analysis of data published in the 2023 Dashboard.

Graph 1 shows two indicators measuring women’s economic participation: the proportion of the female population aged 15 and older that is economically active, and the ratio of women’s labor force participation to men’s, showing how close women’s participation is to that of men. The APEC average

**Graph 1. Women's Economic Participation in East Asia (2022)**



5. APEC. “Policy Partnership on Women and the Economy.” Last page update in Marc 2024. Retrieved on November 11, 2024. <https://www.apec.org/groups/som-steering-committee-on-economic-and-technical-cooperation/working-groups/policy-partnership-on-women-and-the-economy>

6. APEC. “Director Klein: Women’s Equal Economic Participation and Leadership Is Indispensable: APEC Women and the Economy Forum.” August 20, 2023. Retrieved on November 11, 2024. <https://www.apec.org/press/news-releases/2023/director-klein-women-s-equal-economic-participation-and-leadership-is-indispensable>

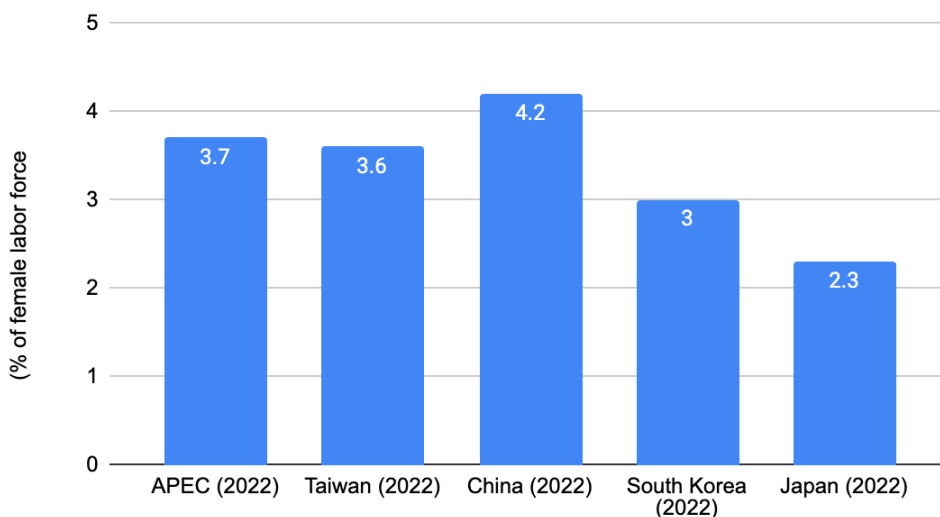
7. APEC. “The APEC Women and the Economy Dashboard 2023.” Published in August 2023. Retrieved on November 11, 2024. <https://www.apec.org/publications/2023/08/the-apec-women-and-the-economy-dashboard-2023#:~:text=The%202023%20Dashboard%20is%20composed,of%20the%20COVID%2D19%20pandemic>



for economically active women in 2022 is around 57.9%, which is higher than in Taiwan (51.6%), South Korea (54%), and Japan (54.6%) but lower than in China (61.1%). The female-to-male labor force participation ratio is relatively close across all economies, with China showing the highest ratio at 82.4% and South Korea showing the lowest ratio at 75.1%, despite an improvement from 70% in 2008.

Graph 2 shows the female unemployment rate in 2022, according to the 2023 APEC Dashboard. China has the highest female unemployment rate at 4.2%. Taiwan (3.6%), South Korea (3%), and Japan (2.3%) all have lower rates than the APEC average of 3.7%. The two countries with the lowest female unemployment rates, however, still exhibit a persistent gender-based income disparity.

**Graph 2. Female Unemployment Rate in East Asia (2022)**



Graph 3 presents the gender wage gap in the four East Asian economies, along with reference data for the Organization for Economic Co-operation and Development (OECD) average, the United States, and the European Union. The gender wage gap is represented as a percentage, indicating the difference in average earnings between men and women, with a higher percentage reflecting a larger disparity where women earn less. Data used to plot Graph 3 come from the OECD<sup>8</sup>, China Daily (for China),<sup>9</sup> and the Ministry of Labor in Taiwan.<sup>10</sup> South Korea has the largest gender wage gap among the countries/regions shown, at 31.2%. Japan also shows a high gender wage gap at 21.3%. Taiwan and China have relatively lower gender wage gaps, around 13-15%, but these figures still highlight income inequality based on gender, even if less pronounced than in South Korea and Japan.

8. Organisation for Economic Co-operation and Development. "OECD Data Explorer: Gender Wage Gap." Retrieved on November 11, 2024. <https://data.oecd.org/earnwage/gender-wage-gap.html>

9. Si, Cheng. 2023. "Gender Wage Gap Narrows, but Work Discrimination Remains." China Daily, March 8, 2023. Retrieved on November 11, 2024.

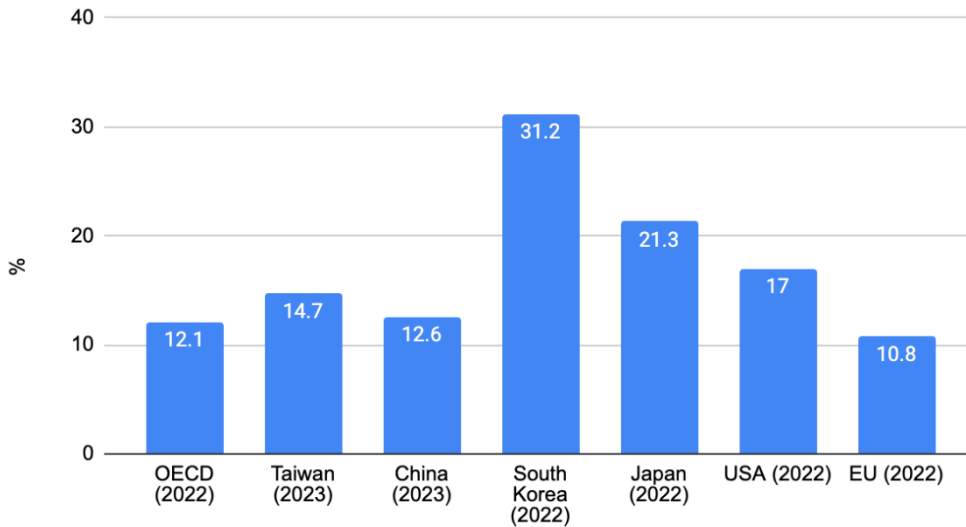
<https://www.chinadaily.com.cn/a/202303/08/WS6407e66ca31057c47ebb3044.html>

10. Central News Agency. 2024. "Taiwan's Gender Pay Gap Narrows in 2023." February 29, 2024, Overseas Community Affairs Council, Republic of China. Retrieved on November 11, 2024.

[https://www.ocac.gov.tw/OCAC\\_OLD/Eng/Pages/Detail.aspx?nodeid=329&pid=62340668#:~:text=Women%20had%20to%20work%20an,men%2C%20according%20to%20the%20ministry](https://www.ocac.gov.tw/OCAC_OLD/Eng/Pages/Detail.aspx?nodeid=329&pid=62340668#:~:text=Women%20had%20to%20work%20an,men%2C%20according%20to%20the%20ministry)



**Graph 3. Gender Wage Gap**



These data show that East Asian countries have made notable progress in promoting women's economic inclusion and empowerment, but gender gaps remain in employment rates and wage equality. Addressing these challenges requires comprehensive policy measures, including affordable childcare, paid parental leave, and flexible working conditions. In the next section, I introduce the South Korean government's policies in these areas and present indicators that show both progress and areas needing improvement.

## Issues and Policies Regarding Women's Career Development: The Case of South Korea

In South Korea, women's economic participation has long been hindered by societal expectations that define women's primary role in the domestic sphere. The concept of "career-interrupted women" (gyeong-dan-nyeo) captures the experience of over 40% of women who face career breaks due to marriage, childbirth, and caregiving responsibilities.<sup>11</sup> Although women's economic participation rate has increased over time, the fertility rate has declined even more steeply than the growth in labor market participation. As of 2022, World Bank data show a birth rate of 0.78 births per woman, lower than Japan's rate of 1.3.<sup>12</sup> The country is also experiencing severe gender conflicts, with the closure of the Ministry of Gender Equality and Family being one of the campaign issues for then-candidate Yoon Suk-yeol in the 2022 presidential election.<sup>13</sup>

11. Shao, Jessica, and Yoolim Lee. 2023. "Gender Norms and Women's Double Burden in East Asia," *The Diplomat*, November 29. <https://thediplomat.com/2023/11/gender-norms-and-womens-double-burden-in-east-asia/>

12. World Bank. "DataBank: World Development Indicators, Fertility Rate, Total (births per woman)." Retrieved on November 11, 2024. <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN>

13. Lee, Young-Im, "Korea's Anti-Feminist Angry Young Men," *The Globalist*, March 8, 2022. Retrieved on November 11, 2024. <https://www.theglobalist.com/south-korea-anti-feminist-young-men-presidential-election-lee-jun-seok/>



Since the 1990s, the South Korean government has implemented a range of policies aimed at encouraging women’s active participation in the workforce and supporting career development for those who have faced career interruptions. The scope and budget for these programs have expanded over time. Starting in December 2023, the Ministry of Gender Equality and Family and the Ministry of Employment and Labor publish an annual *Women’s Economic Activities White Paper*.<sup>14</sup> The following discussion introduces the key findings of this White Paper.

## Policies Supporting Women’s Labor Participation

The Act on the Promotion of Economic Activities for Women Experiencing Career Disruptions, initially enacted in 2008, was revised in 2022 to become the Act on the Promotion of Economic Activities for Women and Prevention of Career Disruptions. This revision includes measures not only for the re-employment of career-interrupted women but also to prevent employed women from leaving the workforce due to family responsibilities. This policy framework aims to provide a comprehensive support system that promotes both employment stability and career development for women. The South Korean government introduced a range of employment support services through “Saeil Center (새일센터)” including job counseling, vocational training, internships, job placement, and post-employment support. The number of Saeil Center grew from 72 in 2009 to 159 by the end of 2022. Despite these efforts, improvements in women’s labor participation have been slow, though some positive signs are emerging (refer to Graphs 1 and 2 above). Still, more than 600,000 women in their 30s and 588,000 women in their 40s experience career interruptions, primarily due to childcare (597,000), marriage (368,000), and pregnancy and childbirth (318,000).<sup>3</sup> Australia: In Australia, particularly in remote Outback areas, there is a significant challenge in both attracting and retaining healthcare professionals. The vast distances and isolated communities create barriers to healthcare delivery and professional support, leading to high turnover rates among healthcare staff. Innovative retention strategies, such as increased incentives and support for remote healthcare workers, are crucial to addressing these issues.

## Diversity and Inclusion in Leadership

To improve diversity and women’s inclusion in leadership positions, the Ministry of Gender Equality and Family launched a plan in 2017 to increase the number of women in high-level roles across government agencies and public institutions. By 2022, the proportion of women in executive positions in public institutions had reached 23.6%, with women with managerial roles increasing from 23.8% in 2018 to 28.8% in 2022. The Third Basic Plan for Women Scientists and Engineers also built

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14. Ministry of Gender Equality, Family and the Ministry of Employment and Labor of the Republic of Korea. 2023. 2023 Women’s Economic Activities White Paper (2023년 여성경제활동백서, in Korean). <https://www.mogef.go.kr/kor/skin/doc.html?fn=4e5dfdb045f04bbfb9b9218cbe7f369a.pdf&rs=/rsfiles/202411/>



temporary 30% quotas for recruiting and promoting women in STEM fields, targeting government-funded research institutions and public research centers. This initiative is part of a broader effort to diversify the workforce and promote women's participation in high-growth industries.

## Balancing Family and Career

As mentioned earlier, South Korea's birth rate is the world's lowest. Legislative measures, such as the Act on Equal Employment and Support for Work-Family Balance, and the Framework Act on Gender Equality, have been revised to strengthen protections for working mothers. For example, pregnant employees can request time off for regular health check-ups during pregnancy, with the frequency of leave increasing as the pregnancy progresses. Additionally, policies mandate that businesses provide 90 days of maternity leave, with 45 days post-childbirth, and offer up to 10 days of paid paternity leave. The number of women on parental leave has increased over time, from 40,914 in 2010 to 93,200 in 2022. The number of men on parental leave also rose from 819 in 2010 to 37,884 in 2022, reflecting changing societal norms and the government's emphasis on shared caregiving.

These policies have contributed to modest improvements in women's economic participation. The employment rate for women rose from 48.6% in 2012 to 52.9% in 2022, with the gender employment gap narrowing from 22.5 percentage points in 2012 to 18.6 percentage points in 2022 (Graph 1 and Graph 2 above). The number of women entrepreneurs also increased, from 551,682 in 2016 to 604,425 in 2022, reflecting a growing trend toward self-employment and entrepreneurship among women. Although the gender wage gap has seen gradual improvement, with women's hourly wages increasing from 64.8% of men's wages in 2012 to 70% in 2022, South Korea still has the largest gender wage gap among OECD countries (Graph 3).

## Conclusion

Despite these advancements, challenges remain in South Korea. Women continue to face barriers to career advancement, and systemic discrimination based on gender persists in certain sectors. South Korea ranked 125th in the World Economic Forum's Global Gender Gap Report 2023, indicating that there is still considerable progress to be made in achieving gender equality.<sup>15</sup> The South Korean government has made efforts to address key issues regarding women's economic participation and career development, such as employment re-entry, work-life balance, and gender equality in the workplace. While progress has been made, further efforts are necessary to dismantle deep-rooted gender norms. As South Korea prepares to host the APEC meeting in 2025, a continued focus on women's integration in the economy will be essential not only for achieving gender equality but also for enhancing the country's economic resilience and growth potential in a rapidly aging society.

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15. World Economic Forum. 2023. Global Gender Gap Report 2023. Retrieved on November 11, 2024. <https://www.weforum.org/publications/global-gender-gap-report-2023/>



## 2-3. Great Expectations: SME-Led Economic Development on APEC agendas

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Economic security has often been seen as diametrically opposed to international interdependence. High tariffs and related protectionist barriers remain prevalent, necessitating institutional frameworks through bi- and multilateral agreements. During the height of globalization, large conglomerates primarily spearheaded economic integration, overcoming trade barriers to access international markets.

However, with economic development progressing—particularly within the Asia-Pacific region—discussions around SMEs (Small and Medium Enterprises) have become more prominent, especially in APEC's inclusive growth agenda.

If public-private collaboration laid the foundation for economic integration across Asia-Pacific, a pertinent question arises: Why and how did SMEs emerge as vital contributors in this process? By examining the question of how SMEs became central to Asia-Pacific's regional integration, this article aims to draw a thematic trajectory of APEC's current SMEs agenda and shed light on the future trajectory of an “inclusive” economic integration.

### The Rise of SMEs in Asia-Pacific's Regional Integration

From a classical development economics perspective, small and medium-sized enterprises (SMEs) and a robust middle class have long been considered essential foundations for a stable and prosperous economy.<sup>1</sup> This concept originated during the context of the European revolutions in the 19th century, when economists associated a thriving middle class with societal stability and democratic resilience<sup>2</sup>. After World War II, this idea evolved and was adapted to East Asia, where liberal elites saw a prosperous, often assertive middle class as a crucial societal foundation in emerging democracies.<sup>3</sup>

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1. Spence, Michael. 2011. *The Next Convergence: The Future of Economic Growth in a Multispeed World*. New York: Farrar, Straus and Giroux.

2. Tocqueville, Alexis de. 2002 [1835]. *Democracy in America*. 1st ed. Chicago: University of Chicago Press.

Lipset, Seymour Martin. 1959. “Some Social Requisites of Democracy: Economic Development and Political Legitimacy.” *American Political Science Review* 53(1): 69-105. doi: 10.2307/1951731;

Gräser, Marcus. 2019. “The Great Middle Class in the Nineteenth-Century United States.” In *The Global Bourgeoisie: The Rise of the Middle Classes in the Age of Empire*, edited by Christof Dejung, David Motadel, and Jürgen Osterhammel, Princeton, NJ: Princeton University Press. Online edition, Princeton Scholarship Online, May 21, 2020. <https://doi.org/10.23943/princeton/9780691177342.003.0003>.

3. Cheung, Olivia. 2022. “An East Asian Theory of Democracy.” In *Non-Western Global Theories of International Relations*, ed. Stephanie Cooke. Cham: Palgrave Macmillan. [https://doi.org/10.1007/978-3-030-84938-2\\_5](https://doi.org/10.1007/978-3-030-84938-2_5).



Empirically speaking, small and medium-sized enterprises (SMEs) laid the groundwork for East Asia's economic miracle in the 1970s.<sup>4</sup> This was particularly evident in South Korea, where large conglomerates (chaebols) led major investments in heavy and chemical industries, yet it was the vast network of SMEs that brought innovative products and techniques into global markets.<sup>5</sup> Since the 1990s, SMEs have increasingly represented both innovation and resilience, particularly following the Asian Financial Crisis. The advantages of having a high proportion of SMEs were especially pronounced in Taiwan, where their flexibility and adaptability allowed the economy to weather economic storms and continue to thrive to this day.<sup>6</sup>

Since the 1990s, spurred by the end of the Cold War, the establishment of the WTO, and strategic alliances with the U.S., demands for deeper economic integration have surged, driven by expanding global trade interdependence and market liberalization. Pressure and incentives from the private sector have been instrumental in encouraging governments to build regional consensus on trade and investment.<sup>7</sup> By advocating for policies that facilitate cross-border business and reduce trade barriers, the private sector has become a key force behind Asia-Pacific economic integration.

## APEC's Evolving SMEs Agendas

From 1993, SMEs became the priority area under meetings in Seattle, since then every two-year the SMEs ministerial meeting (SMEMM) was held, an SME Working Group was also set to tackle sectoral collaboration between economies. Access to the international market has become the major issue for APEC's SME agenda, which was reinforced in 1995's Osaka Action Agenda (OAA) and 1998's SME Policy Action Network (SPAN).

As the annual meeting and working group had successfully functioned for more than 15 years, a major breakthrough was made in 2009, "Daegu Initiatives on SME Innovation Action Plan" was launched in response to the Financial Crisis, marking the formal recognition of SMEs as key

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4. Bassino, Jean-Pascal, and Jeffrey Gale Williamson. 2017. "From Commodity Booms to Economic Miracles: Why Southeast Asian Industry Lagged Behind." In *The Spread of Modern Industry to the Periphery since 1871*, eds. Kevin Hjortshøj O'Rourke and Jeffrey Gale Williamson. Oxford: Oxford University Press.

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contributors to economic resilience and recovery.<sup>8</sup> In 2015, when the Philippines hosted APEC, SMEs became a substantive part of the agenda, with the “Boracay Action Agenda to Globalize MSMEs” being adopted, establishing a foundational framework that continues to shape current SMEs agenda.<sup>9</sup>

Around these ten years, digitalization has become one of the requests for SMEs agenda, which is linked closely with international market access and financing.<sup>10</sup> With the thriving technology industry and E-Commerce, most of the economies and their private sector intended to grasp the opportunity of digitalization to nurture domestic SMEs and thus fulfill a resilient economic growth.

Since 2018, data interoperability and inclusivity have emerged as key sub-themes in APEC’s SME discussions. Regarding inclusivity, the SMEWG Strategic Plan for 2021-2024 prioritizes inclusive development. This focus was further reinforced at last year’s SME meeting in Seattle, where attention was given to MSMEs led by underrepresented groups, highlighting gender, racial, and regional equality in economic opportunities as a forefront issue within APEC’s SME-specific agenda. This year, Peru’s overarching APEC agenda has amplified calls for broader inclusion, specifically addressing diverse contexts such as indigenous communities, people with disabilities, and those in the informal economy. APEC’s ministerial statement on SMEs now incorporates more proactive measures, including countering discrimination in lending practices, to concretely advance economic empowerment.

To further advance and measure concrete progress to goals of inclusive growth, data interoperability has become a growing important issue in the APEC region, as it directly links to whether SMEs in given economies are fully integrated in overall economic policy. According to the APEC’s PSU report published this year,<sup>11</sup> beyond data collection fragmentation, there are significant differences among APEC members to define their domestic SMEs. For instance, East Asian economies set higher employee thresholds and apply different standards across industries for defining SMEs, while Southeast Asian economies use lower, more uniform criteria without industry-specific distinctions. The disparity in definitions reflects differences in economic development levels and policy targets, which tie into deeper governance values and strategies. This distinction determines whether SMEs are central to economic policies or are secondary to the interests of large conglomerates, thus making the problems of data collection inseparable from irreconcilable governance models.

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## ABAC and SMEs : Private Sector’s Perspective and Engagement

The APEC Business Advisory Council (ABAC) has served as an observer organization in APEC since 1995, offering a critical private-sector perspective on the APEC agenda and addressing pressing economic issues across the Asia-Pacific region. ABAC’s establishment marked a significant breakthrough for private sector engagement in regional economic integration, enabling business representatives from each member economy to participate on an equal footing with other APEC economies. This inclusion of private-sector voices has helped shape APEC’s agendas and policies, bringing real-world insights and priorities to the forefront of discussions.

ABAC members are appointed by their respective economic leaders and typically reflect the broader development goals and strategic directions of their economies. An ABAC member often brings a perspective that combines the overarching priorities of their economy with the specific interests and priorities of their industry. For instance, an ABAC member might provide industrial opinion on renewable energy investment, while at the same time, lead the discussion on WTO Appellate Body reform.

The latest progress of ABAC’s contribution on SME issues is highlighted in this year’s “ABAC Letter to SME Ministers,” where ABAC focuses on three critical areas: fostering a conducive digital environment, enhancing financial inclusion, and supporting SMEs in addressing climate change.<sup>12</sup> The letter provides specific policy recommendations, including developing a “New Services Agenda,” investing in digital infrastructure and skills training, establishing programs to support female-led businesses in accessing venture capital, mobilizing pension funds as a source of capital for SMEs, and offering tailored support for SMEs to participate in sustainable supply chains.<sup>13</sup> This letter complements the 2024 SME Ministerial Meeting statement.<sup>14</sup> By offering concrete, actionable advice within APEC’s broader cooperation framework, It is also worth noting that several specific recommendations come from ABAC members who are either from SMEs or work closely with them, making SME representation more direct and concrete in the overall decision-making process.

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12. APEC Business Advisory Council. 2024. ABAC Letter to APEC’s SMEs Ministers. APEC Business Advisory Council

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14. APEC. 2024. 30th Small and Medium Enterprises Ministerial Meeting: Pucallpa Statement.



## Conclusion

In summation, the evolution of APEC's SME agenda highlights an increasingly targeted approach to SME inclusion within regional integration. SMEs have emerged as pivotal drivers of resilience and innovation, now positioned at the forefront of economic growth in the digital age. Through ABAC's participation, the private sector has directly shaped policies that foster SME development across the Asia-Pacific. Nonetheless, the path forward encounters inherent complexities as APEC economies, shaped by diverse developmental contexts, are compelled to navigate differing governance values and strategic priorities. These contextual disparities mean that the trajectory of SME initiatives remains somewhat contingent on the annual host economy's agenda, raising the question of whether the SME agenda will ultimately alternate between advancement and stagnation.

As Korea is about to host APEC meetings in the next year, it is expected that SMEs agenda will be incorporated with east Asian context furtherly. So, what is expected? Since this September, South Korea has appointed three new ABAC members of its economy,<sup>15</sup> all of them do not qualify as SMEs, neither in South Korea nor in broad definition, which also imply that representation of SMEs may not be the center of private sector participation in APEC. To a larger extent, South Korea will also be considered more centrally-driven, emphasizing creating a conglomerate-friendly environment through domestic policies and multilateral cooperation.

Throughout the 30 years, APEC has already developed remarkable progress on the SMEs agenda, which means South Korea still needs to follow the foundation set in the previous APEC. For instance, APEC's SMEs working group (SMEWG) has already updated their strategic plan from 2025 to 2028,<sup>16</sup> focusing on key priorities such as digital transformation, bio-circular-green practices, and enhanced access to global value chains. South Korea, as a leader in the region, is expected to actively engage with these objectives.

Looking ahead, despite not being the trailblazer of SME policy, South Korea, as a well-functioning developed economy, has played an irreplaceable role in APEC for SME innovation. With its rich tradition in labor policy, there is reason for optimism about how South Korea will address regional disparities in SMEs. Although more pressing issues, like formalization and inclusive growth, may not be top priorities for next year, the SME agenda will still be enriched by this vibrant East Asian economy.

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### 3. Conclusion

In recent years, human security and climate change as security issues have become central to Asia-Pacific governance narratives. Deepened economic integration and the post-pandemic landscape have shifted focus away from trade barriers as the sole impediments to economic openness. Concepts such as risk society and the universal human rights have increasingly permeated APEC's economic-centric international institutions, reflecting a broader and more inclusive framework for addressing regional challenges.

Efforts to enhance women's economic equity continue to confront entrenched gender norms and limited institutional support, underscoring the urgency for inclusive policies and systemic reforms. Similarly, the integration of SMEs into regional frameworks highlights a critical avenue for addressing structural gaps, yet the dominance of large corporations in shaping trade policies still poses significant challenges to fairness and inclusion. Meanwhile, observations from COP29 expose the enduring North-South divide, particularly in climate justice and financial accountability. Equity in governance and sustainability in policy will be vital in navigating the complex realities of economic and environmental resilience.

In summation, this season's Issue Paper paints a picture of an Asia-Pacific wrestling with its challenges and grasping at the threads of change. We hope these reflections resonate with you, perhaps nudging you toward ideas or actions—small, imperfect, but yours—that might weave into something greater.



