

TRADE AND ENVIRONMENT DIVISION SESSION ON

STANDARDS AND REGULATIONS: DO SMES HAVE A STAKE?

WTO PUBLIC FORUM, GENEVA

29 SEPTEMBER 2016

1 OVERVIEW

1. The WTO Trade and Environment Division (TED) organized a session on "**Standards and Regulations: Do SMEs have a stake?**" at the WTO Public Forum on Thursday, 29 September 2016. The session was moderated by **Mr. Aik Hoe Lim**, Director, TED/WTO.

2. The panellists for this session were: **Mr. Jose Antonio Buencamino**, Special Trade Representative/Commercial Counsellor, Philippines; **Ms. Marion Jansen**, Chief Economist, International Trade Centre (ITC); **Mr. Stefano Negri**, Associate Director, World SME Forum; **Mr. Daniele Gerundino**, Director, ISO Academy, International Organization for Standardization (ISO); and **Mr. Per Lundmark**, Head of International Development Division, Swedish Board for Accreditation and Conformity Assessment (SWEDAC).

3. The session focused on the following issues:

- To what extent do SMEs lack the necessary resources to seek and analyze information about foreign regulations that may affect their exports?
- To what extent can/do SMEs engage with trading partners (directly or through government representation) to ensure that new regulations do not unnecessarily affect their exports?
- How effective are SMEs in influencing standard-setting activities domestically, or in international contexts (e.g. in regional or international standard setting bodies)?
- How effective are SMEs in adapting, complying or demonstrating compliance with standards and regulations in the national, regional or international context?
- What can stakeholders do at the national, regional or in the international community, including in the WTO to highlight/address SME concerns?

4. Suggestions were put forward by the panellists to address the challenges faced by SMEs. In addition, Mr. Lim drew attention to "ePing" (www.epingalert.org) a transparency tool being developed at the WTO in cooperation with ITC and UN/DESA.

2 PRESENTATIONS BY THE PANELLISTS

Mr. Jose Antonio Buencamino, Special Trade Representative/Commercial Counsellor, Philippines

5. Mr. Buencamino identified four pillars where micro, small and medium enterprises (MSMEs) would benefit from international cooperation, namely: improving MSMEs access to information; absorptive capacity; cross border access; and the development of global MSMEs. He stressed that **standards posed many challenges for MSMEs**. MSMEs needed easy access to trade-related information and improved understanding of notifications and regulations. In Philippines, almost 60% of NTM-related obstacles were product specific measures such as conformity assessment procedures and technical requirements. In this context, testing to meet SPS and TBT requirements and certification was costly in terms of time, effort and money.

6. In order to **facilitate the integration of MSMEs in international trade**, Mr Buencamino suggested that first, there must be continuous dialogue. Second, an effort must be made to involve MSMEs in standard setting. Third, there was a need to further facilitate the provision of information to MSMEs. Last, assistance should be provided to MSMEs to navigate the regulatory environment.

Ms. Marion Jansen, Chief Economist, International Trade Centre (ITC)

7. Ms. Jansen spoke on the topic **SME Competitiveness: Standards and Regulations Matter**. From a private sector perspective, non-tariff measures (NTMs), in particular procedural requirements, were identified as obstacles to trade that affected small exporters disproportionately.

8. To help SMEs, ITC's "SME Competitiveness Outlook Report" put forward a **five-point government action plan**. First, facilitate access to information and technology. Second, strengthen firm capacity to implement requirements. Third, "be strategic" in investing in technical infrastructure. Fourth, strengthen governance at home. Lastly, facilitate trade through international mechanisms. In addition, Ms. Jansen drew attention to ITC's e-tools and global information platforms; support provided to SMEs in developing countries to meet technical requirements in international markets and to connect to global value chains; and assistance at the border with ITC's Trade Facilitation Programme.

Mr. Stefano Negri, Associate Director, World SME Forum

9. Mr. Negri, noted that several sessions at the public forum were on "e-commerce" but this was only "one side of the coin" as meeting standards was essential for trade through e-commerce or other means. On **challenges** faced by SMEs, he gave examples to illustrate that SMEs have limited voice and involvement in the standard setting process. In addition, SMEs have limited awareness of the existence of standards and the costs/benefits of being certified. The complexity and maze of standards made it difficult to trace the requirements. Moreover, there were cost, time and capacity constraints.

10. To **address the problems** faced, SMEs needed to be given a voice and seat at the table. Databases such as the standards map and others could help access information. There was scope to reduce complexity by promoting mutual recognition agreements and more convergence of standards and certification requirements across borders. He mentioned the need for more capacity building and support such as the "Better Works Programme" and the "Buddy Programme" wherein bigger companies supported local SMEs. SME organizations also provided services for SMEs to navigate and implement standards. The World SME Forum (WSF) was creating a WSF Trust Program and working on a B2B platform to support SMEs.

Mr. Daniele Gerundino, Director, ISO Academy, International Organization for Standardization (ISO)

11. Mr. Gerundino covered the **benefits of standards** for SMEs with case studies from St. Lucia (Baron Foods) and Peru (Danper). SMEs could benefit from the use of standards and participation in standards development to improve the quality of goods and services and give their business a competitive edge. In addition, standards also fostered a culture of quality and generated value. SMEs that were sufficiently motivated and committed to quality could leverage standards with support from government agencies, national standards bodies and access to national and international business development programmes. ISO was providing support through national standards bodies and with ISO publications, information and general guidance available for SMEs.

Mr. Per Lundmark, Head of International Development Division, Swedish Board for Accreditation and Conformity Assessment (SWEDAC)

12. Mr. Lundmark provided an illustration of **quality infrastructure** and how it affects our daily lives. Strong quality infrastructure was needed for SMEs to access the global market. SWEDAC contributed through its **development projects** and **training programmes** on quality policy, technical regulations, standardization, metrology and conformity assessment.

3 FLOOR DISCUSSION

13. Following the presentations, a participant asked how SMEs were expected to keep pace with the proliferation of private standards in light of the capacity constraints and high costs involved. In response, Ms. Jansen drew attention to ITC's Standards Map database on voluntary sustainability standards. Mr. Negri noted that the WTO Trade Dialogues brought large and small companies together for collaboration and exchange of views. Mr. Gerundino cautioned against the use of the term "private standard" as standards were typically characterised by their technical scope and regulatory consensus with different stakeholders involved in their development. Mr. Buencamino noted that MSME exporters from the Philippines were often unable to distinguish between private standards and technical regulations.

14. A participant observed that SMEs would not commit resources to invest in standards unless there was a buyer. In addition certification costs were high and the process could take several months so SMEs typically catered only to the local market. Mr. Gerundino noted the distinction between standards and certification. Third party certification did not cost much. SMEs could be motivated to invest in standards and obtain certification to demonstrate their commitment to quality.

15. Another participant focused on inclusiveness and asked how MSMEs could be supported to meet the costs of compliance and also how MSMEs could be involved in the development of standards. In response, Mr. Negri said that a majority of SMEs did not engage in trade as compliance and reaching the bar set by standards was difficult. Hands-on support and funding was needed. Ms. Jansen noted that SMEs should be supported in order for trade to be inclusive. ITC was assisting SMEs directly and also through national institutions and trade associations. Mr. Gerundino acknowledged that SMEs needed support and drew attention to the role of small industry associations. For example in Peru, asparagus farmers created a consortium and were engaged in the development of standards. Concerning the demand for assistance in the SPS and TBT areas, Mr. Lundmark said that SWEDAC programs/projects covered SPS or TBT with more requests on SPS/food safety issues.

4 CONCLUDING REMARKS

16. In closing the session, Mr. Lim emphasized the importance of standards and regulations for trade. While highlighting the challenges for SMEs, Mr Lim and the panellists also put forward tools to address these challenges. Notably, SMEs could use tools such as the transparency "alert mechanism" (ePing) being developed at the WTO in cooperation with ITC and UN/DESA. Mr Lim also emphasised the role of the TBT Agreement and Committee. The disciplines of the TBT Agreement help governments achieve and balance between upholding legitimate regulatory policy objectives and avoiding discriminatory and unnecessary obstacles to international trade. These disciplines can help SMEs to address some of the challenges raised by panellists, including to ensure that new regulations do not unnecessary affect their exports.
