

# How aid for trade helps reduce the burden of trade costs on SMEs

Marion Jansen, Chief Economist, ITC

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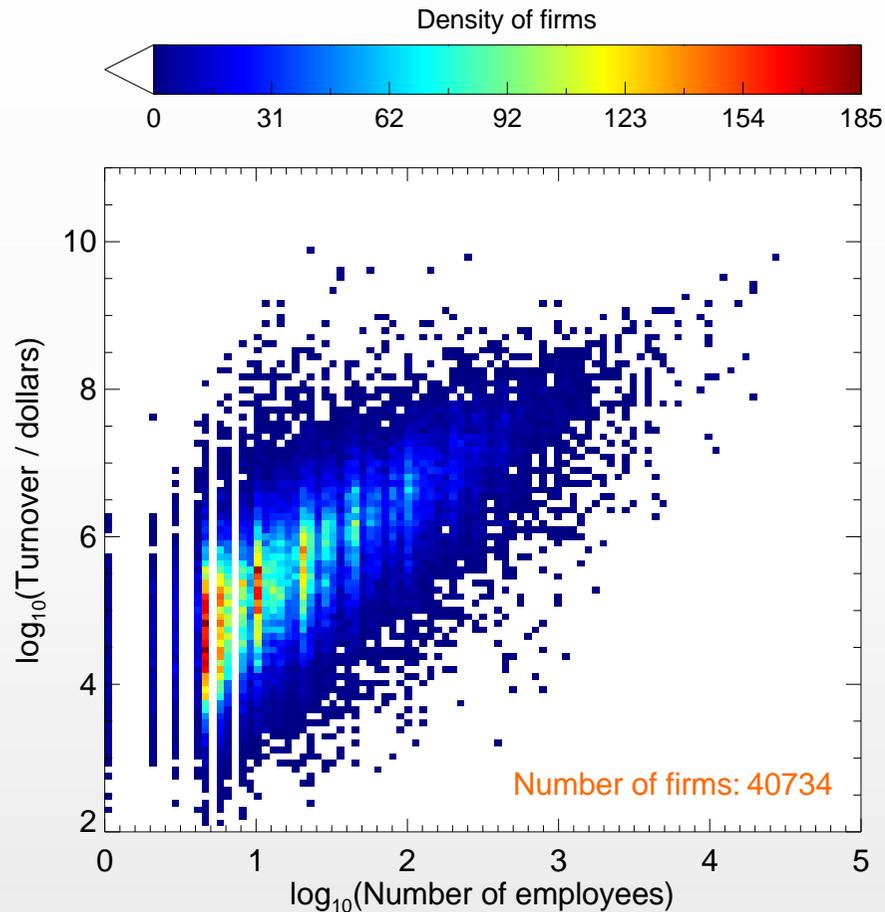


# SMEs: the backbone of economic activity

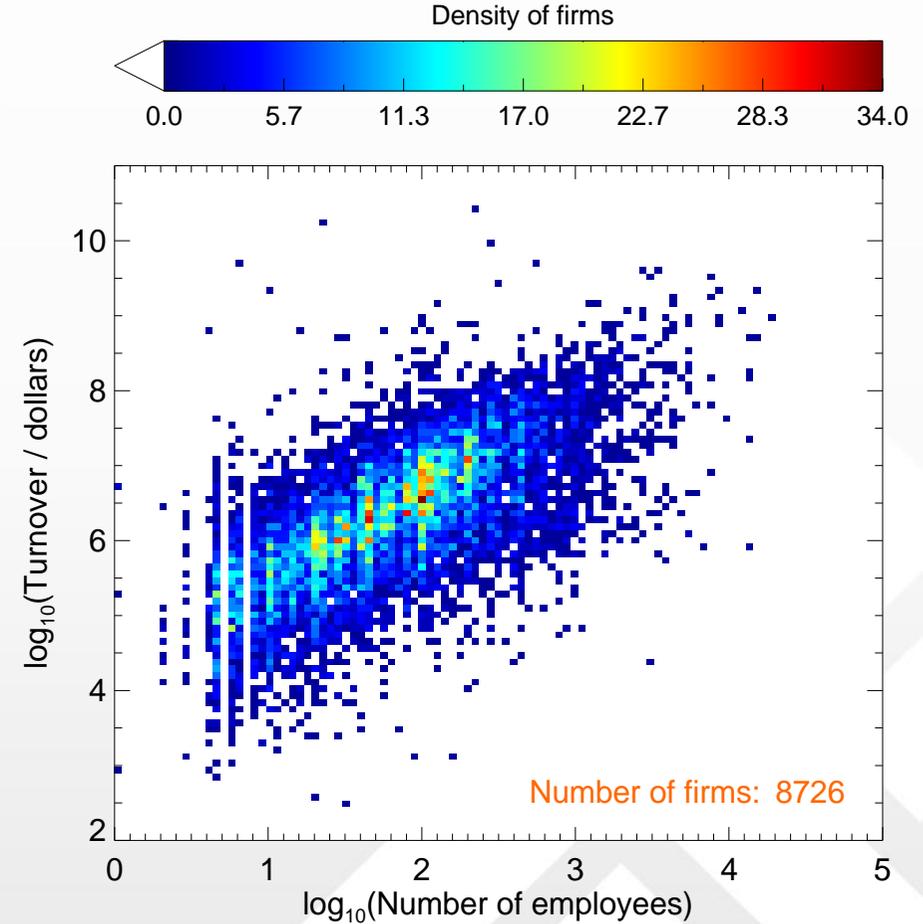
- In OECD countries, SMEs represent:
  - Over 95 per cent of the number of firms
  - Around 60-70 per cent of employment
  
- ... in developing countries the employment share of SMEs can be even higher (in particular if informal SMEs are included). Examples include (ADB, 2013):
  - Thailand: 77% of employment
  - Lao PDR: 81% of employment
  - Indonesia: 97% of employment

# SMEs find it hard to participate in and benefit from global trade

## Non exporters



## Exporters



Source: OCE calculations from World Bank ES dataset

\*\*Exporter\* is defined as a firm with 10% or more of sales exported (direct plus indirect)



TRADE IMPACT  
FOR GOOD

# Fixed costs affect small exporters disproportionately

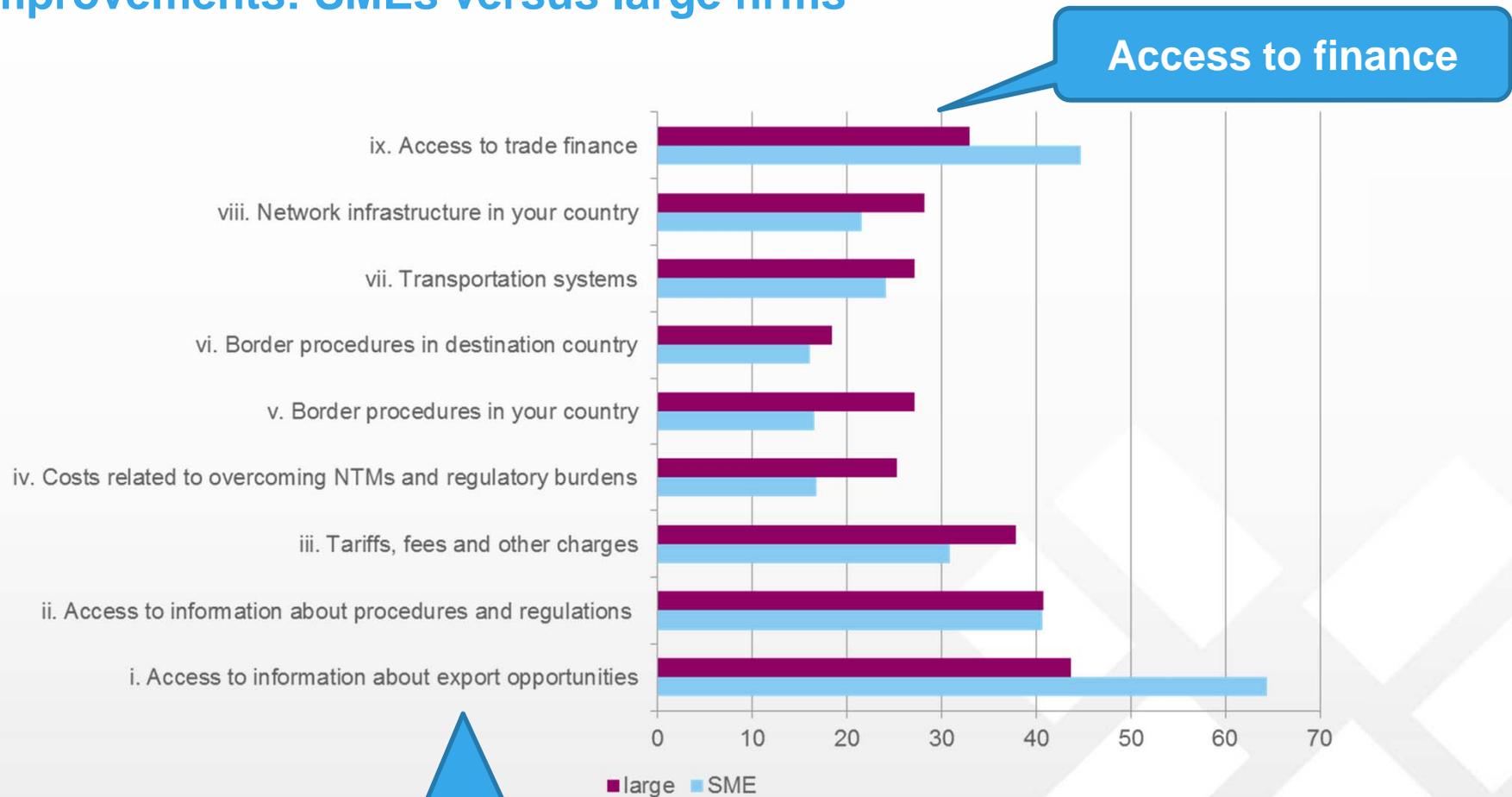
- Unlike large companies, most SMEs do not possess in-house trade or international departments with experts who know how to efficiently overcome relevant trade costs.
- SMEs tend to have limited resources and a lower threshold to absorbing risks, especially when operating in intensely competitive markets (OECD, 2006).
- More generally, the fact that SMEs tend to trade smaller quantities implies that fixed trade costs often make up a larger share of the unit cost of their goods and services when compared to rivals exporting larger volumes.

# Learning more about fixed costs affecting SME exporters

Whether and how to address bottlenecks to exports

will depend on the nature of those bottlenecks

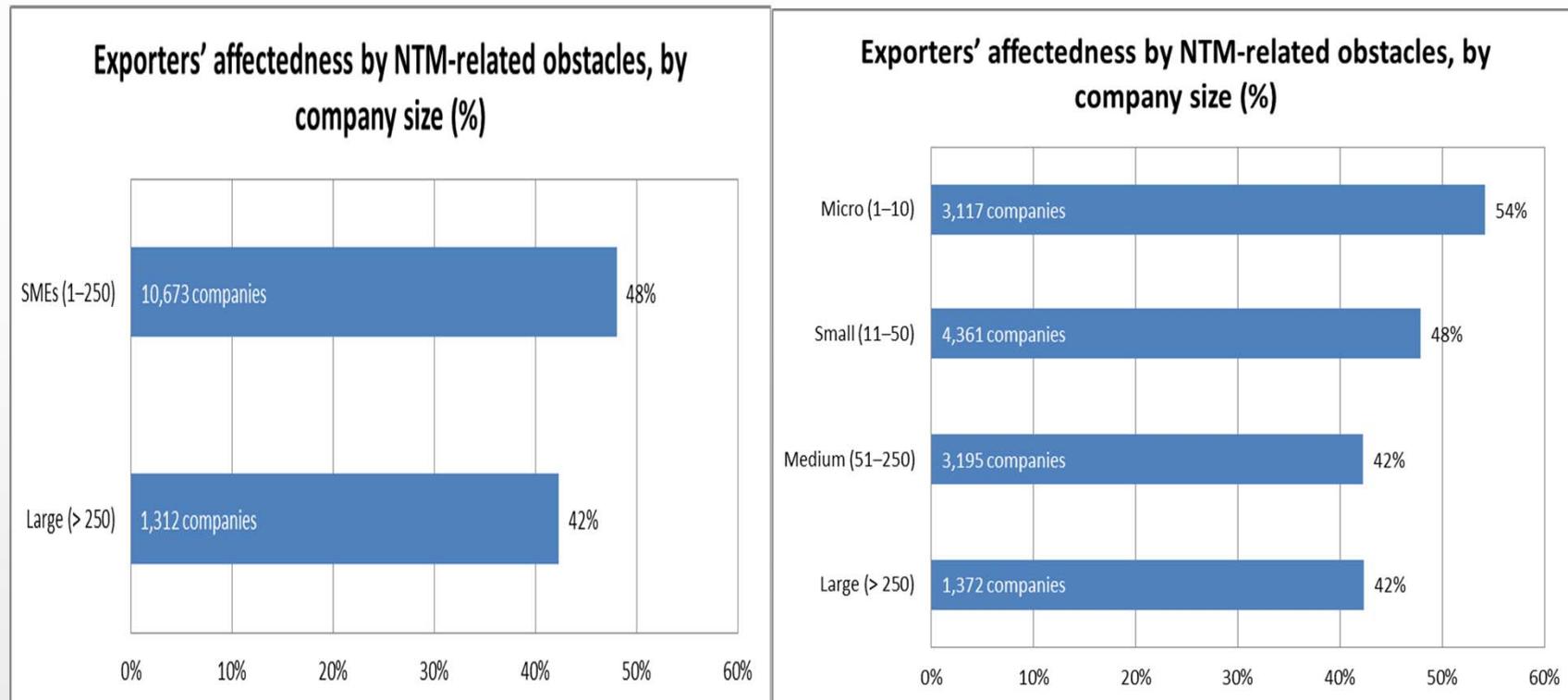
## What are the three factors in which you would most value improvements: SMEs versus large firms



**Access to information**

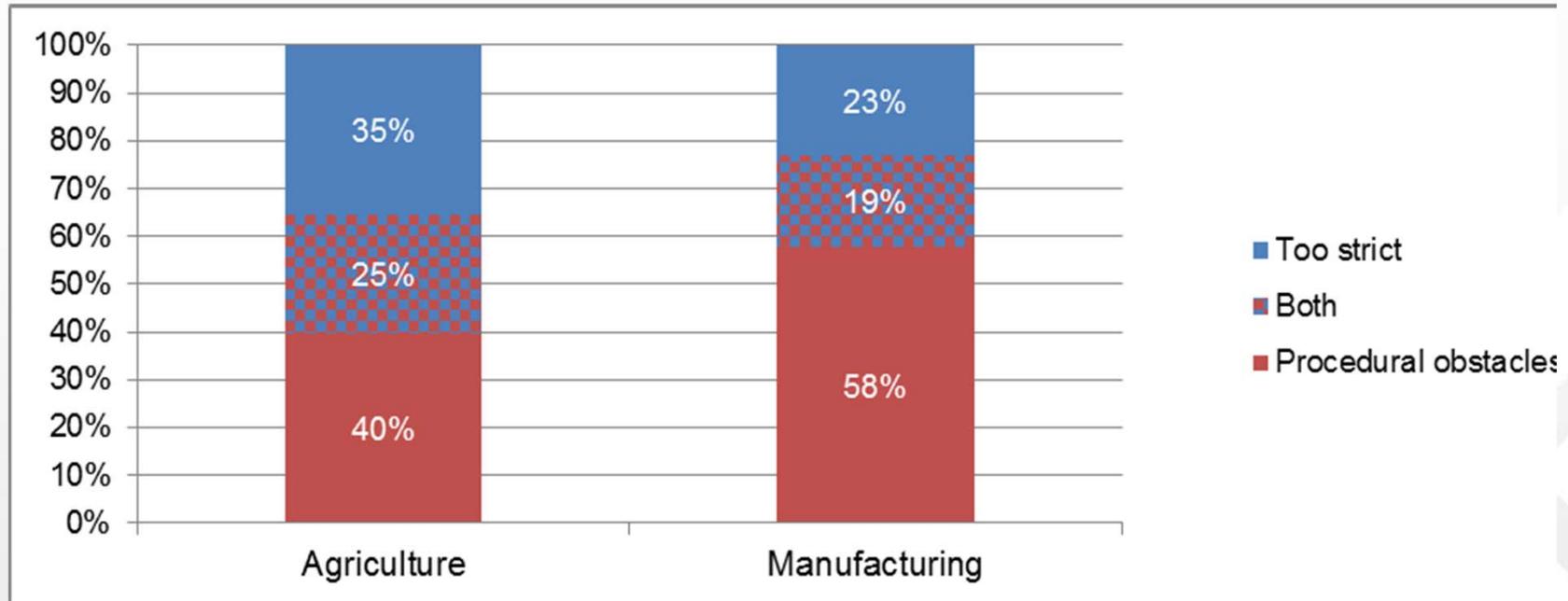
# NTMs as obstacles to trade: a private sector perspective

**Figure 3.3 Exporters' affectedness by NTM-related obstacles, by company size**



# NTMs as obstacles to trade: a private sector perspective

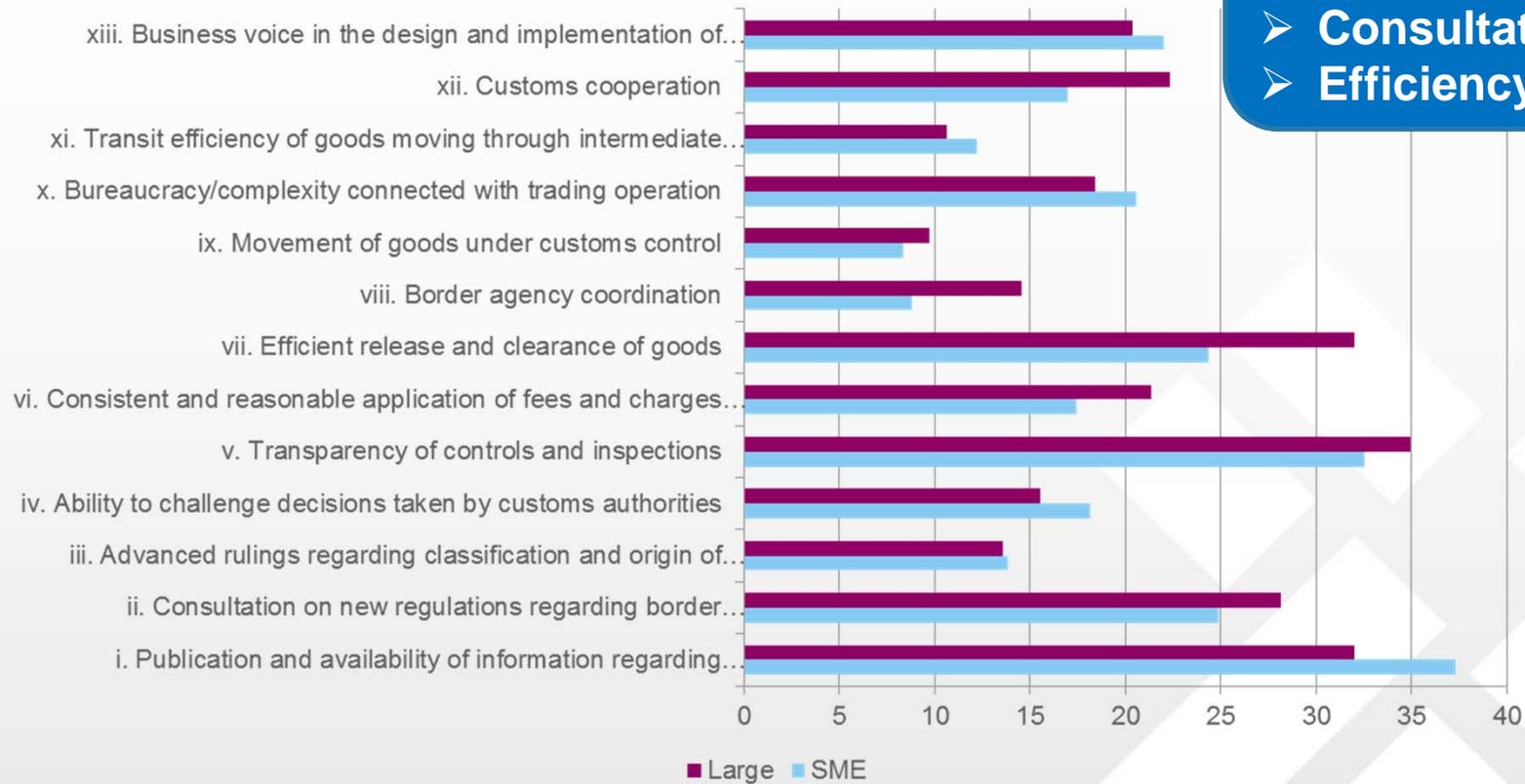
**Figure 3.5 Reason making NTMs burdensome for exporters, by sector**



## What are the three factors related to border procedures in which you would most value improvements?

**SME priorities:**

- Information
- Transparency
- Consultations
- Efficiency



# Aid for Trade: addressing trade costs for SMEs

**Finding the buyer:** The important role of Trade Support Institutions

## **Delivering to the buyer:**

- Access to information about product and service requirements
- Firm level capacity to meet regulatory and standard related requirements
- The need for commensurate technical infrastructure at the national level
- Addressing Non-Tariff Barriers and Procedural Obstacles for more Efficient Cross-Border Procedures
  - Promoting Inter-Agency Coordination
  - Enhancing Transparency and Predictability
  - Simplifying Documents and Procedures and Reducing Charges and Fees

## To conclude

- Trade costs (in particular those taking the form of fixed costs) can affect SMEs disproportionately.
- Survey evidence shows that **costs related to access to information, access to trade finance or regulatory burdens** are particularly burdensome for SMEs.
- Trade Support Institutions have traditionally played an important role in providing trade-related information and may deserve increased attention in an AfT context.
- Global information platforms are also contributing to facilitating access to information notably regarding Non-Tariff Measures.
- The Trade Facilitation Agreement foresees the creation of private-public dialogue mechanisms at the national level. Ensuring an SME-voice in these dialogues would be in line with current thinking at the B20 level (e.g. Task Force on SMEs and Entrepreneurship).