Trade facilitation and MSMEs

Date: 27 June 2018, WTO, Geneva
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Storyline

• Trade costs: a bigger obstacle for smaller firms

• Elements of trade costs:
  – Information costs
  – Burdensome procedures
  – Costly logistics

• Trade facilitation contributes to reducing SME competitiveness gap
Trade costs: a bigger obstacles for smaller firms
Turnover versus firm size: exporting status

Source: OCE calculations from World Bank ES dataset

*‘Exporter’ is defined as a firm with 10% or more of sales exported (direct plus indirect)
Example: Regulatory burdens hit small firms twice as hard as large firms

- Increase in regulatory burden: 10%
- Decrease in export values:
  - Large firms: 1.6%
  - Medium firms: 2.6%
  - Small firms: 3.2%
What can be done to facilitate internationalization of MSMEs?
Information is a key element across pillars and levels

Trade Facilitation

ITC SME competitiveness grid

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<thead>
<tr>
<th>Pillar</th>
<th>Theme</th>
<th>Level</th>
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<tr>
<td>Compete</td>
<td>Quantity and cost requirements</td>
<td>Firm capabilities</td>
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Quick win: increase access to information
Information on procedures (AfTGR: ITC Monitoring Survey 2015)

What are the three factors in which firms would most value improvements

- Access to information about export opportunities
- Access to trade finance
- Access to info on procedures and regulations in order to export or import
- Tariffs, fees and other charges
- Transportation systems
- Network infrastructure in your country
- Costs related to overcoming non-tariff measures and regulatory burdens
- Border procedures in your country
- Border procedures in destination country

SMEs
Large firms
Information on procedures (AfTGR: ITC Monitoring Survey 2015)

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

- Availability of information about clearance
- Transparency of controls and inspections
- Consultation on new regulations re border processes
- Efficient release and clearance of goods
- Business voice in the design and imp. of border p.
- Bureaucracy/complexity of trading operation
- Ability to challenge decisions taken by customs…
- Consistent and reasonable application of fees and…
- Customs cooperation
- Advanced rulings regarding classification and origin
- Transit efficiency
- Border agency coordination
- Movement of goods under customs control

Survey respondents (in %): SMEs vs. Large firms
Information on standards and regulations (‘quality requirements’): Share of certified firms increases with information availability
Sectors with higher shares of exporting firms also have higher shares of certified firms.
Reduce procedural obstacles
Reasons for making NTMs burdensome for exporters, by sector

ITC Business Survey on NTMs
Procedural obstacles may discriminate

Share of procedural obstacles at home and abroad, by gender

**Note:** The box plot shows the distribution of the share of burdensome procedural obstacles in terms of quartiles at home and by the partner country. A transaction is a firm–product–partner combination.

**Source:** ITC calculations based on ITC Business Survey on NTMs (2016).
Logistics: increasingly key for competitiveness
Firms from developing countries are more affected

Logistic costs are higher in developing countries

26% in developing countries
14% in developed countries

The share of logistic cost over final price is nearly double in developing countries.
Will new technologies help?

New technologies

Old questions
  - Who pays?
  - Who takes responsibility?

SME

First mile

Last mile

Distribution centre or Urban hub

Transport and telecom infrastructure

Market or Border

SME Competitiveness Outlook 2018 (forthcoming)
Trade Facilitation: A contribution to closing the competitiveness gap
Trade Facilitation: reduce information cost, procedural costs and potentially logistics costs

=> to meet cost, time and quality requirements

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Trade Facilitation: A contribution to closing the competitiveness gap

Source: ITC SME Competitiveness Outlook 2016

National Trade Facilitation Committees (NTFCs) with MSME membership
MSMEs@ITC