Spring 2020 Newsletter

Statement on highlighting the importance of MSMEs in the time of Covid-19

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“We note the significant negative impact that the COVID-19 pandemic has had on our citizens and our businesses, in particular on those that operate as Micro, Small and Medium-sized Enterprises (MSMEs) in economies at all levels of development. We recognize that addressing this global health crisis and economic shock requires a coordinated global response to stabilize our economies and to help MSMEs affected during this challenging period.

In this regard, we commend the actions taken by many WTO Members to address the immediate challenges faced by workers and businesses alike, in particular MSMEs, during these difficult times.

We will continue careful monitoring of all MSME-related developments. We will take further action where necessary to help MSMEs' involvement in international trade and promote that supply chains remain open and connected. In cooperation with other international organizations and stakeholders, we will look to explore solutions and share good practices to facilitate trade, accelerate efforts towards trade digitalization, including access to digital tools, as well as improve MSMEs' access to trade finance and to trade-related information through online platforms.

We reaffirm our support for the central role of the WTO in international trade. We will continue to work together to deliver a free, fair, predictable, and stable trade environment and to keep our markets open with a view to support the global recovery. We invite the WTO Secretariat to continue working closely with other international organizations to facilitate MSMEs' participation in international trade.

It is clear that timely and accurate information on COVID-related trade measures reduces uncertainty and allows MSMEs to make informed decisions. We therefore encourage Members to continue informing and updating the WTO, as soon as practicable, of any trade-related COVID-19 measures they implement in order to ensure transparency and predictability.

We will continue our efforts to deepen and multilateralize MSME conversations at the WTO, for the benefit of our MSMEs and our economies. We will work together to help MSMEs overcome this crisis, and build resilience to future shocks.”

This Newsletter provides information about the activities of the WTO Informal Working Group, as well as related information relevant to MSMEs' participation in international trade. Information featured in this edition includes:

— Progress report on the Group's regular activities
— Actions taken by the Informal Working Group in response to the Covid-19 pandemic

Recent events

- July 1st, 2-4pm – Supporting Small Business Resilience through Digital Tools
- June 26th, 10am-12:00pm – MSMEs & Covid-19
- June 18th, 3-4:30pm – Paperless trade
- June 17th, 4-5:30pm – Cross-border payment services

The summaries and recordings of these events are available on the WTO Small Business and Trade webpage

*Delegations sponsoring the statement include: Afghanistan; Albania; Argentina; Australia; Brazil; Canada; Chile; China; Colombia; Costa Rica; Côte d'Ivoire; Ecuador; El Salvador; European Union; Guatemala; Guyana; Honduras; Hong Kong, China; Israel; Iceland; Japan; Kazakhstan; Kenya; Korea, Republic of; Lao People's Democratic Republic; Liechtenstein; Malaysia; Maldives; Mexico; Moldova, Republic of; Mongolia; Montenegro; Myanmar; New Zealand; North Macedonia; Norway; Paraguay; Philippines; Qatar; Russian Federation; Saudi Arabia, Kingdom of; Saint Vincent and the Grenadines; Singapore; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Thailand; Turkey; Ukraine; United Kingdom; Uruguay; Vanuatu; Viet Nam. The reference of the statement is WT/GC/215/Rev.1
Over the past few months, the Group has been actively working on a ministerial package for presentation at the 12th Ministerial Conference that was originally scheduled to take place on 8-10 June 2020 in Nursultan, Kazakhstan. Despite the rescheduling of MC12 due to the Covid-19 pandemic, the Group has been continuing discussions with a view to finalizing its package in the near future – date to be announced.

The Group is discussing seven proposals to support the participation of MSMEs in international trade. These proposals aim to enhance MSME access to market and regulatory information, skills development opportunities and trade finance, as well as promote the inclusion of MSME-related dimensions in domestic rulemaking. At the heart of these proposals lies the sharing of good practices that the Group seeks to actively promote. The specific scope and language of the proposals presented below remains to be finalized. The order below does not convey any value judgement as to the importance of the said proposals.

- **Support for active contribution to the success and prompt operationalization of the Global Trade Helpdesk**

  “In order to expand the scope of MSMEs’ participation in international trade, an essential element is information on good practices, which will help MSMEs save substantial time and effort. The sharing of information on best practices, Members’ experiences, and policies, among other things, will be very beneficial not only to MSMEs but also to policymakers” — Lee Dongwook, Permanent Mission of the Republic of Korea to the United Nations and Other International Organizations in Geneva

- **The development of a new online platform with links to existing tools for MSMEs and policymakers**

  Access to information is systemically mentioned as a key challenge by MSMEs interested in trade. The 2016 World Trade Report showed that one of the main obstacles encountered by MSMEs interested in trade is the limited information about the working of foreign markets. Global Trade Helpdesk permits users to conduct trade and market intelligence analysis by comparing demand for products across markets, exploring tariffs and other market access conditions, navigating domestic export procedures, and finding any relevant regulatory information about specific goods. The proposal encourages Members to provide relevant information pursuant to a questionnaire with the aim of improving the quality and coverage of the GTH. Moreover, the Platform would provide policymakers with relevant studies and information about best practices on how to support MSMEs interested in international trade.
Facilitating MSMEs' access to financial solutions to trade

One of the major obstacles to MSMEs’ participation in international trade are the difficulties they face in accessing financial solutions to participate in international trade - difficulties rendered more acute by the current crisis. Beyond the well-known trade finance gap that affects MSMEs, estimated by the Asian Development Bank at about US$ 1.5 trillion per year, various issues, such as limitations related to cross-border payments, hinder MSMEs' participation in international trade. The proposal calls on Members to actively engage in relevant fora such as the Working Group on Trade, Debt and Finance and the Informal Working Group on MSMEs to share good practices and information on relevant technical assistance and to identify how MSMEs’ access to financial solutions to participate in international trade can be facilitated.

The proposal also refers to the issue of company identification as one of the tools that can facilitate MSMEs' participation in international trade. It also invites the WTO Secretariat to organize, with the support of relevant international organizations, information sessions on relevant issues such as, for example, the global legal entity identifier (LEI). The proposal welcomes international initiatives aimed at facilitating adoption of a global legal identification system for companies, such as the global legal entity identifier, and invites WTO Members to cooperate in such initiatives.

Finally, it notes the importance of digitalization in facilitating MSMEs' access to financial solutions to participate in international trade.

Promoting domestic regulatory procedures concerning trade that may be beneficial for MSMEs

Changes of regulatory environment in the area of trade are often difficult to understand and comply with, especially for MSMEs. They can effectively deprive such enterprises of benefits emanating from participation in international trade. WTO Agreements include rules on consultations with stakeholders in the process of regulatory development, but do not explicitly refer to MSMEs. Considering the specific needs of MSMEs, where domestic regulatory development is concerned can minimize challenges for MSMEs to comply with rules and foster further participation in international trade. The proposal encourages Members to adopt domestic regulatory procedures that may be beneficial for MSMEs, such as assessing the impact of new rules on MSMEs and providing adequate opportunity for MSMEs to comment on and adapt to new regulatory requirements.

Regulatory challenges faced by MSMEs could be addressed through engagement of such enterprises in the discussion and adoption of new regulatory requirements. The recommendation includes best practices identified by the Informal Working Group that enable and facilitate active involvement of MSMEs in the domestic rulemaking process and that help such enterprises overcome regulatory barriers in the area of trade” — Dimitry Tonkov, Counsellor, Permanent Mission of Russia to the WTO

Steve Beck, Head of Trade Finance of the Asian Development Bank (ADB), addressed the Group on this issue in February 2020. In his intervention, he explained how the LEI can contribute to foster MSME access to trade finance. Two ADB publications on LEI are available online, one highlighting the contribution of the LEI to trade and another one presenting barriers encountered by businesses interested in obtaining an LEI.

As of the first quarter of 2019, 1.3 million companies in 224 jurisdictions had acquired an LEI. The ICC recently established a "Working Group on mass adoption of the LEI" to promote adoption of this tool. Steve Beck encouraged WTO members to put serious considerations in promoting the LEI as a potentially transformative tool to achieve more support for MSMEs.
• Submitting MSME-related information as part of WTO Trade Policy Reviews

“Trade Policy Reviews represent an opportune moment for each WTO Member to voluntarily share information regarding MSMEs within its territory. In doing so, each Member contributes to expanding the MSME-related knowledge base within the WTO and helps to inform analysis and discussion in the Informal Working Group on MSMEs as well as across all WTO Councils and Committees. This in turn supports our collective objective to establish a formal work programme for MSMEs at the WTO.” — Christopher O’Toole, Diplomat, Permanent Mission of Canada to the WTO

Transparency on policies related to MSMEs can be an important tool to help identify good practices to address the challenges faced by MSMEs when participating in international trade. This proposal recommends that all WTO Members voluntarily provide MSME-related information during their trade policy reviews, to the extent it is readily available. Moreover, the proposal invites the WTO Secretariat to record these MSME-related information in a database.

• Consulting with MSMEs when designing trade facilitation measures and sharing Trade Facilitation Agreement (TFA) implementation experiences

“The TFA was a major step forward. Better supporting MSMEs through implementation of the TFA is of utmost importance to our Group. Our approach is not to advocate for changes to the TFA, but rather to explore good practices, engage with the private sector on the design of trade facilitation measures, and develop possible recommendations that could help promote MSME-friendly implementation of the Agreement — so that TFA provisions are implemented by WTO members in a way that takes into account the needs of MSMEs.” — Mauro Bruno, Diplomat, Permanent Mission of Uruguay to the WTO

Burdensome customs procedures are a key challenge faced by MSMEs. The 2016 World Trade Report showed that one of the main obstacles encountered by MSMEs interested in trade is the burden of customs and bureaucratic procedures. Acknowledging that the benefits of implementing the TFA, which entered into force in 2017, accrue particularly to MSMEs, the proposal calls in this proposal for the full implementation of the TFA and the exchange of TFA implementation experiences involving MSMEs. Also, the proposal encourages Members to engage with stakeholders located within their territories, including MSMEs, when conducting consultations on the design of trade facilitation measures.

• Keeping information in the WTO Integrated Database (IDB) up to date and as comprehensive as possible

“This proposal recognizes the role the WTO’s Integrated Database plays in the research and analysis on MSMEs by international organizations, like the ITC, UNCTAD and FAO, and promotes the importance of WTO Members providing their data and keeping it up to date. It also highlights additional market access information that Members can provide as well as new pathways for them to provide it.” — Christopher O’Toole, Diplomat, Permanent Mission of Canada to the WTO

Access to reliable, timely and official information concerning tariffs and other taxes to be paid upon importation significantly reduces uncertainty currently faced by MSMEs interested in trade. In 2019, the WTO Committee on Market Access adopted a Decision to improve access to market access information by updating the operation of the Integrated Database (IDB), which is the only database that compiles "official" tariff and import data reported by national authorities. The Decision provides for the mandatory notification of a WTO Member's applied MFN and non-reciprocal tariffs. It also encourages WTO Members to provide additional market access information, such as preferential duties under Free Trade Agreements and customs unions, and all the other taxes, fees and charges to be paid upon importation. The proposal discussed in the context of the Informal Working Group on MSMEs encourages the full implementation of this Decision. To this end, the proposal encourages that the WTO IDB Is kept up-to-date and is as comprehensible as possible.
THE COVID-19 PANDEMIC: ACTIONS BY THE INFORMAL WORKING GROUP ON MSMES

Adding on to existing and well-known trade obstacles encountered by MSMEs, the pandemic is disproportionately impacting MSMEs. MSMEs are prevalent in the economic sectors most impacted by quarantine measures and transport disruptions, such as accommodation and food services, cultural and creative sectors, or wholesale and retail services. MSMEs are losing trade opportunities due to trade restrictions on agricultural products introduced by some governments in response to the pandemic. Many MSMEs integrated into global value chains (GVCs) have been affected either by shortages of parts and intermediate goods or by reduced demand for intermediate goods they produce, or both. MSMEs typically have relatively low cash reserves and generally smaller inventories and supplier networks, meaning demand shocks and supply chain disruptions can impact them faster and harder than large firms.

“As during these uncertain times we are all becoming painfully aware of the critical importance of MSMEs for many peoples’ livelihoods. Keeping these businesses running and building their resilience, as expressed by the Group’s declaration, will be essential for prompt economic recovery” — MSME Informal Working Group Coordinator, H.E. José Luis Cancela, Uruguay

As highlighted in the Group’s declaration, IWG members are encouraged to submit information on their respective government measures to support MSMEs in response to the pandemic. Access to regulatory information is critical for MSMEs to navigate through the current rapid changes in policies and to effectively use available support measures. The WTO Secretariat has been invited to map these measures to facilitate the exchange of good practices between policymakers, and, in turn, to promote the design and implementation of evidence-based policies addressing MSMEs’ needs. Preliminary analyses of this database are presented in Box 1.

The WTO Secretariat also monitors trade-related measures introduced in response to the Covid-19 and makes these trade-related measures publicly available on a dedicated webpage on Covid-19 here. In this dedicated webpage, the WTO Secretariat publishes reports on the impacts of the pandemic on world trade and on the relevance of the multilateral trading system to address the pandemic-related challenges. One of these reports looks at the impacts of the pandemic on MSMEs.

Several of the Group’s proposals discussed earlier are relevant to address MSME economic challenges resulting from the pandemic. The survey launched by the Trade Facilitation Agreement Facility (TFAF) shows that businesses will benefit from enhanced access to trade-related information and from streamlined customs procedures (see TFAF survey results on the right column). At this time, MSMEs need transparency more than ever. Access to information, as provided by the Global Trade Helpdesk and the New Online Platform, is critical for MSMEs to identify new market opportunities and thus diversify value chain partners. Moreover, access to affordable trade finance is of utmost importance to ensure that cash-less MSMEs can overcome the economic downturns through trade opportunities. The Group’s exchange of good practices in terms of policies facilitating MSMEs’ access to finance provides WTO Members with learning opportunities to better support MSMEs financially. Lastly, streamlined customs procedures and rapid clearance of customs are also conditions of success in international trade. The Group’s suggestion to encourage Members to take into account the needs of MSMEs while designing and implementing trade facilitation measures aims at contributing to the introduction of policies helping MSMEs to seize trade opportunities for recovering from the economic downturns.

The Group continues to interact closely with the private sector and international organizations. This is key to helping to identify issues and solutions regarding MSME participation in international trade in the context of the pandemic. The Group is working with the Global Trade Professionals Alliance (GTPA) to reflect MSME dimensions in an upcoming business survey whose objective is to evaluate both the impact of the pandemic on businesses and MSMEs, as well as their planned strategy to overcome these economic challenges and to build future resilience. Lastly, the International Chamber of Commerce (ICC) has recently issued ten policy recommendations for governments to use trade to support MSMEs in overcoming challenges associated with the pandemic.

Survey Results

In response to the Covid-19, the Trade Facilitation Agreement Facility (TFAF) launched in cooperation with the International Chamber of Commerce a worldwide survey to assess, among other things

“which trade-related provisions would have the most positive impact if implemented in the current context?”

The following graphs show the answers of private sector representatives in 5 developed and 21 developing economies as well as 2 least-developed economies (results in percentage over total number of developed, developing or least-developed economies).
Through one of its recommendations, the ICC encourages all WTO Members to join and give priority to the WTO Informal Working Group on MSMEs, as well as to push for concrete deliverables in the Group’s proposals.

**Global Trade Professional Alliance (GTPA)**

The GTPA is a global trade organization dedicated to the development of international standards to harmonize and facilitate inclusive and trusted trade. The GTPA provides MSMEs with access to a network of trusted service providers with the required competencies to support their business to grow. The GTPA recently launched a series of discussion forums and educational webinars to help MSMEs navigate the current Covid-19 pandemic.

**How to collaborate with the Group?**

The Group has established several channels through which private sector representatives can share their views and ideas, including:

- **Workshops** – Any business representative interested in participating in or organizing a workshop should feel free to contact the Group (msmes@mrrce.gub.uy, cc email-ersd@wto.org)
- **MSME Ideas Exchange Platform** – available [here](#)
- **Newsletter** – subscribe by sending an email to email-ersd@wto.org

**Have you also developed a practical trade tool for MSMEs? Let us know!**

Trade Foresight is a company developing software to analyze trade-related information, such as market and regulatory information, with a view to optimizing trade operations. In response to the Covid-19 pandemic, Trade Foresight provides MSMEs with free access for 6 months to its market analytical tools.

Rather than addressing MSMEs’ cash flow issues, WTO Members have also introduced measures to create trade opportunities for MSMEs. These trade expanding measures essentially comprise customs-related measures, such as the streamlining of customs procedures or the reduction of customs duties, in particular on medical suppliers and agricultural products (see Figure 3). A few governments have also introduced trade expanding measures applicable to all products.

**BOX 1 - Mapping of National Government Support for MSMEs: preliminary results**

The WTO Secretariat’s mapping of government measures introduced to support MSMEs provides preliminary results for how governments have sought to sustain MSMEs during the pandemic. These actions can be summarized into three categories of measures: capital buffers meant to address MSMEs’ cash flow challenges; trade expanding measures meant to help MSMEs to overcome economic challenges by relying on trade opportunities; and resilience-focused measures meant to incentivize MSMEs to adopt digital tools and new production models to build resilience to future economic disruptions (see Figure 1)

**Figure 1 – Three types of measures introduced by WTO Members to support MSMEs**

Capital buffers for MSMEs are meant to preserve employment and ensure business continuity, have been introduced by at least 45 WTO Members (April 2020 data). These capital buffers are primarily composed of state loans, state-backed credit guarantees, deferrals of tax payment, wage subsidies, and the loosening of bank regulation (e.g. Cash reserve ratio requirements) (see Figure 2)

**Figure 2 – Capital buffers introduced by 45 WTO Members**

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With respect to resilience-focused measures meant to encourage MSMEs to develop their capacities to overcome future economic downturns, a few governments have introduced or extended subsidies incentivizing MSMEs to digitalize their operational processes. Digitization creates opportunities for MSMEs to overcome damaged supply chains by broadening the range of international buyers and alternative suppliers as well as by managing end-to-end interactions with buyers and suppliers through electronic, rather than paper, methods. A few governments also use these subsidies to incentivize MSMEs to diversify their supply chain partners.

Source: Helping MSMEs navigate the Covid-19 crisis (WTO, June 2020)

WHY AN INFORMAL WORKING GROUP FOR MSMES?

The MSME Informal Working Group is a coalition of 91 WTO Members of varied levels of development and all regions of the world that share an interest in improving access to global markets for Micro, Small and Medium-Sized enterprises (MSMEs). Today, 95% of companies across the globe are MSMEs. Although MSMEs account for 60% of the world’s total employment and comprise anywhere from 80-99% of a country’s registered firms they remain underrepresented, and face a large number of obstacles when seeking to participate in international trade. When MSMEs successfully access international markets, they can act as a catalyst for better distribution of the gains from trade to all sections of the economy. The MSME Informal Working Group aspires to ensure that the multilateral system enables these economic benefits through

"The joint initiative on supporting MSMEs, which was launched in Buenos Aires last year...continues with real energy and enthusiasm behind it." - WTO Director General Roberto Azevêdo, 27 June 2018

THE ROAD TO BUENOS AIRES 2017

The Informal Working Group on MSMEs was created at the 2017 Buenos Aires Ministerial Conference by a Joint Statement. The road to the Buenos Aires Joint Statement began with a proposal by the Philippines in 2015, which identified MSMEs as a dynamic sector and suggested that “the General Council shall consider the most appropriate arrangement to facilitate discussions”. In July 2016, Brunei Darussalam, Lao PDR, Malaysia, the Philippines, Singapore and Thailand reported on a workshop held in June that year titled “Enhancing the Participation of Micro, Small and Medium Enterprises (MSMEs)” that aimed at enhancing awareness of the role that MSMEs have in international trade. In May 2017 at the General Council, a group of 47 Members (counting EU member states individually) effectively launched an Informal Dialogue on MSMEs chaired by H.E. Mr Héctor Casanueva of Chile. In June 2017, Argentina, Brazil, Paraguay and Uruguay submitted a proposal for the development of a work programme that would cover areas such as information and transparency, trade facilitation, e-commerce and trade finance.

Several workshops were organized in the run-up to MC11, in October 2017, to emphasize to Members the importance of having a specific forum to discuss MSMEs at the WTO, including a workshop on regional and national experiences. A draft ministerial declaration was circulated prior to MC11 (click here).
WHAT IS THE MSME INFORMAL WORKING GROUP?

In their 2017 Joint Statement establishing the Group, Members committed to discuss and identify “horizontal and non-discriminatory solutions” to improve the participation of MSMEs in international trade. The Group seeks to develop solutions that would apply to all companies (but would benefit MSMEs the most) while taking into account the specific needs of developing countries. Members of the Group exchange information on a voluntarily basis, which benefit both MSMEs and policymakers.

“MSMEs are fundamental to our economies – a win-win for everybody - and employment, and we are working to develop the potential of MSMEs in international trade” - H.E. Mr José Luis Cancela of Uruguay, Coordinator of the Group

Coordinator: H.E. Mr José Luis Cancela of Uruguay (Since January 2018)

Previous Chair: H.E. Mr Hector Casanueva of Chile (June 2017-January 2018)

Membership of the Informal Working Group: Afghanistan; Albania; Antigua and Barbuda; Argentina; Armenia; Australia; the Kingdom of Bahrain; Belize; Brazil; Brunei Darussalam; Canada; Chile; China; Colombia; Costa Rica; Côte d’Ivoire; Dominica; the Dominican Republic; Ecuador; El Salvador; European Union; Grenada; Guatemala; Guyana; Honduras; Hong Kong, China; Iceland; Israel; Japan; Kazakhstan; Kenya; the Republic of Korea; Kyrgyz Republic; Lao PDR; Liechtenstein; Malaysia; Mexico; Mongolia; the Republic of Moldova; Mongolia; Montenegro; Myanmar; New Zealand; Nicaragua; Nigeria; North Macedonia; Norway; Pakistan; Panama; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Saudi Arabia, Kingdom of; Singapore; Switzerland; Chinese Taipei; Turkey; Uruguay; United Kingdom and Viet Nam.

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