The MSME Group reached an important milestone on 11 December 2020 when it endorsed its first package of six recommendations and declarations. At this time when MSMEs around the world have been devastated by the global pandemic - by its travel restrictions, lockdowns and logistical challenges – it has never been more urgent that policymakers come forward to support this key segment for every economy, namely MSMEs. By endorsing this package, policymakers signaled that the predicament of MSMEs is under consideration and that their challenges are not forgotten.

Yet this is just the start. As 2021 enters full force and the world begins to turn towards economic resilience and recovery, it is time for the MSME Informal Working Group to begin a new phase of work. The pandemic has highlighted MSME trade topics the Group was already aware of, including the importance of digitizing trade procedures, the value of payment systems and the significance of cybersecurity. The Group’s discussion with the private sector on 15 December 2020 was also important for underscoring the topics the Group should consider first, and we thank everyone who took the time to participate in that event. This allowed us to hear directly from MSMEs before beginning to negotiate our next texts for the Group and provided us with inspiration and food for thought.

We look forward to a productive year ahead as we begin to consider new topics and we hope to maintain our conversations with you to provide us with important trade policy direction for the Group.”

— MSME Informal Working Group Coordinator H.E. Mr. José Luis Cancela of Uruguay.
1. FORMAL ENDORSEMENT OF THE MSME PACKAGE

The Group’s package of six recommendations and declarations (INF/MSME/4) was adopted on 11 December 2020. With 96 signatories\(^1\) (counting EU members separately and including six non-Group Members), the package was welcomed as an important deliverable by WTO Members to support MSMEs during the Covid pandemic. The package aims to enhance MSME access to market and regulatory information; promote the inclusion of MSME-related dimensions in trade rulemaking and exchange of good practices on trade facilitation; and increase MSME access to finance and cross-border payments through the following annexes:

I. Recommendation on the collection and maintenance of MSME-related information – This recommendation invites WTO Members to voluntarily provide information on MSME policies and statistics during their reviews to enhance transparency and serve as a source of good practices on MSME policies.

II. Declaration on access to information – This declaration invites Members to submit specific information to support operationalization of the ITC-UNCTAD-WTO Global Trade Helpdesk (GTH). The GTH is an online platform meant to simplify market research for companies, especially MSMEs, by integrating trade and business information into a single online portal.

III. Recommendation on Trade facilitation and MSMEs – Burdensome customs procedures are a key challenge faced by MSMEs. This recommendation calls for the full implementation of the Trade Facilitation Agreement (TFA) and the exchange of TFA implementation experiences involving MSMEs.

IV. Declaration on addressing the trade-related aspects of MSMEs’ access to finance and cross-border payments – Acknowledging that MSMEs face major obstacles in accessing financial solutions, this recommendation invites Members to share best practices and support international initiatives to increase MSME access to finance and cross-border payments.

V. Recommendation on promoting MSMEs inclusion in regulatory development in the area of trade – Changes to the regulatory environment in the area of trade are often difficult to understand and comply with, especially for MSMEs. This recommendation promotes MSME inclusion in regulatory development through analysis and MSME consultation.

VI. Recommendation on MSMEs and the WTO integrated database – 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. This recommendation supports the voluntary submission of information to the WTO’s official source of tariff and other trade-related information (the WTO IDB) following the May 2019 IDB Decision.

\(^1\)Afghanistan; Albania; Antigua and Barbuda; Argentina; Armenia; Australia; Bahrain, Kingdom of; Belize; Belarus; Brazil; Brunei Darussalam; Cambodia; Canada; Chile; China; Colombia; Costa Rica; Côte d’Ivoire; Dominica; Dominican Republic; Ecuador; El Salvador; European Union; Grenada; Guatemala; Guyana; Honduras; Hong Kong, China; Iceland; Israel; Japan; Kazakhstan; Kenya; Korea, Republic of; Kyrgyz Republic; Kuwait; Lao People’s Democratic Republic; Liechtenstein; Mali; Mauritius; Mexico; Moldova, Republic of; Mongolia; Montenegro; Myanmar; New Zealand; Nicaragua; Nigeria; North Macedonia; Norway; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Saudi Arabia, Kingdom of; Singapore; Switzerland; Thailand; The Separate Customs Territory of Taiwan, Pechu, Kinmen and Matsu; Togo; Turkey; Ukraine; United Kingdom; Uruguay; and Viet Nam (italics indicate non-MSME Group members).
2. MEETING WITH THE PRIVATE SECTOR, 15 DEC. 2020

A webinar to present the MSME Group’s package of recommendations to the private sector was held on 15 December 2020 with over 200 attendees participating virtually. Introductory remarks were made by H.E. Ms. Victoria Francolino, Vice-Minister of International Economic Affairs for Uruguay; WTO Deputy Director General Yi Xiaoqun; Mr. John Denton, Secretary General of the International Chamber of Commerce; and Ms. Pamela Coke-Hamilton, Executive Director at the International Trade Centre.

Vice-Minister Francolino opened the event, noting that MSMEs are not only at the heart of every economy, but are also at the center of the economic crisis caused by Covid-19. Given the current environment, this first deliverable of the MSME Group could not come at a more opportune time, reflecting flexibility and collaboration. The WTO's DDG Yi also noted the Group's important accomplishment to support MSME-trade, highlighting the package's ability to foster business resilience and calling on the webinar's participants to actively share their inputs for future work. Mr. Denton remarked that this was both a great day for MSMEs and the WTO, revealing the increasing movement at the WTO in plurilateral negotiating topics including e-commerce and domestic regulation. He stated that the ICC has been advocating for all of the items contained in the MSME package and that they simply made good sense for MSMEs since making trade work for MSMEs always matters, especially during Covid-19. Ms. Coke-Hamilton praised the package's strong and reaffirming message, which shows it is possible to bridge gaps when the goal is to build a more inclusive and resilient trading system. She stressed that Covid-19 has shown the need to upgrade digital access and stated that the international community cannot replicate what happened with the analogue communication divide when it comes to new technologies. Following these introductory remarks, Ambassador Cancela of Uruguay opened the presentation of the MSME Group's package of recommendations and declarations, with inputs from the various delegate initiators of the texts, including a presentation of the Trade4MSMEs webpage. This webpage is currently under development and will seek to act as a verified trade information resource for MSMEs and policymakers.

The webinar then turned to an open-ended discussion centered around three main topics, trade facilitation, access to finance & cross-border payments, and digitalization to inform the Group's future work.

"... MSMEs will need support in terms of exports and in particular in terms of information, training, commercial inspection, customs formalities, meetings with experts ... especially since many African countries do not currently have an export promotion center for their companies. An alternative structure will have to be found to support these companies in their conquests abroad."

– Lemine Vayda, Interim Director General of Foreign Commerce/Minister of Commerce, Industry and Tourism, Mauritania.

"The pandemic and attendant recession call on us to redouble efforts in addressing systemic barriers to women’s full and equal participation in the economy by taking a gender-responsive approach to the development of trade policy, and to promote women’s economic empowerment. This begins with strengthening women’s voice and agency in trade policy formulation and in regional and multilateral trade negotiations and related fora and includes access to finance from existing and emerging areas so women cannot just start, but grow, their businesses and transition from micro to small to medium to larger business and prioritising and leveraging government and private procurement to use diverse suppliers including women-owned businesses who secure less than 1% of contracts."

– Arif Zaman, Executive Director, Commonwealth Businesswomen’s Network (CBWN)
Discussion on trade facilitation

Trade facilitation, the first topic under discussion at the webinar drew significant input. With many different facets, it was agreed that this topic is an important subject for consideration by the MSME Group. Participants noted that the trade system was designed for multinationals and was not necessarily developed for smaller players. Now, as globalization has expanded and more businesses see benefits from trade, it was stated that policymakers need to have an eye out for MSMEs and consider them explicitly in regulations. One way that was suggested was to make sure MSME voices are heard through dialogue and transparency measures, and to make the ways trade can work for MSMEs more obvious. Additionally, facilitating low-value shipments were mentioned as one area the group could consider that would benefit smaller traders (see below for more information). And finally, the question was posed regarding how the Group is responding to trade barriers presented to women, young people and other marginalized groups in international trade.

For the future, it was suggested that the WTO MSME Group should work closely with other developmental organisations to ensure that MSMEs’ needs in the context of trade facilitation are addressed and it was stressed that the trade environment has to be enabled by eliminating trade barriers as identified by MSMEs themselves.

Discussion on access to finance & cross-border payments

In the case of access to finance and cross-border payments, it was noted that there is a problem related to the overabundance of information. It is not always clear what the most reliable source is when it comes to this important topic for MSMEs. However, it was also mentioned that the more options there are for MSME finance the better for MSMEs given new types of lending may be more accessible to small firms without traditional collateral for loans. Further, it was highlighted that if private banks hesitate to lend to MSMEs, then governments and development banks need to be encouraged to fill the gap.

Although some of the suggestions fall outside of the WTO’s remit, the ICC highlighted their November 2020 Memorandum, "Priming Trade Finance to Safeguard SMEs and Power a Resilient Recovery From Covid-19" as a list of interventions that could be most useful to MSME finance.

Discussion on digitalization

Especially in the time of Covid-19, digitalization was highlighted as more important than ever, providing opportunities for businesses around the world. However, it was noted that training and education about these new opportunities needed to be enhanced and that general infrastructure difficulties, especially in developing economies, were a barrier to MSME trade participation. These difficulties include that MSMEs in developing econo-
enterprises are largely unregistered due to the lack of digital infrastructure and, more basically, these firms struggle to remain online given power grid constraints.

Digitalization and trade facilitation were also closely linked. It was noted that paperless trade is needed to ensure seamless border crossing for goods. However, it was remarked that full digitalization will not be realized unless trade agreements are negotiated with a strong technical understanding and a goal of full digitalization.

3. FIRST REGULAR MSME MEETING OF THE YEAR

The Group met for its first open-ended meeting of the year on 18 February 2021. The meeting, held in virtual format, was well-attended by Group and non-Group members alike.

The meeting began with presentations by external speakers on issues of potential interest to the Group. The Global Express Association (GEA) presented a flexible system based on automation to simplify duty and tax collection at the border on low-value shipments, thereby helping MSMEs to export, especially through e-commerce, and increasing the efficiency of government tax and duty collection. This was followed with a presentation by the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) to present to the Group their Integrated Services for MSMEs in International Trade (ISMIT) concept. ISMIT is an intermediary, non-government service to aggregate trade services like customs clearance, legal advice and insurance to fill the gap between a purchase or orders made or received by a MSME and government trade agencies or national single windows. Next, the OECD presented updates on its SME and Entrepreneurship work focused on SME finance, including a scoreboard of the types of financial instruments available to SMEs in almost 50 economies and a forthcoming paper on trade finance in the digital era. The OECD highlighted the need for a cohesive regulatory environment to improve interoperability. Finally, Cybersecure Canada presented its recent strategy to improve MSME cybersecurity through direct education; equipment and tools; e-commerce platforms to protect users; and ensuring cybersecurity solutions are suited to MSME needs. Launched in 2018, the program is in its pilot phase through fall 2021 and offers a voluntary certification program. For more detail on these presentations, click here.

The Group also received update briefings by other WTO committees on their work related to MSMEs. Ambassador Rashidi Said (Malaysia), Chair of the Working Group on Trade Debt and Finance, noted a slight improvement in trade finance after the first half of 2020. He also welcomed a submission by Cote d'Ivoire (WT/AGTDF/W/98), which is based on Annex 6 of the MSME

"The digital divide is the elephant in the room; however that becomes an opportunity for investment in the Information Communication and Technology sector. - Sitshengiswe Ndlovu, Organization of Women in International Trade"
package, to consider how MSMEs' access to trade finance could be facilitated. Next, Mr. Carlos Vanderloo (Canada), Chair of the Government Procurement Agreement (GPA), noted good work had been made on the work programme on SMEs, including a draft final report, and highlighted the Committee's work on e-GPA, which provides an integrated point of access to the market access information under the agreement together with related information that the GPA Parties are committed to provide. Lastly, the Standards and Trade Development Facility (STDF) presented updates, including its work on e-Phyto certificates (recent webinar available here).

Mexico also updated the Group on the progress of the Trade4MSME web platform to bring together trade information for MSMEs and policymakers. The initial "Discovery" phase has been completed, and work has now moved into the "Alpha" phase, including initial design and prototyping. A soft launch is aimed for MSME Day 2021 at the end of June.

Finally, Members turned to a discussion of the organization of Group's work for 2021, which focused around three topics. First, implementation of the package was flagged as a key priority including how best to bring these items to the attention of WTO standing Committees. Second, informal discussions will be planned in the coming month to discuss the Group's objective for MC12. Finally, suggestions of new issues for the Group to consider were raised such as cybersecurity; innovation and startups; and trade facilitation including Single Windows and AEOs.

4. PRESENTATIONS TO THE MSME INFORMAL WORKING GROUP

Global Express Association

The Global Express Association (GEA), previously known as the IECC (International Express Carriers Conference), is a not-for-profit association representing the leading international express delivery carriers before international organizations. The GEA presented a video to the Group noting how the Internet has allowed for more MSME participation in trade and that the volume of small parcel shipments has increased dramatically in recent years. However, customs procedures, designed for large shipments, have not kept in step with this change, causing difficulties for many small traders at the border.

To address this, the GEA has a proposed system of three options for consideration by national governments to simplify the process and to focus border formalities on health, security and safety rather than inefficient tax collection. The first option would be to eliminate specific duties for parcels under a certain value and instead apply a flat rate on these entries at the border. The second option would be to follow the model implemented by Canada for imports under a value threshold which allows for three tariff categories (for example all textiles are grouped into the first category), with only one tariff for any product within the category, rather than thousands of HS codes for each individual product. This would significantly reduce classification difficulties. The third option would be to eliminate import duties altogether, as in Australia and Singapore, and instead implement a goods and services tax (GST) or value-added tax (VAT) on imports.
More information on the GEA proposal can be found here.

UNCEFACT

The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) is a subsidiary, intergovernmental body of the United Nations Economic Commission for Europe (UNECE) and serves as a focal point within the United Nations Economic and Social Council for trade facilitation recommendations and electronic business standards. It has global membership and its members are experts from intergovernmental organizations, individual countries’ authorities and also from the business community (see here for more information).

UNCEFACT presented information to the Group on the Integrated Services for MSMEs in International Trade (ISMIT) project which has been completed and approved since its initial presentation in 2019. ISMIT is a single submission portal (SSP) meant to bridge the gap between an e-commerce transaction made on a platform and national single windows or other government customs and trade procedures. Although similar to a Single Window in that it seeks to connect traders to regulatory procedures and offers facilities to streamline the official trade process, it is not run by the government and could be offered by many different private and non-governmental providers.

It is also envisioned that ISMIT could provide additional services related to customs clearance, legal advice, insurance, logistics, foreign exchange settlement, etc. and could even act as a source to document small traders’ transaction histories for access to finance.

More information on ISMIT can be found in the UNECE white paper here.

OECD

The OECD Working Party on SMEs and Entrepreneurship is a global platform for discussion on SME policy. They put out a regular publication called the OECD SME Entrepreneurship Outlook that looks at recent and emerging trends on SMEs and entrepreneurship and which will focus on Covid-19 for the 2021 issue. The presentation highlighted the recently updated OECD Scoreboard on financing SMEs and Entrepreneurs with information on 48 economies and a thematic chapter on the evolution of SME financing policies. It was also noted in the presentation that a forthcoming paper on trade finance in the digital era, in co-operation with the WTO, would be released soon.

The presentation also showed how MSMEs have been at the center of the Covid-19 pandemic and bankruptcies are expected to rise sharply in 2021. Most economies have implemented business support measures beginning with deferral of payments and increased access to credit moving to (cont’d) structural policies such as acceleration of digitalization and internationalization. Many new options theoretically exist to assist MSMEs in the digital era, however challenges remain. From a policy perspective, efforts need to be made to make the finance process digital from end to end; interoperability needs to be prioritized; banks need to be incentivized to provide digital solutions; and finally, MSMEs themselves need have access to digital tools.
CyberSecure Canada

Although many SMEs believe they are too small to be targeted for a cyber breach, Verizon data for 2019 indicate that more than two fifths of attacks were against SMEs. To address this problem, CyberSecure Canada, a cyber security partnership initiative for SMEs developed by the Canadian Centre for Cyber Security, was created. Canada’s national cyber security strategy, administered through the Centre for Cyber Security, has three high level goals – to increase resilience of Canadian systems; to foster an innovative and adaptive cyber ecosystem through skills and talent; and to provide effective leadership, governance and collaboration.

CyberSecure Canada is a voluntary certification program based on 13 "security control areas" or best practices on cyber security, such as developing an incident response plan; creating data backups with encryption; and implementing user authentication protocols. Launched in 2018, the program is currently in its pilot phase through fall 2021 at which point it will move to a Canadian National Standard. Outreach and engagement are currently ongoing, with four certificates already issued and 175 SMEs undergoing the certification process. CyberSecure Canada also intends to engage with other national initiatives including the UK Cyber Essentials and the US Cybersecurity Maturity Model Certification (CMM) program to ensure mutual recognition and reciprocity.

5. EPING – HOW IT HELPS TRACKING AND RESPONDING TO CHANGING PRODUCT REQUIREMENTS IN EXPORT MARKETS

Staying informed about changing product requirements in export markets can be a challenge for MSMEs. It can be even more challenging to understand new regulations and address potential trade issues that the regulations might invoke. To avoid trade disruptions, however, it is crucial that MSMEs can prepare compliance with new requirements and address issues well in advance. Building on the transparency provisions of the WTO agreements on Sanitary and PhytoSanitary measures (SPS) and Technical Barriers to Trade (TBT), ePing helps to address these challenges.

Under the SPS and TBT agreements, WTO members are obliged to inform other members when planning a change to their regulations on product requirements (technical regulations or conformity assessment procedures in WTO jargon). This happens through SPS and TBT notifications, which are two-page information sheets of the proposed regulation including a brief summary of the regulation, products affected and the objective. On ePing, a publicly available online platform, one can register to receive daily or weekly email alerts on these SPS & TBT notifications with information tailored to the markets and products of interest to the individual ePing user. For example, MSMEs exporting textiles to the US and Mexico can indicate they want to receive notifications on regulations covering textiles issued by the US and Canada. This filtering option is key, as more than 5000 SPS and TBT notifications arrive at the WTO each year, of
which only a small subset is relevant for a particular MSME. The SPS and TBT agreements also discuss several follow-up actions that can be taken upon receiving a notification. For example, Members should allow both WTO Members and stakeholders to comment on proposed regulations, and these comments should be taken into account when drafting the final text of the new regulation. In addition, the agreements include information sharing obligations and other procedures to address possible trade concerns related to proposed regulations. ePing helps stakeholders to get a better understanding of the proposed measures and facilitates taking follow-up actions, by supporting communication among stakeholders at the national and international level. The platform includes a list of enquiry points, which often offer first line help in SPS/TBT related matters and are required to provide information on notifications upon request. ePing also includes national and international fora. On the national fora a measure can be discussed domestically, on the international fora additional information (such as translations) can be added that can help understand the measure. In addition, enquiry points and other government officials working on SPS and TBT matters can benefit from special ePing administrator rights to reach out to domestic ePing subscribers, including MSMEs, via the ePing platform.

The ePing platform can be accessed on www.epingalert.org. For more information on the tool, please send a message to eping@wto.org.

ePing intro video

ePing tutorial on how to set up an alert on COVID-19 related notifications

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 per cent of companies across the globe are MSMEs. Although MSMEs account for 60 per cent of the world's total employment and comprise anywhere from 80-99 per cent 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 better inclusion of MSMEs in global commerce.

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 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 in October 2017.

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.

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 Danussalam; 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; 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; Ukraine; Uruguay; United Kingdom; and Vietnam.

You can subscribe to this Newsletter by sending an email to email-ersd@wto.org.