



# Helping SMEs internationalise through trade facilitation

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## >> Context

- SMEs are significant contributors to economic activity and employment in both developed and developing countries.
- However, their participation in international trade remains limited relative to larger firms:

Average share of exports of manufacturing SMEs (2015-16)

	Developed	Developing
Exports	33%	18%
Imports	40%	38%

Source: Lopez-Gonzalez and Sorescu (forthcoming) based on OECD TEC database and World Bank Enterprise Survey.

- This suggests that their ability to benefit from globalisation might also be limited relative to larger firms.

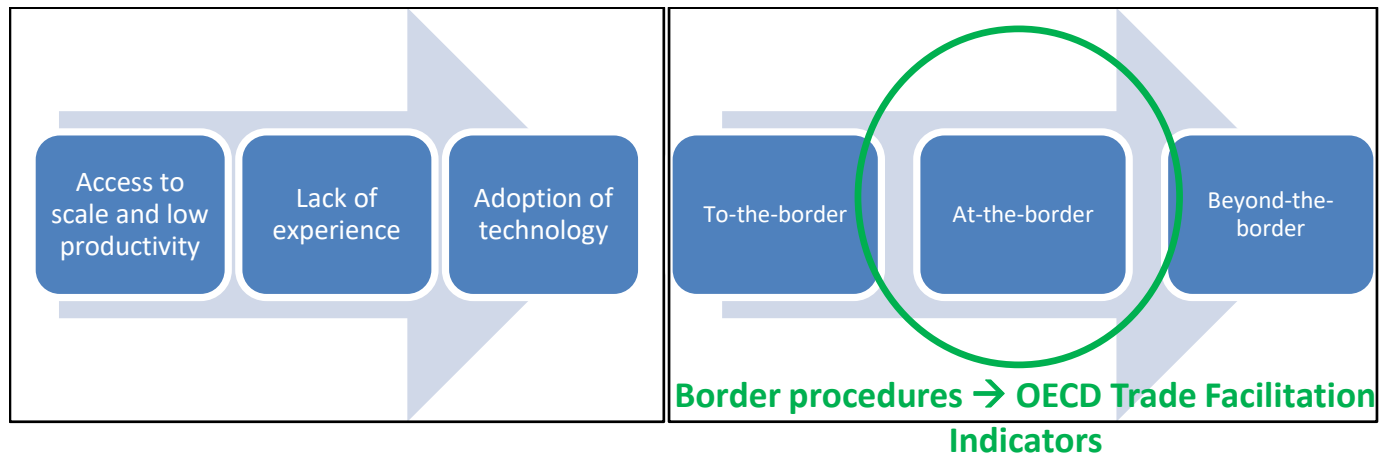
## Aim

- To identify how at-the-border costs condition SME participation in international trade.
- Focus on SMEs engagement as exporters but also as importers, looking at both the intensive and extensive margins.
- Cross-country approach, looking at wide set of both developing and developed countries (combination of methods and datasets).

### **Internal** and **external** challenges for SMEs in getting goods to markets

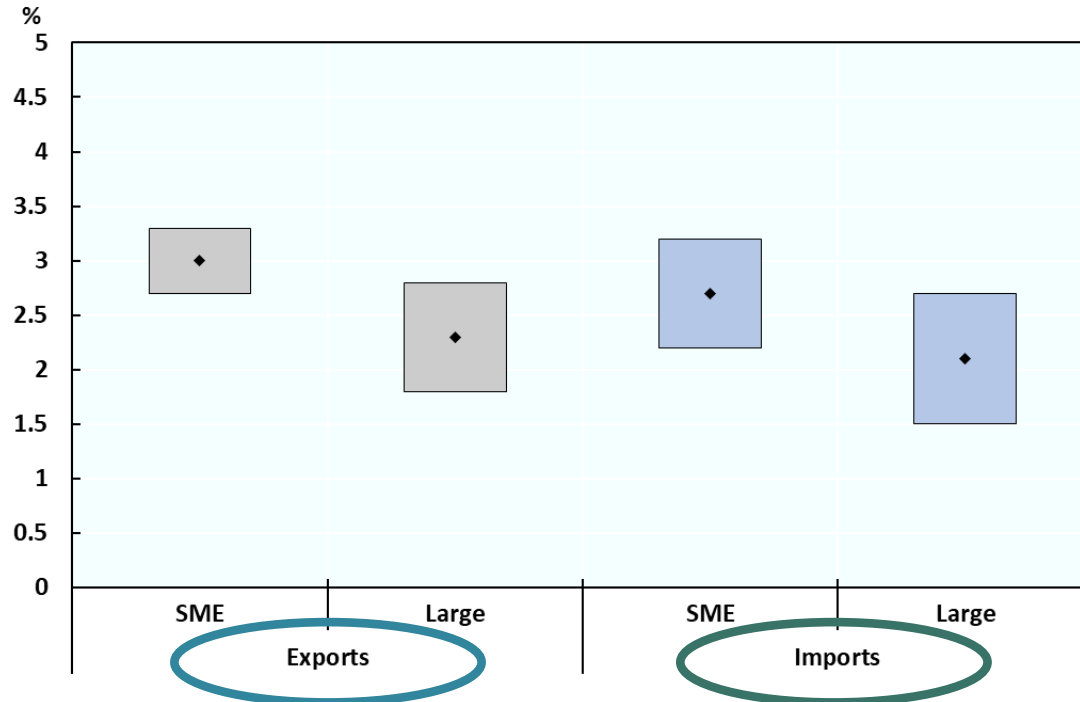
a) Trade related internal challenges

b) Trade related external challenges



## » In **developing** economies, smaller firms appear to benefit more from **aggregate TF improvements**

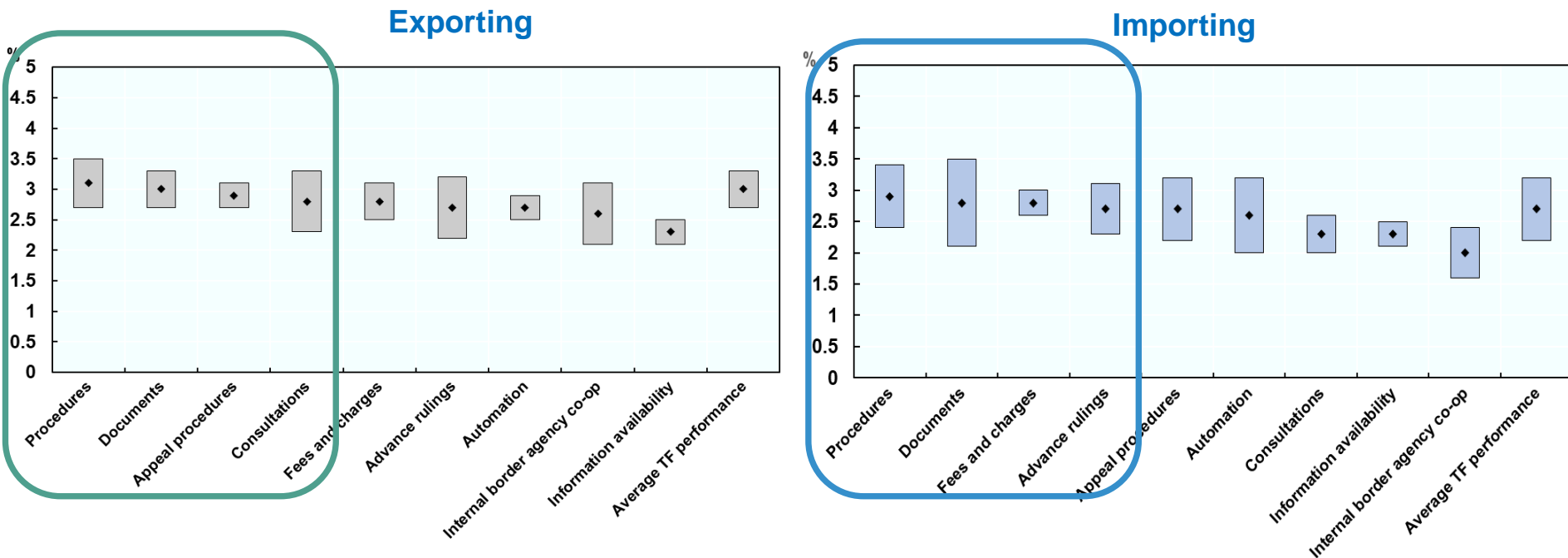
Effect of a 0.1 TFI improvement (average index of all 11 trade facilitation areas) on the **probability of exporting** or **importing**



Source: Lopez-Gonzalez and Sorescu (forthcoming).

## » But some **specific TF measures** matter more

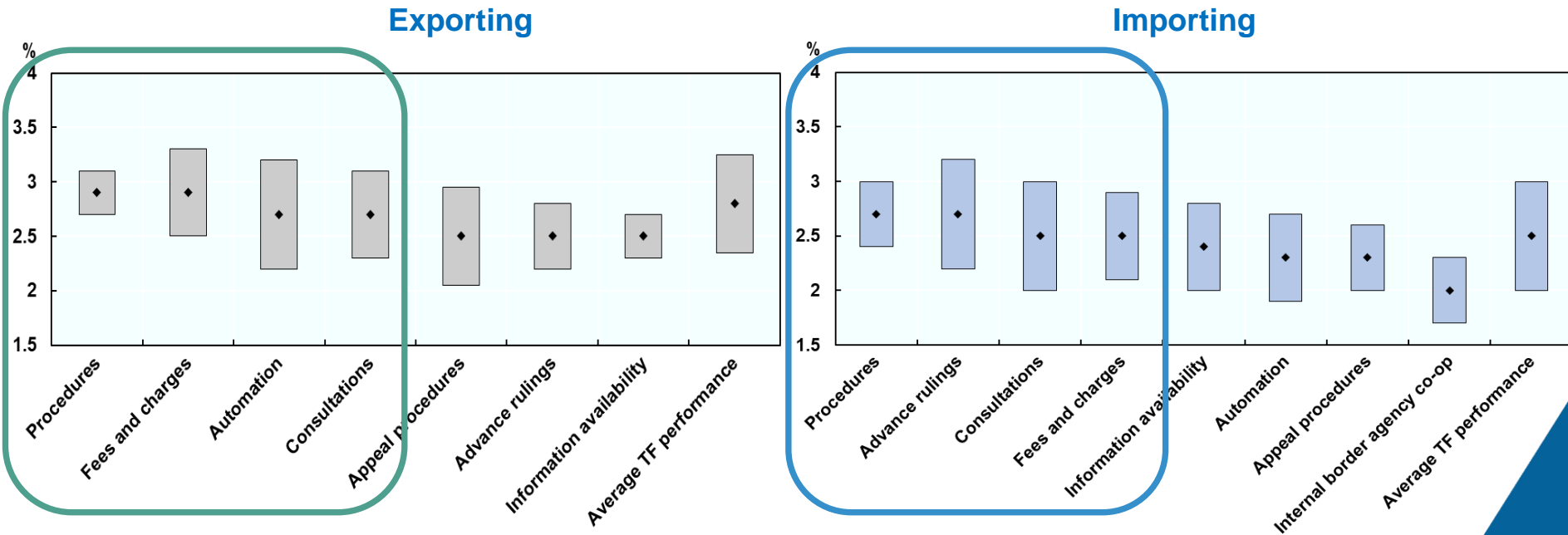
Effect of a 0.1 TFI improvement (by area) on the probability of SMEs (developing economies) engaging in international trade



Source: Lopez-Gonzalez and Sorescu (forthcoming).

# » In developed economies, SMEs also benefit from overall TF improvements and relative impacts of specific reforms are also different

Effect of a 0.1 TFI improvement (by area) on SMEs (developed economies) engagement in international trade



Source: Lopez-Gonzalez and Sorescu (forthcoming).

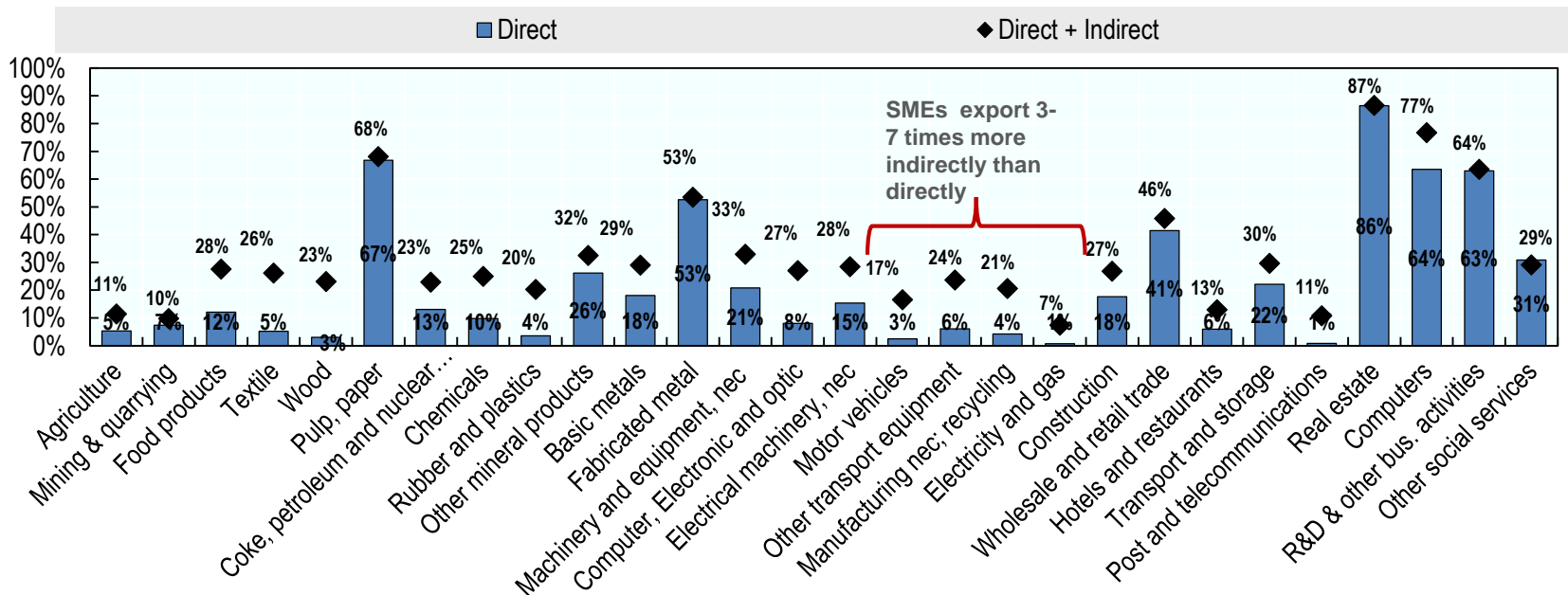
## » How can trade facilitation help reduce costs of importing and exporting for SMEs?

- The analysis suggests that TF reform can help:
  - Reduce fixed trade costs, [helping SMEs become importers and exporters](#)
  - Reduce variables trade costs, helping SMEs that already export and import [increase volumes](#).
- The evidence also suggests that TF reform might not only lead to overall [efficiency gains](#), but also may contribute to [levelling the playing field](#) between large and smaller firms.
- Of the range of TF reforms, measures such as [streamlining of procedures](#), [automation of the border process](#), [simplification of fees](#), or [consultations with traders](#) could have the largest differentiated impacts on SMEs relative to larger firms.

## » There are other channels through which SMEs can benefit: indirect exporting

- Indirect exporting, selling intermediates to larger firms that export, represents an important channel through which SMEs can internationalise, especially in GVC intensive sectors

Direct and Indirect exports of SMEs in Viet Nam (2012)



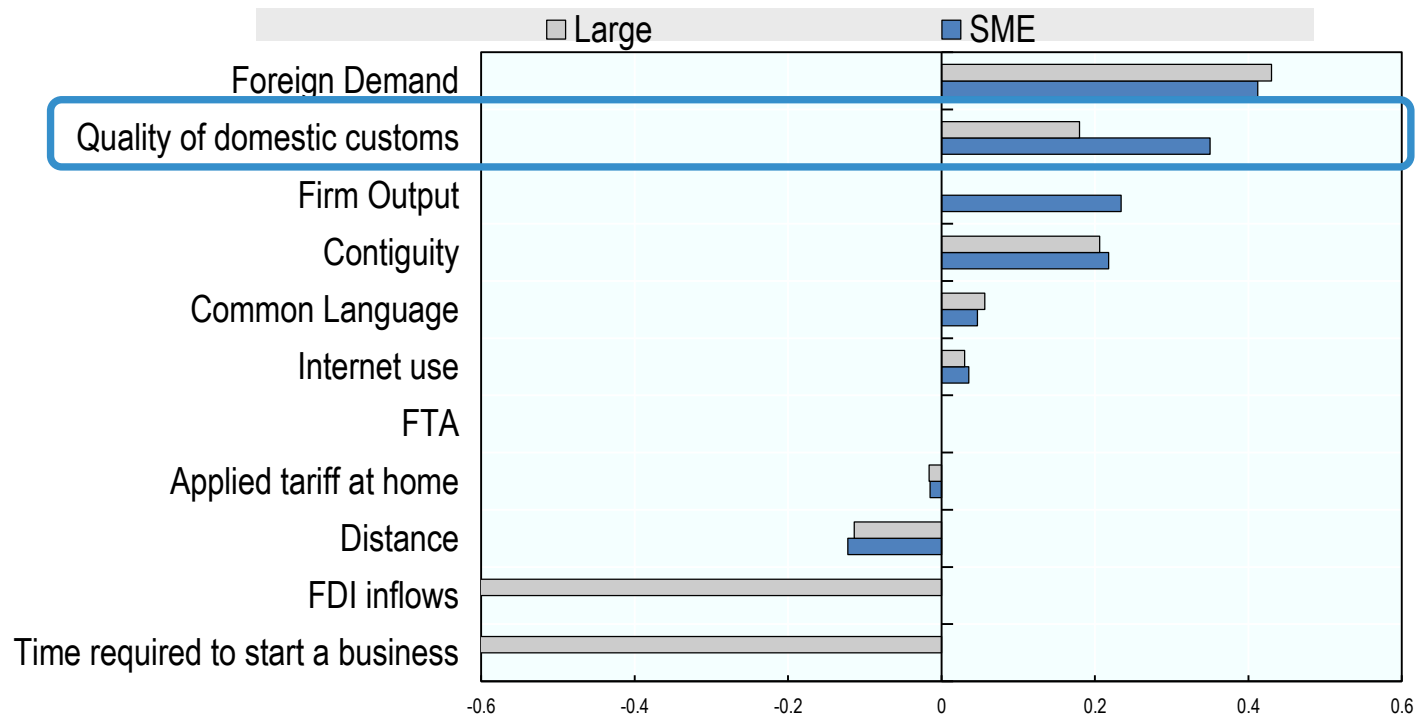
Source: López-Gonzalez et al. (forthcoming) analysis based on splitting TiVA database using firm level data



## And helping smaller firms become more integrated in GVCs

- More efficient customs procedures help large and small firms integrate into GVCs, but they also help SMEs more


Determinants of SME participation in GVCs as buyers



Source: López-Gonzalez et al. (forthcoming) – standardised coefficients

## » What can policy-makers do?

- **Continuing trade facilitation reforms** in the areas covered by the WTO Trade Facilitation Agreement (TFA) and beyond will promote increased benefits from international engagement for SMEs, including in terms of:
  - Direct exports and imports
  - Indirect exports
  - Participation in GVCs
- However, many of the constraints that SMEs face in internationalising relate to **access to information, skills, technology or finance**, underscoring the importance of continued action to address them.
- Promoting digital connectivity by **increasing the quality of digital infrastructure** and decreasing the cost of access, will be key in an increasingly digitized world.
- As the global economy becomes more interconnected and globalized, further international cooperation is needed to provide an international operating environment where SMEs can flourish.

 **Thank you for your attention!**

For further information:

[Small and medium-sized enterprises and trade](#)  
[OECD Trade Facilitation Indicators](#)



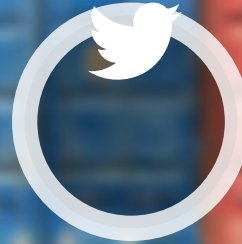
Access all of the information from the Trade & Agriculture Directorate at:

[www.oecd.org/tad](http://www.oecd.org/tad)



You can reach us via e-mail by sending your message to the following address:

[tad.contact@oecd.org](mailto:tad.contact@oecd.org)



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# Cross-country approach

