LITERATURE REVIEW

REGIONAL TRADE AGREEMENT EFFECTS ON MSME TRADE

INF/MSME/W/40

Sergio Martinez-Cotto and Kathryn Lundquist
1. To what extent do MSMEs use RTA provisions?

Firm-level survey studies are not MSME-specific

Specific regions and sectors

Mostly measure use of tariff provisions in RTAs

RTA use by firms ranged between 20-45% of surveyed businesses.
2. What factors support MSME RTA use?

- Awareness of RTA provisions
- Public trade support institutions that assist businesses with information or to adjust to RTA conditions.
- Links to regional and international networks
- Business perceptions of benefit to cost of using RTA provisions
- Higher technological capacity (including R&D spending and holding a licence from abroad)
- Business ownership type and capital ownership structure
3. What challenges do MSMEs face when using RTA provisions?

- Lack of knowledge
- Access to information
- Complex rules of origin
- Time delays in preparing RTA-related documentation

Cost
Smaller firms are less likely to use RTAs because:
- They have relatively higher costs
- The compliance costs outweigh the tariff benefits for small shipments
4. Research gaps for RTA effects on MSMEs

- Not MSME-specific
- Focus on tariff-preference use rather than other MSME-specific chapters or provisions
- Geographic concentration of studies in East Asia and the Pacific (need for more diversity of regional studies)
- Few “post” implementation government impact assessments
Conclusion

Literature suggests benefits and negative effects

Need for more studies on small businesses and MSME-specific RTA language