

MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSMES)

The subject of MSMEs has emerged as an active topic of discussion among WTO members. In May 2017, a group of 47 members (counting the EU member States individually), the so-called "Friends of MSMEs", launched an Informal Dialogue to discuss how this issue could be addressed at the WTO in a coordinated manner.

The Informal Dialogue led to the creation of an Informal Working Group on MSMEs at the WTO, in 2017. The objective of the Group, which is composed of 89 members¹, is to identify horizontal and non-discriminatory measures that would promote MSMEs' participation in international trade. Discussions include (but are not limited to): access to information; access to trade finance; trade costs; technical assistance and capacity building; trade facilitation, shipping and logistics; and how to promote a predictable regulatory environment.

Members of the Informal Working Group are exploring initiatives on these topics and are looking to create a WTO-wide consensus for MSME-support before the next WTO Ministerial Conference (June 2020). Ultimately, the Friends of MSMEs would like to see (i) the establishment of a formal WTO MSME Working Group and (ii) the reduction of impediments to MSME participation in global trade.

MSMEs in the global economy

Micro, small and medium-sized enterprises (MSMEs) are key actors in the global economy. They represent 95% of companies globally and account for 60% of total employment. In developing countries especially, small firms can be critical vehicles for social inclusion, especially by providing opportunities for women to participate in economic activities. Yet MSME contribution to GDP is relatively low, at around 35% in developing countries and roughly 50% in developed countries, a factor of their lower productivity levels.

Despite the emergence of new opportunities for smaller firms to connect to world markets via the internet, MSMEs' participation in international trade has remained limited. According to WTO calculations based on the World Bank Enterprise Survey, which covers over 25,000 MSMEs in developing countries, MSMEs' direct exports amount to only 7.6% of total sales in the manufacturing sector, compared to 14.1% for large manufacturing enterprises.

This is due to many factors, including lack of skills, lack of knowledge about international markets, non-tariff barriers (NTBs), cumbersome regulations and border procedures, and limited access to finance, especially trade finance. Several studies have shown that MSMEs are more impacted by trade obstacles than bigger companies. The smaller the companies, the greater the challenges to participate in international trade seem to be.

¹ The Group of Friends of MSMEs has 89 members: 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; the Republic of Moldova; Montenegro; Myanmar; New Zealand; Nicaragua; Nigeria; Norway; Pakistan; Panama; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Singapore; Switzerland; The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; the former Yugoslav Republic of Macedonia; Turkey; Uruguay and Viet Nam.

MSMEs at the WTO

In recent years, members have actively taken up the discussion of MSMEs and trade at the WTO. This topic was first raised by the Philippines in the lead-up to the WTO's 10th Ministerial Conference (MC10 – Nairobi, December 2015). In May 2017, a group of WTO members (the "Friends of MSMEs") started an Informal Dialogue to see what kind of outcome could be achieved at MC11 (Buenos Aires, December 2017). From 47 members in May 2017, the Group of Friends of MSMEs has now grown to 89 members.

At MC11, the Friends of MSMEs issued a Joint Ministerial Statement establishing an Informal Working Group to explore how challenges faced by MSMEs could be addressed at the WTO. The Informal Group held its first meeting, open to all WTO members, on 27 March 2018. The event, which was organized by Switzerland, focused on access to information for MSMEs.

Following the March 2018 meeting, the group has continued to meet regularly and have discussed the following topics: access to trade finance (organized by Côte d'Ivoire in June 2018); reduction of trade costs, including trade facilitation, shipping and logistics, and procedures and requirements related to origin (organized by Pakistan in June 2018); how technical assistance and capacity building initiatives can take into account the trade needs and challenges of MSMEs (organized by El Salvador and the Philippines in October 2018); and accessing global markets using the internet as a tool for MSMEs to reach international markets (organized by Bahrain in October 2018).

So far in 2019, discussions have focused on how to improve access to information and support the development of the ITC-UNCTAD- WTO Global Trade Helpdesk, an online portal to existing trade-related information and intelligence, as well as how to enhance MSMEs' access to trade finance, data collection and coverage of MSME-related information in WTO Trade Policy reviews.

The Group has also been exploring principles to promote MSME participation in the drafting of new rules and assess the impact of new regulation on MSMEs.

Members are working to identify a set of concrete, horizontal and non-discriminatory actions that they could take to strengthen MSME participation in global trade. The result of this exercise could form the basis of a future work programme for consideration at the next WTO Ministerial Conference (MC12), in June 2020.



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JOINT MINISTERIAL STATEMENT

DECLARATION ON THE ESTABLISHMENT OF A WTO INFORMAL WORK PROGRAMME FOR MSMES

Revision²

The following communication, dated 19 December 2017, is being circulated at the request of the delegations of Afghanistan; Albania; Antigua and Barbuda; Argentina; 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; the Republic of Moldova; Montenegro; Myanmar; New Zealand; Nicaragua; Nigeria; Norway; Pakistan; Panama; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Singapore; Switzerland; The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; the former Yugoslav Republic of Macedonia; Turkey; Uruguay and Viet Nam.

We, the Heads of Delegations representing the following Members of the WTO: Afghanistan; Albania; Antigua and Barbuda; Argentina; Australia; Bahrain, Kingdom of; 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; Korea, Republic of; Kyrgyz Republic; Lao PDR; Liechtenstein; Malaysia; Mexico; Moldova, Republic of; Montenegro; Myanmar; New Zealand; Nicaragua; Nigeria; Norway; Pakistan; Panama; Paraguay; Peru; Philippines; Qatar; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Singapore; Switzerland; The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; the former Yugoslav Republic of Macedonia; Turkey; Uruguay and Viet Nam, met in Buenos Aires, in the Eleventh WTO Ministerial Conference (MC11).

During the Eleventh WTO Ministerial Conference, we have underlined the role performed by Micro, Small and Medium-Sized Enterprises (MSMEs) in the national economies of WTO Members, which is not commensurate with their share in international trade.

We have also highlighted the importance of promoting the participation of MSMEs in international trade, as notably contributing to a relevant development outcome for the WTO.

We reaffirm our pledge, as per the proposed Work Program included in our draft Ministerial Decision WT/MIN(17)/24/Rev.1, to favour horizontal and non-discriminatory solutions which are likely to yield benefits for the participation of MSMEs in international trade, taking into account the specific needs of developing countries and LDCs.

² This revision adds Côte d'Ivoire, Guyana and Nigeria.

We proposed a comprehensive and strategic discussion on MSMEs in the WTO, as a contribution at the multilateral level to addressing obstacles related to foreign trade operations that represent a significant burden for MSMEs interested in participating in international trade.

We are satisfied for now that there is broad and growing consensus that MSMEs require more attention from the multilateral trading system, particularly by the WTO.

In light of the debates at the Ministerial level, we acknowledge that some Members need to continue the analysis and discussions seeking the best way forward to address their concerns and objectives.

In this regard, **we have decided to create an Informal Working Group on MSMEs at the WTO** that is open to all members and we will continue striving for a multilateral outcome aimed at establishing a formal work programme for MSMEs at the next Ministerial Conference.

With the utmost degree of transparency, the group will discuss, among others, issues of relevance to MSMEs, related to improved access to information for MSMEs; ways to promote a more predictable regulatory environment for MSMEs; reduction of trade costs, including areas such as trade facilitation, shipping and logistics, and procedures and requirements related to origin; promotion, including through cooperation with other multilateral institutions, of better access to trade finance for MSMEs; identification of issues of particular interest to MSMEs that could be addressed in WTO Trade Policy reports; and consideration of how technical assistance and capacity building initiatives could take into account the trade needs and challenges of MSMEs.

The **Informal Working Group on MSMEs at WTO** will continue to periodically share with the membership information on its work and discussions at the HoDs, General Council and the Ministerial Conference, as well as to reach out to other Members in order to invite them to join the Group in light of the value of our initiative.
