INFORMAL WORKING GROUP ON MSMEs
FIFTH OPEN-ENDED THEMATIC SESSION*

THE INTERNET AS A TOOL FOR MSMES: TAKEAWAYS AND NEXT STEPS

The following communication, dated 12 November 2018, is being circulated at the request of the delegation of the Kingdom of Bahrain, co-coordinator of the Informal Working Group on MSMEs and organizer of this session, and the delegation of Uruguay, general coordinator of the Informal Working Group on MSMEs.

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Reflecting on the Informal Group of MSMEs thematic session held at the WTO on 31 October 2018, we, the co-coordinator and general coordinator of the Informal Working Group on MSMEs, took note of the following key messages from speakers and participants:

1 REMARKS BY SPEAKERS

1.1. H.E. Dr. Yusuf Bucheeri, Ambassador of the Kingdom of Bahrain, welcomed the attendees in his role as co-coordinator of the informal working group on MSMEs and chair of this thematic session. Ambassador Bucheeri highlighted the internet's ability to reduce distances and provide instant access to global markets, posing the question to the group of whether international collaboration could assist MSMEs achieve their digital potential.

1.2. Ms. Emmanuelle Ganne from the Secretariat presented key findings from the 2018 World Trade Report regarding the internet-of-things (IoT), artificial intelligence (AI), 3D printing and blockchain including their implications for international MSME trade. Most importantly, the study found that digital technology can lower trade costs, which is especially beneficial for MSMEs and firms from developing countries.

1.3. Ms. Cécile Barayre from the Information and Communication Technology Policy Section of UNCTAD, presented the findings from UNCTAD's Rapid eTrade Readiness Assessment of Least developed countries (eT Ready). UNCTAD has conducted on-the-ground research of MSMEs in LDCs to identify opportunities and barriers for e-commerce and digital trade. Ms. Barayre underscored that the first challenge is to get people online, however once people have access to the internet there is often a slow adoption of e-commerce due to distrust, fear of hacking and a general lack of understanding. Ms. Barayre stressed the need to have communication between government and private sector entities to understand where blockages exist and how policy could aid internet transactions.

1.4. Ms. Kimberley Botwright, Lead of the International Trade and Investment Office at the World Economic Forum (WEF), discussed work the WEF is currently engaged in to outline five pillars needed to facilitate global e-commerce. Importantly, international data transfers are a crosscutting issue and data flows must remain open for e-commerce to take place. Ms. Botwright noted that customs and logistics place relatively large cost burdens on MSMEs, yet only 34 per cent of countries have frameworks to implement electronic customs that could significantly facilitate international trade by MSMEs. Different consumer protection laws by country also mean that customers are disinclined to

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purchase from a foreign seller. Payments are also a key issue when it comes to international transactions and can be prohibitively expensive for a consumer to make an overseas purchase online.

2 DISCUSSION

2.1. Members stressed the need for a broad exchange of experience and knowledge with regards to making the internet accessible to their populations. The diversity of levels of development and base levels of digital literacy were noted, all of which contribute to very different needs and challenges. However, given the broad range of regions covered by the Friends of MSMEs a compilation of lessons learned could be useful.

2.2. Several Members highlighted the digital divide as a key challenge for advancing the internet as a tool for MSMEs. Besides the digital divide, language barriers regarding online information resources were also underscored, which illustrates a second hurdle for many Members' populations.

2.3. Afghanistan highlighted six e-commerce challenges that affect LDCs in particular: 1) lack of a general framework to transform government processes, such as customs forms, to digital documents; 2) limited internet access in rural areas and developing countries; 3) lack of understanding and trust by the population of the potential benefits of e-commerce; 4) challenges to acquire financing by MSMEs for international e-commerce, especially regarding trade finance; 5) lack of information about international markets and foreign demand; 6) general security concerns for MSMEs and LDCs that have limited experience and are more vulnerable to fraud, forgery, and theft. These challenges, although felt more acutely in LDCs, are issues that the MSME working group could seek to address.

3 NEXT STEPS

3.1. Members were invited to submit inputs presenting their national policies and programmes to help MSMEs go digital.

3.2. The work being done by UNCTAD concerning the etrade readiness assessment will be followed closely.

3.3. Members were encouraged to consider ways to improve the data and information collected on MSMEs in global trade.

3.4. Members were also invited to put forward concrete proposals with regards to the internet as a tool for MSMEs so that a clear work programme can be developed.

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