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Page: 1/4

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INFORMAL WORKING GROUP ON MSMES

OPEN-ENDED MEETING OF 12 OCTOBER 2022

Summary of discussions

The following communication, dated 31 October 2022, is being circulated at the request of the Coordinator of the Informal Working Group on MSMEs.

The MSME Informal Group (MSME Group) met for its fifth open-ended meeting of the year on 12 October 2022. A total of 51 delegations¹ attended the hybrid meeting, including 10 non-working Group members (Angola; Cambodia; Central African Republic; Chad; Eswatini; Iran (Obs.); Madagascar; Thailand; Togo; and the United States of America).

1 SUMMARY OF DISCUSSIONS

1.1. Discussions by the members focused on implementation of the 2020 MSME Package and ideas for the way forward. Mexico reported on the recent inclusion of a MSME section in its October 2022 TPR report while the European Union and Uruguay informed the Group regarding their work to implement the 2019 IDB Decision. Interest was expressed to improve and expand the database on MSME-references in TPRs to make this information more searchable, as well as to include Q&A documents with answers to MSME-specific questions. Members also discussed the importance of outreach and assistance to those who have endorsed the 2020 MSME Package but have not yet been able to commence its implementation.

1.2. Regarding the way forward, several members expressed an interest to better understand MSME-related provisions in regional trade agreements, their impact and best practices for use. Other topics noted by Group members include rural MSMEs, sustainability, cross-border paperless trade, low-value shipments, and applying gender perspectives on MSME trade recommendations. The Group also discussed having dedicated sessions and compendiums of good practices on specific topics of interest.

1.3. Two briefings on MSME-related discussions in other WTO Committees were given from the Secretariat regarding first the July TBT Committee MSME thematic session and second the implementation of the 2019 IDB Decision. It was noted that from the TBT Committee, WTO Members agreed to exchange their experiences in areas including the environment, digital products and MSMEs. The TBT Committee's thematic session also stressed the clear need for support to assist MSMEs with compliance. Regarding the IDB decision, three members have bilateral agreements for electronic transmission of data and there is a parallel initiative for developing economies and LDCs to consider using UNCTAD's ASYCUDA to transmit data automatically to the WTO. Canada and

¹ *Angola; Argentina; Australia; Austria; Bolivia, Plurinational State of; Brazil; Cambodia; Canada; Central African Republic; Chad; Chile; China; Costa Rica; Côte d'Ivoire; Czech Republic; El Salvador; Eswatini; European Union; France; Hong Kong, China; Hungary; Iran (Obs); Israel; Japan; Kazakhstan; Korea, Republic of; Latvia; Liechtenstein; Madagascar; Malaysia; Mexico; Netherlands; New Zealand; Peru; Philippines; Russian Federation; Saudi Arabia, Kingdom of; Singapore; Slovak Republic; Spain; Sweden; Switzerland; Chinese Taipei; Thailand; Togo; Türkiye; Ukraine; United Kingdom; United States of America; Uruguay; and Viet Nam* (non-MSME Group members are in italics).

Uruguay, who are among the three WTO Members having an agreement with the Secretariat for automatic exchange of data, strongly encouraged other Members to follow suit. Canada also expressed an interest to better understand potential impediments Members face for implementing the IDB Decision so that they can be addressed. Overall, the members of the MSME Group welcomed these two updates and expressed a keen interest in continuing to be regularly informed of MSME-related discussions in the WTO. In this regard, the Group invited the Secretariat to prepare a mapping of MSME-related work and discussions in other WTO bodies.

1.4. The Secretariat also provided two briefings. The first briefing presented the findings of a literature review on the effects of regional trade agreements on MSME trade participation prepared by the MSME Secretariat team (INF/MSME/W/40). The RTA literature review found that RTAs have an indeterminate effect on MSME trade-participation, demonstrating both positive and negative impacts. Additionally, there is an important gap when it comes to analysis of the impacts of specific MSME chapters and provisions. Members expressed significant interest in continuing the discussion of this issue, including through the exchange of good practices. The second briefing, by the Services Division, focused on cross-border payments and the GATS. It was noted that the GATS is the only facility that could allow for further integration of payment systems and global services, but it remains underutilized. The briefing was followed by a knowledge sharing session organized by the WEF with the IADB and Visa on inclusive trade and cross-border payments. The knowledge sharing session also underscored the need for system interoperability and the importance of cross-border payments for e-commerce.

1.5. The Group also received three other thematic presentations from the ITC, the IOTA Foundation, and the Global Express Association (GEA) on trade facilitation, digitization of trade documents, and low-value shipments. The ITC presented the key findings of its publication "Supporting SMEs through trade facilitation reforms" and underlined the need for plain language as mandated under the TFA; flexibility and policies designed with smaller businesses in mind especially when developing programs for authorized economic operators (AEOs) since MSMEs can both benefit significantly from AEO programs and be hurt by their criteria; and finally, the need for e-payment systems to streamline the trade process. IOTA highlighted how digitalization and automation can simplify populating information in trade forms, much of which is repetitive. The speaker stressed the need for businesses and government agencies to use open, global standards when digitalizing trade in order to facilitate interoperability and promote integration. Finally, the GEA highlighted two systems it proposes to simplify tariff payment and collection on low-value shipments, thereby reducing compliance challenges for MSMEs. Additionally, the GEA called for a global repository for duty and tax rates operated by a global public institution to be established to promote predictability and reliability of the information and invited WTO members to consider the role that the WTO could play in this regard. More details on each of these presentations are available in the Annex.

1.6. Members were updated on current developments of the Trade4MSMEs website. Efforts are underway to secure long-term funding of the site as the partnership with TAF2+ is coming to an end in December 2022. A strategic partnership has been established with Trade Finance Global and discussions are being held with the UK Institute of Export and International Trade. Promotion continues with four country webinars held and two more planned for Mexico and the Dominican Republic. Twelve new guides were also issued in advance of the Public Forum in September.

1.7. The two runners-up for the 2022 Small Business Champions, Inclusive Trade and Sidley Austin, briefed the group about their top ranked proposals, namely Verified for Impact and Sidley's Emerging Enterprise Pro Bono Program. The two winners will try to re-connect and present their proposals at the next MSME Group meeting.

2 NEXT STEPS

2.1. Meetings for 2023 have already been planned for 16 March; 27 June (MSME Day); 28 June; 12 October and 7 December.

ANNEX

PRESENTATION SUMMARIES

1 INTERNATIONAL TRADE CENTRE (ITC)

1.1. The International Trade Centre (ITC) provided the MSME Group with a presentation on MSMEs and trade facilitation based on their 2018 report [Supporting SMEs Through Trade Facilitation Reforms: A Policymaker Toolkit](#). The Trade Facilitation Agreement (TFA) is especially important for MSMEs whose competitiveness is impacted twice as much as large firms by trade inefficiencies. Within the TFA, the ITC has identified 19 TFA provisions that impact MSMEs most, either positively or negatively, and provided recommendations for how to address reforms bearing a MSME-perspective in mind. Besides the strong recommendation for publishing information in plain language and implementing commonly used solutions like e-payments, the ITC also identified the disproportionately high benefits MSMEs can gain from AEO-status. However, the ITC noted that MSMEs are sometimes prevented from joining AEO programs because of criteria related to volume or frequency of shipments as well as financial requirements, all of which the ITC recommends eliminating. The ITC also noted the need for e-payments to streamline the customs process, especially in economies where there are large "unbanked" segments of the population and many traders cannot send traditional money transfers. To close, it was underscored that "reforms that work for larger firms might not benefit MSMEs, but reforms that work for MSMEs will also benefit larger firms".

2 IOTA FOUNDATION

2.1. In a follow-up of the 15 July 2022 presentation by the IOE&IT on the United Kingdom-Kenya Trade Logistics Information Pipeline (TLIP), the IOTA Foundation presented more details on its work with TradeMark East Africa to integrate TLIP into a pilot program. Fundamentally, IOTA noted there is a need for standards harmonization across trade in order to digitalize and automate international trade. Currently, the trade process remains full of paper and by the time a customs official sees these many documents they are removed from the actual supplier by at around three to four levels. Rather than rely on declarations, the IOTA Foundation is working to use blockchain so that each party in the transaction has access to the information and can share data in a trusted way. However, to make this system work, information must be standardized. By doing so, it not only makes automation possible but also reduces the burden of the trade process given that as much as 80% of the information is identical across documents (for example contact information, product, weight etc.). To conclude, the ICC-WTO Standards Toolkit was referenced as a starting point to increase standardization.

3 GLOBAL EXPRESS ASSOCIATION (GEA)

3.1. The Global Express Association (GEA), an organization representing three of the largest global express carriers i.e., DHL, FedEx and UPS, returned to the MSME Group to present on two proposed low value shipment (LVS) duty/tax collection processes, their common features, and a proposal for a global duty/tax rate repository. As detailed in two documents submitted to the MSME Group (INF/MSME/P/2 and INF/MSME/P/3) and the GEA's 2021 presentation, two main options are proposed to simplify the duty compliance burden for traders – namely a simplified flat-rate duty for all dutiable imports below a certain *de minimis* threshold or a simplified classification structure based on plain language with varying tax/duties attached to these categories. One of the key features of these two systems are their "vendor models" that rely on the seller as the source of information. These two systems would benefit from cross-border cooperation among customs officials given that buyers must pay the duties but vendors hold the information. A global repository, which the GEA suggests that the WTO could hold, might contain information related to national duty/tax rates, the type of simplified duties applied, the value threshold, the commodity list, and the GST/VAT or other tax rates if applicable. Ultimately, an automated system relying on standardized information would be the most efficient and beneficial to firms of all sizes.

4 WORLD ECONOMIC FORUM (WEF) INFORMATION SESSION

4.1. The World Economic Forum (WEF) organized an information session on Cross-border payments for MSMEs. In their introductory presentation, the WEF underscored the importance of basic

infrastructure and digital payments, especially in the face of a pandemic. Further, the changing digital landscape for MSMEs has highlighted the need for payments to cover new digital services and e-commerce, many of which are linked with MSMEs, but which face challenges ranging from lack of infrastructure or interoperability to cyber-crimes. The WEF closed with four calls to action. The first was for continued investment in basic infrastructure for the digital economy, both physical and regulatory such as the MLETR guidelines. Second, the WEF call for a commitment to interoperable systems to ensure that payments can be made across borders. Third, the WEF proposed a commitment for international coordination pertaining to innovation and regulations. The final call to action was for a commitment for multi-stakeholder engagement in the design of regulations. All of these are essential for functioning cross-border digital payment systems. Following their intervention, the WEF introduced their two other speakers for the knowledge sharing session from the IADB and Visa.

4.1 Inter-American Development Bank (IADB)

4.2. The Inter-American Development Bank (IADB) provided information on the growth of digital payment use in Latin America and noted Brazil as a case study of a leading economy with regards to adoption and use of innovative payment technology. In fact, Brazil adopted a national payment system, PIX, which has allowed over 40 million people to make their first bank transfer in 2020 and far outpaced other economies' payment system growth. Going further, the IADB described a joint program with the WEF called Payments to Advance Growth for All (PAGA), which was launched in 2021. Key takeaways from PAGA include the need to build good regulatory practices to reduce market barriers and promote innovation; encourage public-private sector collaborations; explore digital trade agreements to secure cross-border digital payments; and facilitate new technology and innovation. Overall, the IADB noted the need for interoperability among payment systems; the importance of ensuring end-to-end payments for businesses just as for individuals; digital identities, consumer protection and cyber security; and review of payment licensing.

4.2 Visa

4.3. Visa described the changing payment environment and the way that economic digitalization can lead to greater equity and inclusion. For example, women entrepreneurs are increasingly creating "born digital" and "born global" firms, relying on digital sales and exports from initialization of their business. Cross-border payments also go beyond trade and e-commerce, they are tied closely with remittances which continue to increase worldwide. Visa underlined the importance of payment interoperability, but perhaps even more importantly regulatory interoperability between economies' payments systems. One best practice in this regard that was cited in the presentation was the Singapore-Australia Digital economy Agreement. This model demonstrates how economies can consider digital payment interoperability and standardization to increase secure, functioning payment transactions. Ultimately, to increase access and ensure a more equitable digital economy, focus will need to be turned towards providing citizens with the opportunity to access digital networks; to increase digital skills; and to develop trust in digital systems and products.
