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INFORMAL WORKING GROUP ON MSMES

MSME GROUP COORDINATOR SUMMARY DOCUMENT 2018-2023

The following communication, dated 30 March 2023, is being circulated at the request of the Coordinator of the Informal Working Group on MSMEs.

With the end of my tenure as the Coordinator of the WTO Informal Working Group on Micro, Small, and Medium-Sized Enterprises (MSME Group), I would like to share a summary of my time in this position, including my objectives as Coordinator; the MSME Group's achievements; the evolution of the Group's structure, discussions and topics of interest; and some thoughts on how I hope the MSME Group continues going forward.

1 OBJECTIVES

1.1. My objectives as Coordinator of the MSME Group were to: 1) support MSME Group members to achieve concrete deliverables to increase MSME trade participation; 2) expand the MSME Group's membership, always with the aim of inclusivity and multilateralization; and 3) secure commitments by Ministers at the WTO Ministerial with the aim of a MSME Group Declaration. Some of these objectives were easily achieved through the initiative and collaboration of MSME Group members, others remained more elusive. I hope going forward all these objectives, and more, will be realized.

2 DELIVERABLES

2.1. In terms of deliverables, I was proud of the outcomes achieved by the MSME Group. In 2020, the MSME Group completed its first package of recommendations and declarations (INF/MSME/4/Rev.2) covering six important topics for MSMEs from access to information to provision of trade finance.

2.2. The MSME Group also launched the Trade4MSMEs web platform in 2021, providing an entry point for both MSME traders and MSME trade policymakers to successfully navigate the large amount of information available on trade procedures and best practices for small businesses.

2.3. Following from the Trade4MSMEs web platform, the MSME Group also initiated the Trade4MSMEs Network in 2022, which was launched in advance of MC12. Given the many international organizations and development banks working on the issue of MSMEs and trade, the Trade4MSMEs Network will provide an annual gathering to share the various tools and studies in development by these organizations and the contacts needed to ensure the platform's information stays current.

2.4. The MSME Group also developed two important databases of information with the support of the Secretariat. These are the TPR Database, which was outlined in the 2020 Package, and the RTA Database. The first database provides an important resource of national policies, agencies and statistics related to MSMEs, while the second database details the growing importance WTO Members have placed on including MSME provisions in RTAs.

2.5. Finally, the MSME Group has collaborated with the ICC and ITC to hold the annual Small Business Champions initiative, now in its third edition in 2023. Each year different important topics for small traders have been selected and these include helping MSMEs go digital; helping small businesses transition to a sustainable economy; and helping smallholder farmers go global.

3 MSME GROUP MEMBERSHIP AND INCLUSIVITY

3.1. The MSME Group has prided itself on its openness to participate in its activities, with the understanding that MSMEs represent the majority of firms in every economy of the world. During my time as Coordinator, I watched the MSME Group grow to 98 members¹, from the original 88, covering economies from every region of the world and from every level of development. Although one member was no longer able to continue as part of the Group and stepped away in late 2020, I was encouraged to see the enthusiasm by other non-MSME Group members at the WTO, some of whom have even signed the 2020 Package of Recommendations.²

3.2. Given the inclusive nature of the MSME Group, it was deliberately chosen not to define MSMEs for the negotiations. Rather, given the large differences between MSME Group member-economies, it was determined that discussions would focus on how to facilitate trade for all businesses, with the understanding that MSMEs would benefit relatively more.

3.3. Although the magnitude of trade challenges is undeniably larger for MSMEs in less-developed areas, MSME Group members noted that all MSMEs, wherever they are in the world, face challenges to participate in international trade. After extensive discussions in the lead-up to MC11 on how best to reflect the specific situation of MSMEs from developing economies, it was decided to include an explicit reference in the preamble. Similarly, for the MC12 draft declaration, after considering adding specific language in other parts of the text, it was ultimately decided to follow the approach agreed at MC11 – i.e., to include the language below in the preamble only in order to avoid reopening an issue that had led to long discussions before MC11:

"Reiterating our resolve 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 least developed countries".

4 HISTORY AND STRUCTURE OF THE MSME GROUP

4.1. Since 2018, the MSME Group has had nearly 30 open-ended meetings that have each been attended by at least 50 WTO Members and Observers and sometimes more than 80.

4.2. To maximize participation, different configurations for discussions and negotiations were used. In the first year following the MSME Group's formal establishment at MC11 in Buenos Aires, I was joined by eight Co-Coordiators to lead member discussions: the delegations from Bahrain, Kingdom of; Côte d'Ivoire; El Salvador; Hong Kong, China; Nigeria; Pakistan; the Philippines; and Switzerland. The MSME Group was in an exploratory phase during this year, with the following dedicated information sessions organized by some of the Co-Coordiators on: 1) access to information and support of the Global Trade Helpdesk (Switzerland); 2) access to finance and an introduction to legal entity identifiers (LEIs) (Côte d'Ivoire); 3) technical assistance and capacity building in the areas of access to information, access to finance, and access to markets (El Salvador)

¹ Afghanistan; Albania; Antigua and Barbuda; Argentina; Armenia; Australia; Austria; Bahrain, Kingdom of; Barbados; Belgium; Belize; Brazil; Brunei Darussalam; Bulgaria; Canada; Chile; China; Colombia; Costa Rica; Côte d'Ivoire; Croatia; Cyprus; Czech Republic; Denmark; Dominica; Dominican Republic; Ecuador; El Salvador; Estonia; European Union; Finland; France; The Gambia; Georgia; Germany; Greece; Grenada; Guatemala; Guyana; Honduras; Hong Kong, China; Hungary; Iceland; Ireland; Israel; Italy; Japan; Kazakhstan; Kenya; Korea, Republic of; Kyrgyz Republic; Lao PDR; Latvia; Liechtenstein; Lithuania; Luxembourg; Macao, China; Malaysia; Malta; Mexico; Moldova, Republic of; Mongolia; Montenegro; Myanmar; Netherlands; New Zealand; Nicaragua; Nigeria; North Macedonia; Norway; Pakistan; Paraguay; Peru; Philippines; Poland; Portugal; Qatar; Romania; Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Saudi Arabia, Kingdom of; Singapore; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Tajikistan; Türkiye; Ukraine; United Arab Emirates; United Kingdom; United States of America; Uruguay; and Viet Nam.

² Belarus (acceding Member); Cambodia; Mali; Mauritius; Thailand; and Togo (INF/MSME/4/Rev.2).

and the Philippines); and 4) the internet as a tool for MSMEs, especially with relation to e-payments and customs procedures (Bahrain, Kingdom of).

4.3. As the year came to a close, I held individual consultations with interested members to discuss the way forward in 2019. Altogether, 13 members requested formal consultations, which helped inform the process for the next phase of work. This led to a new standing agenda in 2019 to help structure the meetings through the following points: 1) Thematic Work; 2) Outreach Activities; 3) MSME-related discussions in other WTO committees; 4) Other Business. Co-ordination was also set aside in November 2018 for ease of organization. Additionally, the Group felt that it was important to improve coordination across WTO bodies for MSME trade support. In November 2018, the Group agreed to include briefings of MSME-related discussions as a standing agenda item. The chairs of the TRIPS Council and the Working Group on Trade, Debt and Finance, as well as Secretariat representatives of other committees and groups such as Trade Facilitation, STDF and the EIF, the Committee on Government Procurement and Aid for Trade have since briefed the Group on their MSME-related work.

4.4. One other important point in 2019 concerned the MSME Group's hampered ability to coordinate with the private sector because of its lack of a WTO webpage as a JSI. To work around this issue, the Secretariat developed the WTO Small Business page to highlight WTO work and events related to small business and trade. I also reached out to the ICC in order to have an online presence accessible by the private sector and we created the MSME Ideas Exchange Platform, although this was not well-publicised or used and has since been discontinued.

4.5. In 2020, work was delayed but eventually continued in a virtual format on Interprefy due to the Covid-19 pandemic. Some MSME Group members issued a statement highlighting the importance of MSMEs in the time of Covid-19 (WT/GC/215/Rev.1)³ and a series of workshops on cross-border payments, paperless trade and digital trade were organized for the MSME Group in June 2020. Ultimately, we were able to endorse the 2020 Package of MSME Recommendations and Declarations in December of that year (INF/MSME/4/Rev.2).

4.6. Following in 2021, we continued our work on the MC12 Declaration, finalizing and clearing the draft text in September (INF/MSME/W/36). The MSME Group also developed a checklist for implementation of the 2020 MSME Package (INF/MSME/W/35/Corr.1). Some progress to implement the 2020 MSME Package was made, but I continued to emphasize the importance of putting these recommendations in place throughout the rest of my tenure as Coordinator for the credibility of the MSME Group. The Group was also able to make its previously restricted MSME Group webpage publicly accessible in 2021, which I felt helped to spread the word about the MSME Group's regular work.⁴

4.7. 2022 was dedicated to continued preparation for MC12 following its second postponement, as well as re-consideration of various topics that had been brought to the Group's attention throughout the years.

5 MC12

5.1. Preparation for MC12 began in 2019. Unfortunately, Covid-19 and the subsequent MC12 postponements led to a series of alterations to the MSME Group's plans. Although MC12 was postponed in 2020, the MSME Group still issued its package of declarations and recommendations negotiated in the course of the year (INF/MSME/4/Rev.2) – issued in December 2020. This allowed the MSME Group to turn to drafting a declaration for the re-scheduled 12th Ministerial Conference in November 2021. In fact, the MSME Group was the first to issue a ministerial document: Final Draft Ministerial Declaration on Micro, Small and Medium-Sized Enterprises (WT/MIN(21)/1/Rev.1). Sadly, the Ministerial Conference had to be postponed again, during which time the geopolitical situation precluded the possibility of issuing a MSME Group declaration. Instead, I issued a Coordinator's

³ Altogether 79 WTO Members issued the Statement on Highlighting the Importance of SMEs in the Time of COVID-19 including four Members that were not part of the MSME Group at that time (Maldives; Thailand; United States of America; and Vanuatu).

⁴ Prior to 2021, no Joint Statement Initiative from Buenos Aires had a publicly accessible WTO webpage because of the plurilateral nature of the groups.

Report (WT/MIN(22)/4) on the work and objectives of the MSME Group at MC12 in June 2022 and held a press conference during MC12.

6 THEMES OF DISCUSSION AND PRESENTATIONS RECEIVED

6.1. Over the years many themes were introduced by MSME Group members. Of course, there were the themes that resulted in the 2020 MSME Package (collection of MSME-related statistics; access to information and support for the Global Trade Helpdesk (GTH); trade facilitation; regulatory development; support for the integrated database decision (IDB); and support for trade-related finance). Other discussions that were started in 2019 but that either did not gain traction, or were put to the side, included *de minimis* (see the Secretariat note INF/MSME/W/4) and RTAs (MSME note INF/MSME/W/6, which has since been revised).

6.2. Other topics of interest raised in early 2018 and 2019 were trade facilitation and logistics (INF/MSME/R/4); how to streamline/standardize import and export documents like certificates of origin (INF/MSME/R/4); the topic of MSMEs in landlocked economies (INF/MSME/R/8); cyber readiness and MSMEs (INF/MSME/R/11); capacity building (INF/MSME/R/7; INF/MSME/R/10); and authorized economic operators (AEOs) (INF/MSME/R/11). The MSME Group did not receive any presentations during open-ended meetings in 2020, but other topics that were raised beginning in 2021 include cross-border payments; digitalization of trade; innovation; intellectual property tools; low-value shipments; MSME financing (in relation to Annex 6 of the December 2020 Package); rural MSMEs; standards to digitalize trade; sustainability; and trade facilitation (continuing from Annex 3 of the 2020 MSME Package). See INF/MSME/39/Rev.1 for a full list of presentations received by the MSME Group during open-ended meetings beginning in 2021.

6.3. Various draft texts have been proposed based on the presentations received by the MSME Group. In my capacity as Coordinator and following a presentation by the OECD concerning the need for firm-size characteristics in national trade data to inform the WTO-OECD Trade in value Added (TIVA) database, I submitted a draft recommendation on MSMEs and Trade Statistics (INF/MSME/W/19). Similarly, after having heard from the Cyber Readiness Institute and other relevant presentations, I again submitted a draft recommendation, this time on MSMEs and Cybersecurity (INF/MSME/W/20). In early 2020m the Republic of Korea presented two new proposals on promoting the participation of MSMEs in international trade (INF/MSME/W/26) as well as concerning best practices on MSMEs and trade remedy (INF/MSME/W/27). Although none of these draft recommendations were taken further, they could provide ideas for future work. More recently in 2021, two new suggestions were put forward by Ecuador and Brazil, the first on MSME innovation policies and the second on rural MSMEs although no texts have been tabled.

6.4. In relation to the topic of MSMEs and innovation, the MSME Group also received a presentation by WIPO's Director General Daren Tang in July 2021. DG Tang noted intellectual property (IP) can lead to significantly more revenue (70%) for MSMEs, however only 9% of European MSMEs use IP as part of their strategy. Given that MSMEs are less likely to make use of IP, DG Tang briefed the Group on WIPO's work to develop IP tools to support MSME growth and innovation, including the IP Diagnostic Tool and Inventor Assistance Program. WIPO also continues to look into IP as a form of collateral to increase MSME access to finance and it was suggested this could be something for the MSME Group to consider in connection with Annex 6 of the December 2020 MSME Package on access to trade-related finance. DG Tang also suggested the group consider adding a point on IP in the "checklist of MSME-related information to voluntarily include in WTO Trade Policy Reviews" appended to Annex 1 on the collection of MSME-related information in TPRs of the December 2020 package. Lastly, he also invited members of the Group to share information on WIPO's tools with their constituents.

6.5. A consolidation of potential topics and actions for future work by the MSME Group from 2020 can be found in document (INF/MSME/W/29 dated November 2020), which reflects key ideas received from the private sector and consolidated in document INF/MSME/W/17. Further, as previously mentioned, a full overview of the presentations received by the MSME Group from 2021 through March 2023 is available in document INF/MSME/W/39/Rev.1.

6.6. In my last open-ended meeting as Coordinator of the MSME Group (13 March 2023), I proposed a work program based on five pillars to: 1) promote MSME access to information; 2) build capacity for MSME trade inclusion; 3) provide policy guidance; 4) implement the December 2020 Package;

and 5) strengthen the MSME Group's ties with the private sector and external stakeholders. I hope this work will continue forward with concrete deliverables and action by the members. I also think it is important the MSME Group consider its next package of recommendations. The outline of some topics of interest have begun to emerge, with a clear interest by some members to work on issues such as RTAs and digitalization, to name just a few. I hope there is impetus to continue these discussions.

7 WORK THROUGH STANDING WTO COMMITTEES

7.1. The MSME Group recognized immediately that the topic of small businesses and trade spans WTO negotiations from intellectual property or government procurement to development or e-commerce. Given this broad range, I noted that the MSME Group began following MSME-related discussions in other WTO committees and inviting Chairs or secretaries of WTO committees and other WTO bodies and programs to present to the MSME Group. Presentations were received from the Working Group on Trade, Debt and Finance about its ongoing work programs with IFC and the World Bank on best practices for MSME trade policies; the TRIPS Council, especially related to the digital sector where MSMEs thrive, but which needs IP protection; Aid for Trade and its relevant work for MSME access to foreign markets; the EIF and its objective of development through MSME support as well as ASYCUDA with its trade-facilitating outcomes; the STDF, addressing gaps and good regulatory practices; and the Committee on Government Procurement.

7.2. Members also addressed WTO committees directly about the MSME Group's work. Côte d'Ivoire brought a proposal WT/WGTDF/W/98 to the Working Group on Trade, Debt and finance in early 2021 based on Annex 6 of the 2020 Package; Canada and Uruguay presented at the Trade Facilitation Committee on 27 January 2021 in relation to Annex 3; and Canada presented to the Committee on Market Access in relation to Annex 5 on 26 May 2021. In addition, several members submitted proposals or communications related to MSMEs to other WTO committees. In March 2019, the Russian Federation presented a proposal on enhancing transparency in applied tariffs simultaneously to the MSME Group and the Committees on Market Access and Agriculture (JOB/MA/138 and JOB/AG/154), noting that the gap between bound and applied tariff rates creates uncertainty and increased costs for MSMEs. In April 2021, Canada submitted a proposal to the Committee on Technical Barriers to Trade on conformity assessment, environment and climate change, transparency, digital products, and micro, small and medium-sized enterprises (G/TBT/W/745). Several communications were also submitted to the TRIPS Council as part of the 2020 theme on "Making MSMEs competitive" (IP/C/W/662, IP/C/W/667, IP/C/W/675).

8 INTERACTION WITH THE PRIVATE SECTOR

8.1. Early in my time as Coordinator, I suggested that the MSME Group might benefit from direct dialogue with the private sector and MSME representatives, especially after the MSME Group received recommendations in advance of MC12 from various small business and trade organizations including the DIHK, GTPA and FSB. To help move conversations forward on this idea, the Secretariat drafted an information note on how the private sector participates in discussions at the WCO and OECD (INF/MSME/W/16). At our 27 November 2019 meeting, I also suggested various options for ways that the MSME Group could interact directly with the private sector. These included allowing MSME representatives nominated by MSME Group members to attend open-ended meetings; to establish a MSME advisory board to follow the MSME group's discussions; or to organize private sector-led workshops. Although it took some time to gain impetus, the MSME Group finally decided on annual meetings with private sector representatives and had its first meeting of this type in early 2021 (INF/MSME/R/24) where we presented the 2020 Package and the Trade4MSMEs website that was then under development. These presentations were followed by a discussion focused on trade facilitation; access to finance and cross-border payments; and digitalization.

8.2. Given the success of this initial meeting in terms of not only presenting the MSME Group's work but also of directly hearing about the trade challenges for small business, we held a second meeting with the private sector in early 2022 immediately after our first open-ended meeting of the year in February. During this meeting, we were able to present the newly released Trade4MSMEs website and then to open the floor for a free discussion of the policy-related concerns MSMEs have to trade internationally. Private sector participants invited the Group to support adoption of the Model Law on Electronic Transferable Records (MLETR) developed by the United Nations Commission for International Trade Law (UNCITRAL) at the national level; to look into MSME cyber readiness; and

to address the proliferation of sustainability labels and standards which create significant barriers for small businesses to trade.

8.3. In conjunction with this second meeting with the private sector, I suggested a new reporting symbol, INF/MSME/P, which was approved by the MSME Group on 8 February 2022, in order to allow a more formal and better documented way for the MSME Group to receive suggestions from the private sector. So far four documents have been received on: challenges women and youth are facing from Africa Women in Trade (INF/MSME/P/1); a proposal on simplified tax/duty collection on imported low-value shipments from the GEA (INF/MSME/P/2); simplified duty collection concept for low value B/C2C imports, possible process aspects from the GEA (INF/MSME/P/3); and the role of digitalization and e-commerce for MSMEs from the Asian Trade Centre Foundation (INF/MSME/P/4).

8.4. Besides meeting directly with the private sector and accepting direct submissions, I also issued the MSME Group's Newsletter to interested subscribers beginning in October 2018. Published two to three times a year, the Newsletter has been an excellent way of maintaining contact with the private sector.

8.5. Finally, I am pleased to see how successful the ICC, ITC, WTO MSME Group Small Business Champions initiative of the MSME Group has become since it began in 2021. This annual competition for small businesses, industry associations, chambers of commerce and non-governmental organizations is an opportunity both to connect with these organizations from around the world and to see the sorts of incredible projects being considered to help MSMEs trade.

9 QUESTIONNAIRES FOR MSME GROUP MEMBERS

9.1. One area where I felt that the work of the MSME Group membership could have improved was regarding sharing of best practices through questionnaires. Access to information is not only important for MSMEs, but also for us as policymakers in order to make informed decisions. Beginning in 2018, members were invited to share national policies and programmes to help MSMEs on topics such as how to go digital or to assist in mapping national and regional programmes in place to support MSMEs' access to trade finance. The following year, 2019, was the first attempt at filling in an information sheet to verify the accuracy of the information on the Global Trade Helpdesk, as proposed in 2018 by Switzerland (see INF/MSME/R/7). And, in 2021, Ecuador issued a questionnaire on Innovation policies to try to inform how discussions on this topic could be developed further (INF/MSME/W/32). In every one of these instances, only a handful of responses were received. The only mildly successful questionnaire issued to date has been the second questionnaire from the ITC in 2022 for verification of the information on the Global Trade Helpdesk and to support implementation of Annex 2 of the 2020 Package (see INF/MSME/W/40).

10 CONCLUSION

10.1. My time as Coordinator of the MSME Group has been an exploratory journey to see how this new type of cross-cutting and plurilateral setting could best serve members and their small business constituents. I can say it has been a rewarding experience. I am pleased to see the number of concrete deliverables that were issued, including tools like the Trade4MSMEs platform. I look forward to seeing the future work of the WTO Informal Working Group on MSMEs and I hope that the members carry forward the importance of this topic with a continued spirit of innovation and a "can-do" attitude. As I often said, the MSME Group is not only an incubator of new ideas for MSME trade supporting the right of members to experiment in their discussions and outputs, but also a "do-tank" developing concrete tools and outputs. Given the importance of this topic for every WTO Member, I hope this mindset continues going forward and the MSME Group continues to break new ground in its work.
