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## INFORMAL WORKING GROUP ON MSMEs

### OPEN-ENDED MEETING OF 19 MARCH 2024

#### *Summary of discussions*

The following communication, dated 4 April 2024, is being circulated at the request of the Coordinator of the Informal Working Group on MSMEs, Ambassador Matthew Wilson (Barbados).

1.1. The MSME Informal Working Group (MSME Group) met for its first open-ended meeting of the year on 19 March 2024. A total of 61 delegations<sup>1</sup> attended the hybrid meeting, including 18 non-working Group members (Angola; Bangladesh; Benin; Burundi; Cabo Verde; Cambodia; Comoros; Curaçao (WTO Observer); Maldives; Mali; Mozambique; Niger; Rwanda; Samoa; Tanzania; Thailand; Timor-Leste; and Togo).

1.2. The Group welcomed its newest member, the Democratic Republic of the Congo, bringing the total number to 99 MSME Group members.

1.3. At the invitation of the MSME Group Coordinator, Comoros and Timor-Leste briefed the Group on the role MSMEs played in their WTO accession process. The importance of simplifying business administration and improving access to finance were noted, as were the anticipated benefits of access to new tools and trade protection for MSMEs following their WTO accession.

1.4. The Coordinator, Ambassador Matthew Wilson (Barbados), began the meeting with an overview of MSME events and deliverables at MC13. On 25 February, the MSME Group joined the Informal Working Group on Trade and Gender and the Trade and the Environmental Sustainability Structured Discussions (TESSD) for a session titled "Paving the way to strengthening trade inclusiveness through WTO Members' initiatives". The Groups shared their outputs and the MSME Group launched its Compendium on MSME Provisions in Authorized Economic Operator Programs ([INF/MSME/W/47/Rev.1](#)). The Compendium on Access to Finance by Women-Led MSMEs ([INF/MSME/W/46/Rev.1](#)) was later launched that same afternoon as part of the International Trade Centre (ITC) High-Level Event on Women and Trade. MSMEs were also included in paragraph 17 of the Abu Dhabi Ministerial Declaration ([WT/MIN\(24\)/DEC](#)) and featured heavily during the 26 February Ministerial Conversation on Trade and Inclusion.

1.5. Members updated the Group on their work to implement the 2020 December Package of Recommendations and Declarations including regular trade information updates to UNCTAD and the WTO. Chinese Taipei updated the Group about their 5<sup>th</sup> trade policy review held in November 2023, which included MSME information as per Annex 1. The International Trade Centre (ITC) also joined

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<sup>1</sup> *Angola; Argentina; Australia; Austria; Bangladesh; Barbados; Benin; Brazil; Burundi; Cabo Verde; Cambodia; Canada; Chile; China; Colombia; Comoros; Costa Rica; Côte d'Ivoire; Curaçao (WTO Observer); El Salvador; European Union; Finland; France; The Gambia; Germany; Guatemala; Hong Kong, China; Hungary; Japan; Korea, Republic of; Malaysia; Maldives; Mali; Mexico; Montenegro; Mozambique; Myanmar; Niger; Norway; Peru; Philippines; Poland; Portugal; Romania; Russian Federation; Rwanda; Samoa; Saudi Arabia, Kingdom of; Spain; Switzerland; Chinese Taipei; Tanzania; Thailand; Timor-Leste; Togo; Türkiye; Ukraine; United Kingdom; United States of America; Uruguay; Viet Nam (non-MSME Group members are in italics).*

to present updates on the Global Trade Helpdesk in relation to Annex 2 and in response to the Jaipur Call for Action, including availability of the platform in two new languages, Bahasa and Mandarin, and leveraging technology to increase accessibility through a chatbot, AI-assisted search, and AI-enhanced translation and training.

1.6. Discussions by members focused on the way forward for the MSME Group. Members expressed an interest in deep-dive experience sharing sessions related to the two compendia released at MC13 on Access to Finance by Women-led MSMEs and on AEO Programs with a view to developing policy guidance. Other areas of interest included trade digitalization, good regulatory practices, improved transparency on trade regulation, good practices for tourism and innovation ecosystems. Members also stressed the importance of continuing to engage directly with MSMEs, such as through the Group's new MSME Spotlight at regular meetings. Continued collaboration both internally at the WTO with other committees touching on MSME-related work and with other international organizations working towards the same objectives of MSME trade-inclusivity was also welcomed. Finally, the need for ongoing support of the Trade4MSMEs website was underscored.

1.7. A panel discussion on MSMEs, sustainability and reporting requirements was held. Moderated by the ITC, the discussants, Kate Kallot, the founder and CEO of the private company Amini, and Steve Capell, from UN/CEFACT, brought the issue of increasing regulations and the challenge of compliance for MSMEs to the Group's attention. Many regulations and reporting requirements are designed based on databases from developed economies and with their industry structures as a basis, which are often difficult to apply to developing economies. Amini is working to develop new, more accessible sources of information for these businesses. UN/CEFACT has separately developed recommendation 49 to streamline traceability reporting requirements and support MSME participation in increasingly regulated markets.

1.8. The MSME Group also received presentations from the United Nations Conference on Trade and Development (UNCTAD), the Universal Postal Union (UPU) and the World Trade Centers Association (WTCA). UNCTAD presented their recent report titled Promoting International Investment by Small and Medium-sized Enterprises and noted that out of the hundreds of international investment agreements (IIAs), only 7 have MSME-specific provisions. This is despite the challenges MSMEs face for outward foreign investment. The UPU briefed the group on the parcellation of post with the advent of ecommerce and the challenges MSMEs face to deliver their packages. The UPU is actively working with its members to facilitate trade for MSMEs via the post. The WTCA presented their organization and their work to facilitate relationships between MSMEs wishing to find trade partners. The WTCA noted their particular strength in having access to business networks to share information on trade tools or updates and noted their interest to collaborate with the MSME Informal Working Group.

1.9. The second "MSME Spotlight", EziDrops, was introduced to the MSME Group by the Institute of Export and International Trade (IOE&IT), the MSME Group's Strategic Partner on the Trade4MSMEs website. EziDrops is a UK small business that has successfully navigated the complexity of exporting medical devices that administer eye and ear drops. They shared their experience with navigating the complexity of the fragmented global patent system as well as the bureaucratic difficulties of accessing available program finance for small businesses.

1.10. Lastly, the MSME Group approved regular observer participation by the organizations in the Trade4MSMEs Network.<sup>2</sup>

1.11. The next meeting of the MSME Group is planned for 9 July 2024. The Coordinator also informed the Group of the high-level panel discussion and the 2024 Small Business Champions

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<sup>2</sup> The Asian Development Bank (ADB); European Bank for Reconstruction and Development (EBRD); Inter American Development Bank (IADB); International Labour Organization (ILO); International Telecommunication Union (ITU); International Trade Centre (ITC); Organisation for Economic Co-operation and Development (OECD); UN Commission on International Trade Law (UNCITRAL); UN Economic Commission for Africa (UNECA); UN Economic Commission for Europe (UNECE); UN Economic Commission for Latin America and the Caribbean (UNECLAC); UN Economic and Social Commission for Asia and the Pacific (UNESCAP); UN Industrial Development Organization (UNIDO); the Universal Postal Union (UPU); World Bank; World Customs Organization (WCO); and World Intellectual Property Organization (WIPO).

awards planned for 27 June, MSME Day, as part of the Aid for Trade Global Review. Additional scheduled dates for regular meetings in 2024 include 14 October, and 10 December.

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## ANNEX

### PRESENTATION SUMMARIES

#### 1 DISCUSSION ON MSMEs, SUSTAINABILITY AND REPORTING REQUIREMENTS

1.1. Moderated by Mathieu Lamolle, Senior Advisor, Trade for Sustainability Development at the International Trade Centre (ITC), Kate Kallot, Founder and CEO of Amini and Steven Capell, Vice-Chair of UN/CEFACT engaged in a discussion on the challenges of sustainability and reporting requirements for MSMEs. MSMEs generally face difficulties complying with regulation. For example, when it comes to the EU Deforestation Regulation (EUDR), this regulation has no implementation mechanism, and it is leading some global companies to change to suppliers from economies where supply chain verification is easier. This is impacting developing economy suppliers, many of whom are small-scale farmers without the digital connectivity, knowledge, or skills to confirm the environmental sustainability of their operations. Additionally, many self-verification tools are using technology that are not calibrated for the small farms in developing economies and which lack historical data to verify no deforestation took place. Amini is advocating for the following to use technology to facilitate MSME compliance: 1) building a global data standard that defines good data for regulatory objectives like EUDR; 2) making data open so that firms of any size, but especially MSMEs, can access them equally; 3) ensuring the Global South retains sovereignty over its data; and 4) providing finance for a fair transition to sustainability, especially through education. UN/CEFACT has developed the UN Transparency Protocol (UNTP) from Recommendation 49 to make the information provided to the growing number of individual verification platforms interoperable through a protocol that allows conforming data indicating regulatory compliance to be checked, no matter the software. Traded products are given a digital passport that can be scanned by humans and machines with required sustainability metrics, thus allowing users, especially MSMEs, to maintain and monetize their data related to their sustainability track record through any tool of their choice.

#### 2 PROMOTING INTERNATIONAL INVESTMENT BY SMALL AND MEDIUM-SIZED ENTERPRISES, UNCTAD

2.1. Dr. Amelia U. Santos-Paulino, Chief of the Investment Research Section at the UN Conference on Trade and Development (UNCTAD) presented a report on Promoting International Investment by Small and Medium-sized Enterprises. The culmination of a three-year study, the report indicates that the global landscape is not favorable to foreign direct investment (FDI) by MSMEs. Many of the challenges MSMEs face for FDI are the same as those to trade internationally, including access to finance/capital, access to information, access to adequate skills and technology, relatively higher regulatory burdens and international competition. This is in spite of the fact that FDI by MSMEs is important for development in host economies because it is more flexible, relies more on local firms and does not crowd out domestic firms in the same way as FDI by large MNEs. FDI by MSMEs is also frequently more regional and has been shown to facilitate the establishment of regional value chains. Further, FDI improves MSME productivity in the source economy and increases their resilience. However, there is a strong policy bias favoring large firm investment over MSMEs. Few international investment agreements (IIAs) refer to MSMEs and there is no multilateral forum for discussions of this kind. The study concludes that digital single windows to facilitate MSME access to information and MSME chapters in IIAs would both work to support MSME FDI. Further, the report recommends adjusting services to ensure they meet MSME needs; facilitating MSME access to capital; simplifying regulatory and administrative frameworks; establishing support networks; and promoting MSME international trade participation to enhance their international exposure.

#### 3 OVERVIEW ON TRADE INCLUSION OF MSMEs VIA THE POST, UPU

3.1. Houssein Gharbi, SME Growth and Trade Expert at the Universal Postal Union (UPU), joined the MSME Group to provide an overview of the importance of the post for MSMEs and the overall economy, especially with ecommerce and the parcellation of trade. TradePost project to simplify and harmonize the import-export transit process for MSMEs. According to a 2018 study, 84% of cross-border goods bought online are small packages weighing up to 2kgs, and the World Bank estimates that currently the postal network handles two thirds of cross-border parcels, many of which are shipped by MSMEs. Unfortunately, MSMEs face many challenges when it comes to shipping products and ecommerce, including complex procedures; high shipping and transaction costs;

limited access to finance; lack of training and access to information; costs and requirements of ecommerce platforms; international payments; and trust and verification. Recognizing these difficulties, the UPU developed the Trade Post program to optimize MSME inclusion and facilitate the trade process. The objective of the program is to simplify and harmonize the international trade process by using the postal infrastructure as a one-stop shop for all trade formalities. Trade Post currently has a pilot in Morocco with additional projects to be implemented in Côte d'Ivoire and Nigeria in 2024. Digital solutions are also encouraged as they can fast-track trade integration and make information available online, provide electronic payment options for postal transactions, allow for acceptance of digital postal documents, permit pre-arrival processing, and facilitate customs cooperation. Digital single windows are critical to make these kinds of services and other important trade information readily available.

#### **4 WORLD TRADE CENTRE ASSOCIATION PRESENTATION**

4.1. Robin van Puyenbroeck, Executive Director – Business Development of the World Trade Centers Association (WTCA), presented WTCA's work to support MSME trade participation. With 320 centers in 120 economies around the world, the vast majority of WTC's membership are MSMEs. The WTCA organizes bilateral trade missions to help members find business partners, providing support to their members through global trade experts and strategic partnerships with the UN and other industry associations. WTCA provides information on, and access to, tools available for MSMEs related to real estate, such as: office space; events, including trade shows and exhibitions; global trade guidance; connection tools, including WTCA Connections Portal; and industry resources such as the UN Global Compact and the Global Trade Helpdesk. The WTCA provides a direct link between policymakers and the WTC business network, which is important for sharing information about regulatory updates or new tools like the Trade4MSMEs website. The WTCA sees an opportunity to link WTC sites to individual country pages in the Trade4MSMEs website and to partner on MSME consultations. Throughout the year the WTCA has a number of events including the Global Business Forum, WTCA Member Forum and regional meetings to bring members together, share strategies and review local challenges where there might be opportunities for collaboration.

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