

WTO MSME Informal Working Group

Summary

Digitalization is an important way for micro, small and medium-sized enterprises (MSMEs) to internationalize and trade. Studies have found that although MSMEs are less likely than large firms to trade, those that are digitally connected are more likely to import and, in some cases, more than 90% of MSME e-commerce marketplace participants export (GVC Development Report, 2019). Further, MSMEs are more likely to export services, many of which are digital. The WTO MSME Informal Working Group recognizes that there are many areas for international digital collaboration and sharing of best practices that could assist MSMEs to trade, including agreed-on standards for cybersecurity, adoption of UNCITRAL's Model Law on Electronic Transferable Records (MLETR), and customs facilitation for low-value shipments.

Introduction

An estimated 95% of companies across the globe are estimated to be micro, small or medium-sized enterprises (MSMEs), accounting for roughly two-thirds of the world's total employment.¹ However, MSMEs are underrepresented in international trade and global value chains due to various obstacles ranging from access to finance and information to lower levels of human capital and know-how. To address these obstacles, the WTO MSME Informal Working Group (MSME Group) was launched in December 2017 at the 11th WTO Ministerial Conference in Buenos Aires by 88 WTO Members, including the European Union. Since then, the MSME Group has grown to 91 members. The objective of the Group is to support MSMEs in international trade (principally through non-binding recommendations), to create concrete tools, to be an incubator of new ideas and to create a space for the exchange of information on MSME-related discussions both internally at the WTO and with other organizations.

Digitalization and MSMEs is an important topic of consideration by the Group, especially as economies around the world begin to emerge from the Covid-19 pandemic and contemplate ways to increase resilience for the next crisis. The importance of e-commerce to MSMEs in particular was recently underscored in early October during a high-level panel at the WTO Public Forum when three small businesses from different continents unanimously cited online sales as their key to survival during Covid-19 lockdowns. Recognizing the importance early in the pandemic of moving business online, select members of the group issued a statement highlighting the importance of MSMEs in the time of Covid-19 in May 2020 ([WT/GC/215/rev.1](#)) and underscored the need to accelerate efforts towards trade digitalization.

¹ WTO [World Trade Report 2016: Levelling the trading field for SMEs \(wto.org\)](#).

Specific to the MSME Group, the December 2020 MSME Package of six recommendations and declarations ([INF/MSME/4/Rev.2](#)) refers, if not directly than indirectly, to digital tools or processes in almost every text. For example, the second recommendation on access to information asks members to support the ITC-UNCTAD-WTO [Global Trade Helpdesk](#), which is an online tool to identify and evaluate trade opportunities for MSMEs across target markets. Or, in annex three of the document, members call for the full implementation of the WTO Trade Facilitation Agreement which requires information be made easily accessible online, that electronic payments be made and option, and that pre-processing of documents in electronic format as appropriate be implemented.

Discussion Overview

For the 12th WTO ministerial conference (MC12), the MSME Group has looked to develop two concrete deliverables in addition to the Group's Declaration, both of which are linked to digitalization. These include the [Trade4MSMEs](#) web platform and the Digital Champions for Small Business initiative. The Trade4MSMEs web platform is a one-stop platform for MSMEs and policymakers linking to useful trade resources. These include a MSME trade roadmap with a stop related to selling abroad online and assessing e-commerce readiness as well as policymaker guides on important digitalization topics including cyber readiness, electronic payments, and paperless trade. For the second deliverable, the [Digital Champions for Small Business initiative](#) was launched in June 2021 for MSME day together with the International Trade Centre and UNCTAD. Sponsored by Google and Zoom, the initiative called for proposals from industry associations, chambers of commerce and non-governmental organizations with a digitalization focus. From over a hundred submissions, four winners were selected with proposals on trade document digitalization and MSME e-commerce training ([WTO press release](#)).

The MSME Group regularly receives presentations from other international organizations or external speakers to inform discussions, many of which presentations have had a digital focus such as small-business resilience through digital tools, cross-border payments, and paperless trade. In fact, based on information received by the Group, current discussion topics among members include cybersecurity, the UNCITRAL Model Law on Electronic Transferable Records (MLETR), and e-commerce and low-value shipments including examples of customs regimes such as Canada's tiered system.

Cybersecurity has been noted as particularly relevant for MSMEs, which are often the weakest link in global value chains. However, with more than 80 different national strategies for critical infrastructure currently in place according to the Coalition to Reduce Cyber Risk (CR2), there is a strong need for governments to follow international standards and best practices to limit divergent laws that act as non-tariff barriers and create complexities for MSMEs.

UNCITRAL has various model laws that can facilitate MSME business, such as the Model Law on Secured transactions and recently a new legislative guide on key principles of a business registry. However, most relevant to the work of the MSME Group in terms of support of digitalization is the 2017 MLETR, which enables the use of various trade documents in electronic forma, including bills

of lading and promissory notes. It also supports the use of emerging technologies like Blockchain, IoT and smart contracts, but is a technology neutral agreement. MLETR is an enabling law, and MSME Group members have received presentations from Bahrain, which has fully adopted MLETR, and the United Kingdom, which is in the process, about their respective experiences. This information on best practices remains in the background of the Group's discussions and will be taken up in the new year.

Conclusion

Digitalization can make international trade more accessible to firms of all sizes. Understanding where the barriers are, especially when it comes to standardization of requirements, such as for cybersecurity, and implementing trade facilitation mechanisms that enable both trade of physical goods linked to e-commerce and allow for cross-border trade of services will be critical for MSMEs looking to participate in trade. The WTO MSME Informal Working Group maintains various channels of communication with the private sector and international organizations to stay current on developing areas such as digitalization, including submission of inputs from MSME support organizations, workshops on relevant topics and annual meetings. The MSME Group remains ready to serve as a forum for discussion among governments on ways to support MSME trade, especially in the new digital economy.