

# Making the WTO Trade Facilitation Agreement Work for SMEs

*Mainstreaming Trade Facilitation in SME Development Strategies*

*SME Development*

*Trade Facilitation*

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# MAKING THE WTO TRADE FACILITATION AGREEMENT WORK FOR SMEs

*MAINSTREAMING TRADE FACILITATION IN SME DEVELOPMENT STRATEGIES*



## **Making the WTO Trade Facilitation Agreement Work for SMEs**

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## Executive Summary

This reference document for policy makers and trainers provides a succinct overview of articles of the WTO Trade Facilitation Agreement (TFA) particularly relevant to Small and Medium Enterprises (SMEs) and identifies examples of SME-specific programmes, measures and interventions that can support the implementation of such provisions. In order to maximize the benefits of the TFA for SMEs, it is suggested that the trade facilitation measures featured in the TFA be mainstreamed in the broader SME development and internationalization initiatives and programmes that may already be in place.

The report highlights the potential role of SME Centres to disseminate information on trade procedures, facilitate SME consultations on trade facilitation matters, and to provide special services for SMEs to participate in AEO programmes and access single window facilities. Several steps that authorities and agencies in charge of trade facilitation and SME development (which are in many countries under different ministries) may consider jointly taking as part of WTO TFA implementation are outlined as a practical way forward. A regulatory review checklist for small business trade facilitation is also proposed.

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This effort was undertaken under the overall supervision of Ms. Susan Stone, Director, TID, ESCAP. The document is a “living” document, i.e., it will continue to be updated as new ideas, case studies and good practices are identified by participants in ESCAP, ITC and UNNExT activities.

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<sup>1</sup> <http://www.unescap.org/news/escap-and-itc-strengthen-cooperation-trade-facilitation-asia-and-pacific>

<sup>2</sup> See <http://unnexnext.unescap.org>

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## I. Introduction: The WTO Trade Facilitation Agreement and SMEs

The WTO Trade Facilitation Agreement (WTO TFA) aims at increasing the transparency and efficiency of customs and other administrative procedures involved in trading goods across international borders (see Box 1). Implementation of the agreement is expected to benefit both developing and developed countries, with an overall reduction of in global trade costs of 11 to 15 per cent (OECD, 2014) and global potential gain in exports estimated by some at roughly one trillion dollars, producing 21 million jobs (PIIE, 2013). Moreover, trade facilitation is expected to also benefit consumers and Small and Medium-Sized Enterprises (SMEs) (ITC, 2013).

SMEs represent 95 per cent of global enterprises and at least two-thirds of all private sector employment (ITC, 2014), and are recognized engines of growth, innovation, social integration and employment. In high-income countries, they contribute nearly two-thirds of both employment and GDP, while in low-income countries (where SMEs are typically hidden in the informal sector), formal SMEs account for almost half (45 per cent) of employment and 33 per cent of GDP (IFC, 2013).<sup>3</sup> In developing countries, SMEs also play an important role in closing the development gap through their contribution to poverty reduction, women empowerment, and income distribution (ITC, 2014). Countries need them to strengthen their resilience in facing a competitive and challenging global environment.

However, SMEs face particular constraints in doing business, in particular in accessing international markets. It is generally recognized that policy interventions are needed to support internationalization of SMEs and enabling their more direct participation in international trade. One constraint faced by SMEs in this context is their limited capacity to deal with the complex administrative and regulatory procedures associated with moving and selling goods across borders. A recent firm-level study conducted by the UN Regional Economic and Social Commission for Asia and the Pacific (ESCAP) found that a reduction in customs and trade clearance times increased SMEs likelihood of participation in export or international production networks (IPNs) relatively more than that of larger enterprises (Duval and Utoktham, 2014).

In principle, therefore, the WTO TFA provides a convenient policy vehicle for most countries to address this constraint to SME development. However, much of the WTO TFA – and many other trade facilitation programmes - has been crafted by governments with existing importers and exporters in mind, i.e., predominantly large firms (OECD, 2013). Indeed, both in the Asia-Pacific region and in Europe, total SME contribution to national exports never exceeds 30 per cent of total exports despite comprising the bulk of all employment (Abe et al., 2012; EU Commission, 2014).<sup>4</sup>

Accordingly, it is proposed here that relevant elements of the WTO TFA be mainstreamed in existing SME policies and initiatives so as to ensure it truly benefits such enterprises and contributes to their internationalization. The next section features a brief overview of SME constraints to internationalization and how they relate to the TFA provisions. It is followed by a discussion of how some of the trade

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<sup>3</sup> Abe & Dutta (2014) cite that World Bank figures place these at over 65% of total employment and 55% of GDP in high-income countries, over 95% of total employment and about 70% of GDP in middle-income countries and over 70% of total employment and 60% of GDP in low-income countries.

<sup>4</sup> It is important to note that these figures only consider direct exports, and would be significantly complicated by indirect SME participation in global value chains (GVCs) through subcontracts with partner multinational companies, traders, exporting companies, and other intermediaries.



facilitation measures included in the WTO agreement have been – or could be - incorporated into SME development policy frameworks. The document concludes by outlining steps that may be taken by relevant government agencies to mainstream trade facilitation in such frameworks at the national level.

#### **Box 1 - The WTO Trade Facilitation Agreement**

The WTO TFA was the ultimate achievement of the 9<sup>th</sup> WTO Ministerial Conference in Bali in 2013. This Agreement contains provisions for faster and more efficient customs procedures through effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It also contains provisions for technical assistance and capacity building in this area.

The agreement has three sections. **Section I** contains the **Substantive provisions** of the agreement. It covers areas on Transparency, Fees and Formalities, Transit and Customs Cooperation, and clarifies and improves Articles V, VIII and X of the 1994 General Agreement on Tariffs and Trade (GATT). The trade facilitation provisions (or measures) to be implemented are specified under 12 different articles:

1. Publication and availability of information
2. Opportunity to comment, information before entry into force, and consultation
3. Advance rulings
4. Procedures for appeal or review
5. Other measures to enhance impartiality, non-discrimination and transparency
6. Fees and charges
7. Release and clearance of goods
8. Border agency cooperation
9. Movements of goods intended for import under customs control
10. Formalities connected with importation, exportation and transit
11. Freedom of transit
12. Customs cooperation

**Section II** contains **Special and Differential Treatment (SDT) provisions** that allow preferential treatment for developing and least-developed countries (LDCs).

**Section III** contains **Institutional Arrangements and Final provisions** that establish a permanent committee on trade facilitation at the WTO, and require Members to have a national committee to facilitate domestic coordination and implementation of the provisions of the Agreement (Art. 23.2). To benefit from SDT, a Member State must categorize and notify each provision of the Agreement as either:

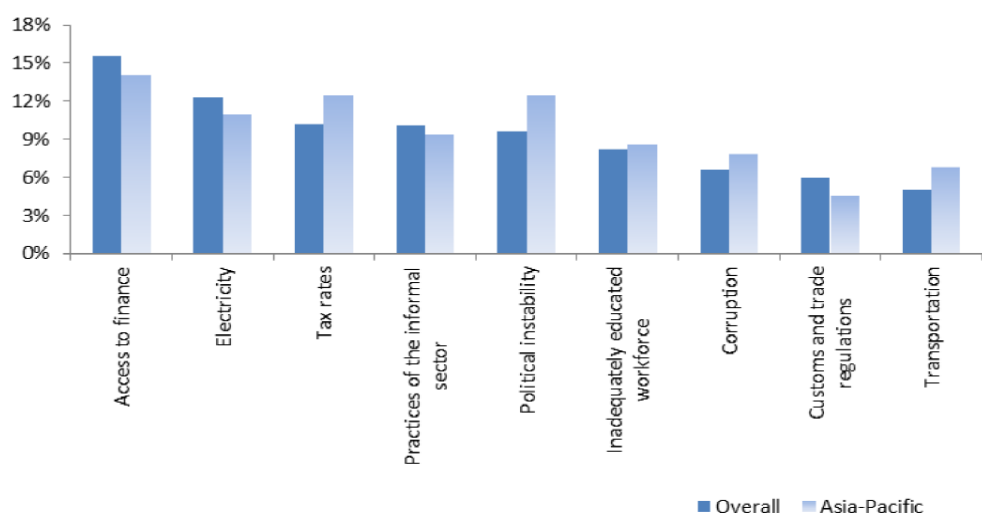
- **Category A:** implementation upon entry into force of the Agreement, or within one year after for LDCs;
- **Category B:** implementation after a transitional period following the entry into force; or
- **Category C:** implementation on a date after a transitional period following the entry into force and requiring the acquisition of assistance and support for capacity building.

## II. Constraints to SME Internationalization and the TFA

SME Internationalization means engaging in global commerce through exporting, importing, investing abroad, cooperating internationally, or having international subcontractor relationships (European Commission, 2010). It is a broader concept than SME trade facilitation, which is essentially limited to making trade procedures and administrative regulations easier and less costly for SMEs.

The two concepts are however very much related and some literature already touches on this point: Li & Wilson (2009) find that for Asian countries, improvement in trade facilitation indicators increase the probability that SMEs will become exporters, and emphasize that – compared to larger firms – SMEs benefit more from improving regulatory predictability and enhancing information technology services rather than transportation infrastructure. Duval and Utoktham (2014) also find that customs and trade regulations feature among the most important obstacles faced by SME exporters in their operations (see Figure 1) and have a statistically significant impact on Asia-Pacific SME participation in International Production Networks (IPNs).<sup>5</sup>

**Figure 1 – Most important obstacles in export SMEs’ business operations (all sectors)**



Source: Duval and Utoktham (2014).

In this context, Joosep (2014) points out that the following WTO TFA articles are all concerned with increasing the predictability of customs and trade regulations and procedures: Article 1: Information Availability; Article 3: Advance Rulings; Article 6: Streamlining Fees & Charges; Article 7: Streamlining Release and Clearance of Goods; and Article 10: Streamlining Documentation and Administrative Procedures for Trade. As such, these might be of particular interest to policymakers for SME development.

<sup>5</sup> Their study also highlights availability of supply chain financing, as well as access to modern information technology and international quality certification as most crucial to SME participation in IPN. All three aspects, while related to the broader concept of trade facilitation, are not directly addressed by WTO TFA provisions. More generally, OECD-APEC’s 2006 SME internationalization survey of SMEs and policymakers notes that barriers to internationalization generally centre around capabilities, finance, and access. The business environment ranked only in the lower half of SMEs’ perceived top ten barriers to trade, and interestingly enough, barriers that trade facilitation measures are generally supposed to address were not always viewed as highly important.

Gain (2014) also points to Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency, as particularly relevant to SMEs, mentioning that accountability of Government, access to information, predictability and transparency are also key to SME participation in international trade. Meanwhile, Goh (2015) supports similar views, highlighting that SMEs’ biggest concerns usually involve an understanding of technical regulations & standards, assurance and predictability of trade procedures, ICT infrastructure and transit, as well as transparency.

Table 1 shows a list of identified barriers to SME internationalization, adapted from both a more general listing by UNECE as cited by Alburo (2010), and a country-specific listing for Myanmar by Abe & Dutta (2014). TFA measures related to each identified barrier to SME internationalization are specified in the table, revealing that implementation of TFA measures may help address 4 of the 8 broad categories of barriers to SME internationalization specified in table 1 (see also figure 1).

**Table 1: Bottlenecks to SME Internationalization and the WTO TFA**

<b>Bottlenecks to SME Internationalization<sup>6</sup></b>	<b>Directly addressed by which TFA measures?</b>
Absence of user-friendly legal and regulatory environment i.e. Business Enabling Environment (BEE) (Abe & Dutta, 2014)	All Articles
Lack of access to specialized information and knowledge on trade issues, <u>including</u> : <ul style="list-style-type: none"> <li>• lack of familiarity with trade facilities and customs procedures</li> <li>• weak supply chain linkages in external markets, barring access and integration to Global Value Chains (GVCs)</li> <li>• lack of awareness of the benefits and implications of Free Trade Agreements (FTAs)</li> </ul>	Art. 1, 2, 23, supplemented by publication provisions under the rest of the articles, especially Art. 7 and 10
Poor institutional infrastructure between relevant government agencies and SMEs for coordination, consultation, and collaboration on trade issues	Art. 2, 13, 23.2
Inadequate and/or expensive access to financing	None
Non-conformity to international standards, lack of quality awareness and mutual recognition schemes (e.g. for packaging and labeling)	Art. 5, 10.3
Lack of access to and knowledge of the Internet and related emerging technologies for connectivity, including mobile technology, social networking, and other e-channels and e-commerce mechanisms	None
Socio-cultural barriers, such as the lack of an innovation or risk-taking culture in a society, language and culture barriers in foreign markets, or discrimination against entrepreneurs with underprivileged backgrounds (e.g. social, ethnic, gender and the like)	None
Lack of government-sponsored SME Business Development Services (BDS) provided by one-stop “SME Centres”, including: <ul style="list-style-type: none"> <li>• Research &amp; Development and other innovation facilities (e.g., for technology prototyping and testing), and the commercialization thereof (e.g. Intellectual Property Rights)</li> <li>• entrepreneurial, managerial and marketing skills development services</li> </ul>	None

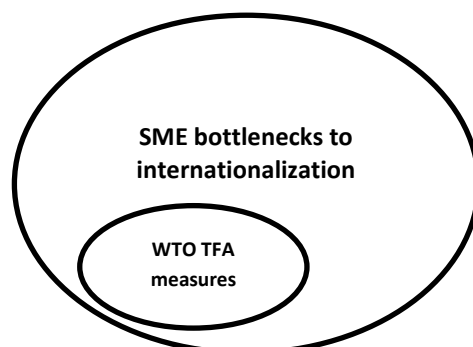
Source: Authors, modified from Alburo, 2010 and Abe & Dutta, 2014

Among the SME bottlenecks for internationalization that are specifically addressed by the TFA are (1) the lack of access to specialized information and knowledge on trade issues; (2) the lack of institutional

<sup>6</sup> In no particular order.

infrastructure for public-private sector consultations with SMEs; and (3) non-conformity to international standards.

**Figure 2- SME bottlenecks to internationalization vs. TFA**



Notably, while all TFA articles – including the ones above – essentially address the ubiquitous SME problem of bureaucracy and red tape by collectively contributing to a better Business Enabling Environment, the second column in Table 1 highlights that not all major SME bottlenecks to international trade are specifically addressed by the TFA (see figure 2). Indeed, the WTO agreement does not cover such key issues as (1) the lack of government-sponsored Business Development Services (BDS) provided by “SME Centres”; (2) inadequate or expensive access to financing; and (3) socio-cultural barriers to entrepreneurship. Mainstreaming WTO TFA measures into the broader - and often existing - SME policy frameworks therefore appear to be a practical and effective approach.

### **III. Integrating the WTO TFA in SME Development Policy**

This section provides suggestions on how measures under the TFA can be integrated into existing SME development policies, by incorporating them into existing programmes, funding schemes, and capacity-building programmes for SMEs implemented in coordination with National Committees on Trade Facilitation (NCTFs)<sup>7</sup>. In this analysis, the Singaporean model for SME Policy has been adopted as a reference – though by no means exhaustive – model (see table 2).

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<sup>7</sup>NCTFs are further discussed in Section A.3 Public Consultation Platforms.

Table 2: Singapore's SME Policy Programmes and WTO TFA

Singapore's SME Policy 2015 <sup>8</sup>	Relevance to TFA
<p><b>SME Centres</b> Integrated one-stop centres where SMEs can access information, seek advice on a wide range of assistance programmes from relevant government agencies and private sector organizations.</p>	Can be used to provide information on trade procedures and identify SME needs (Art. 1, 2, 23)
<p><b>Productivity and Innovation Credit (PIC)</b> This provides cash bonuses and rebates to help SMEs defray improvements in productivity and Intellectual Property (IP) in-licensing.</p>	n/a
<p><b>Industry Collaboration</b> Government and industry associations such as Trade Association and Chambers (TACs) work together on collaborations to create and deploy scalable solutions to sector-wide productivity issues faced by companies, co-funded by the Government.</p>	n/a
<p><b>SME Talent Programme</b> Targets recruiting local talents from ITE and Polytechnic students to join SMEs.</p>	n/a
<p><b>Market Readiness Assistance (MRA) Grant</b> Grants consultancy advice for SMEs on market assessment, market entry and business restructuring through internationalization. These also include assistance on market research, legal and tax regulations.</p>	Can include or be extended to trade facilitation aspects (Art. 1)
<p><b>Local Enterprise and Association Development (LEAD) Programme</b> Allows in-market intermediaries to help SMEs identify and harness business opportunities.</p>	n/a
<p><b>Partnerships for Capability Transformation (PACT)</b> Supports collaboration between SMEs and large enterprises in areas such as co-innovation, technology test-bedding, knowledge transfer and sharing best practices.</p>	n/a
<p><b>Capability Development Grant (CDG)</b> Supports SMEs by co-funding up to 70 per cent of their productivity improvement and capability development costs for ten support areas:</p> <ol style="list-style-type: none"> <li>a. Business innovation and design</li> <li>b. Business strategy development</li> <li>c. Brand development</li> <li>d. Enhancing quality and standards</li> <li>e. Financial management</li> <li>f. Human capital development</li> <li>g. Intellectual property and franchising</li> <li>h. Productivity improvement</li> <li>i. Service excellence</li> <li>j. Technology innovation</li> </ol>	Can include or extend to capacity-building for TF (e.g., knowledge and application of international standards for paperless trade, or of relevant certification and/or conformance procedures)
<p><b>Internationalization schemes</b>, reducing certain internationalization risks to help SMEs thrive in foreign markets</p> <p>Double Tax Deduction for Internationalization, allows Singaporeans posted overseas to receive tax deductions.</p> <p>International Growth Scheme, includes a lower tax rate on incremental income for qualifying overseas activities</p>	Can be extended to special TF services such as SME Programmes for Authorized Economic Operators and Single Windows or reduced fees and charges

Source: Ministry of Trade and Industry Singapore, 2015

As evident from table 2, SME Centres are often an important component of national SME development strategies. They are special facilities typically targeting new and young developing businesses,

<sup>8</sup>In no particular order.

providing them with premises, infrastructure, and a comprehensive range of services, with a focus on "soft" advisory and support services (OECD-UNIDO, 1999). This usually includes business startup assistance combined with the provision of shared office space, ICT hardware and software, and equipment, as well as free or subsidized services such as financing and venture capital, laboratory testing, and Intellectual Property Rights (IPR) - collectively termed "Business Development Services" (BDS) in the Singapore's SME Policy framework.

The Hong Kong Trade and Development Council's (HKTDC)'s SME Centre offers similar business support services, helping SMEs to identify new and reputable business contacts, providing up-to-date business information on overseas markets and industry trends, and hosting various workshops on topics such as marketing trends, how to start and run a business, and SME management. Australia, Indonesia, China and the Philippines all have also set-up SME centres.

SME Centres<sup>9</sup> can be extended to become physical and virtual hubs for trade facilitation services, to be provided alongside other business development services. The Centres can be used to provide SMEs with easier access to relevant publications and information on trade procedures. They can also provide special services and shared facilities for submission or processing of relevant regulatory documents. Importantly, they can also serve as decentralized SME-focused stakeholder consultation platforms to provide inputs to the National Committee on Trade Facilitation. This approach can address multiple TFA Articles, including: Art. 1: Information, Art. 2: Consultations, and Art. 23 Institutional Arrangements.

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<sup>9</sup> Including business incubators

## A.1 Trade procedure information dissemination to SMEs

### Related WTO TFA Article /Sub-Articles\*

#### Art. 1 Publication and Availability of Information

*Member States are required to publish promptly - as well as make available online - comprehensive information on trade procedures and requirements. They are also required to create national enquiry points to answer stakeholder queries and provide forms and documents for trade procedures.*

\*Adapted from ITC's WTO TFA Business Guide for Developing Countries (2013).

SMEs tend to incur higher costs and spend more time in getting market, regulatory and other information compared to larger firms who often have dedicated staff or resources at their disposal to monitor such information (Albuero, 2010). Trade information should be made available through SME Centres and “virtual enquiry point” websites or call centres, and regularly circulated through as many communication channels as possible, including through SME associations, as well as briefings, seminars or trainings organized by relevant government agencies. Information sharing through mobile/smartphone services may be prioritized given the popularity of such devices among SMEs. Regardless of the channel, published information should be “prompt, non-discriminatory and easily accessible” (UNCTAD, 2014) as well as simple and concisely written so as to be quickly understood by SMEs.<sup>10</sup> A number of good practices are provided below.

Singapore's [SME Centre@SMF](#) provides an ideal global model, with one-stop direct assistance to SMEs through business advisory services, business diagnostics, and information on government schemes and capability workshops. Singapore Customs also provides a [Mobile Service](#) for traders to receive updates on their shipments and inquire about information for 1) Declaration Status Enquiry, 2) Exchange Rate Search, and 3) Currency Converters. They also have [inSYNC](#), a bimonthly publication on trade topics. Lastly, the [Singapore Customs Academy](#) trains stakeholders in the trading community on technical capacities for customs compliance. The academy conducts modular classes, with 24-hour online access to information, which is ideal for SMEs with less flexibility in sending employees for training.

Among least developed countries in the Asia-Pacific Region, the [Trade Portal](#) of the Lao People's Democratic Republic is likewise a good model for developing countries, creating a single stop point for all import and export information for the country with assistance from the World Bank. In addition, to facilitate and thereby increase external trade activities with the rest of the world, the Department of Commerce, Government of India has developed an [Indian Trade Portal](#). International organizations have also produced several valuable projects: UNCTAD's Business Facilitation Programme is a web-based e-government system to help developing countries work towards business facilitation through transparency, simplification and automation of trade processes. It offers tools and participative methodologies to clarify and simplify procedures. Meanwhile, APEC's [Services Trade Access Requirements \(STAR\) Database](#) is a

<sup>10</sup> For linguistically diverse countries, content can also be provided in different local languages.

business-friendly online tool to help services providers from APEC economies by gathering information on services market access into a single, easily accessible knowledge bank, aimed at increasing business awareness of the regulatory requirements to trade. The South Asian Association for Regional Cooperation (SAARC) offer's a [trade promotion network](#) aimed at promoting business information services for importers and exporters including SMEs to make use of trade opportunities in South Asia.

However, even if the information is online, SMEs may still have difficulty getting access to internet facilities, navigating the web for information, and comprehending very technical or legal information and “translating” it into immediately useful content. Taking this into account, the Indonesian government has developed a “positive discrimination” strategy for MSMEs in rural areas, providing them with low cost (or free) ICT workshops and trainings, technical consultation assistance, special credit schemes to finance ICT system development, and lower priced email and internet connections subscriptions. This has been made possible in part through a public-private sector partnership with telecommunications company PT Telkom on the [SME Indonesia Bisa \(SIB\) programme](#), aimed at equipping 1 million SMEs with ICT skills by 2015 (Tulus, 2014).

Also, Republic of Korea's [Free Trade Agreement \(FTA\) Promotion and Policy Adjustment Authority](#) in 2007 started providing a national information programme on FTA policy, preferential tariffs and rules of origin, including seminars and consulting services, local assistance centres and a 24-hour call centre staffed with experts on FTAs to guide enterprises on how to benefit from FTAs and meet relevant procedural and documentary requirements under each agreement (Cheong, 2014).

## A.2 Authorized economic operator programme for SMEs

Among the WTO TFA measures, two of the more elaborate measures, i.e. Sub-Art. 7.7 Authorized Operators (AEOs) and Sub-Art.10.4 Single Windows, may require the development of special services for SMEs to ensure they may fully benefit from their implementation.

### ***Related WTO TFA Article\****

#### ***7.7 Authorized Operators***

*Member States are obliged to provide additional trade facilitation measures to ‘trusted’ operators who meet specified criteria, otherwise known as ‘authorized operators’ or ‘authorized economic operators’ (AEOs).*

*\*Adapted from ITC's WTO TFA Business Guide for Developing Countries (2013).*

Authorized Economic Operators (AEO) are parties involved in the international movement of goods in whatever function approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards (WCO, 2015). Accredited AEOs can receive trade facilitation perks such as rapid release, reduced documentation and data requirements, and fewer physical inspections



from customs authorities. Governments can create special **AEO Programmes for SMEs** that require less stringent criteria for SMEs to qualify for AEO status, or access to at least some AEO capabilities. They can likewise provide information and capacity-building to SMEs wishing to enter the validation process. Several economies have already initiated projects.

For example, [Hong Kong, China SAR](#) has two-tier accreditation criteria for businesses registering for AEO TF benefits, allowing SMEs to meet more basic criteria for the lower tier without having to make major changes or investments. It also exercises flexibility in the accreditation process as appropriate; [Korea](#) Customs provides SME consulting and educational support to help them acquire AEO certification, while shouldering 80 per cent of the costs for expenses; and [Jamaica](#) Customs grants flexibility to SMEs in fulfilling the new requirements of their AEO programme. Likewise, the [EU](#) has developed AEO Guidelines that include a specific section dedicated to SMEs. [France](#) Customs has developed a sponsorship project together with the *Union des entreprises de Transport et de Logistique de France* (TLF) to assist their SMEs to become AEOs. Under the project, large certified companies provide free support to SMEs, offering them training and helping them to review their process according to the AEO programme requirements, if needed. The World Customs Organisation (2014)<sup>11</sup> lists that China, India, Japan, Malaysia, New Zealand and Thailand in addition to the above all have operational AEO programmes.

### A.3 SME support for Single Windows

A single window permits traders to submit standardized trade documents to customs authorities through a single portal or “window” (WCO, 2015). Almost all the single window implemented today are electronic systems with a web-based interface through which information and documents between traders and regulators are exchanged in electronic form. If correctly designed and implemented, electronic single windows can greatly reduce trade documentation preparation time and costs. However, special attention needs to be taken to making the single windows accessible by SMEs, e.g., by providing technical consultation and training services to SMEs on registering and using the facility. Notable SME programmes for Single Window include:

***Related WTO TFA Article\****

***10.4 Single Window***

*Member States are required to use their best endeavor to simplify trade procedures through a single window for the submission of documentation and/or data requirements for trade, and where possible, make this electronic.*

*\*Adapted from ITC’s WTO TFA Business Guide for Developing Countries (2013).*

[Singapore's Single Window TradeNet System](#) , which offers a single integrated permit processing system between government agencies, also provides free services for SMEs, including document service

<sup>11</sup> Compendium of Authorized Economic Operator Programmes 2014 edition

centres where documents can be prepared and submitted on behalf of the SME for a nominal fee. Singapore involved the private sector in implementing its Single Window, creating three subcommittees covering sea shipping, air shipping, and government agencies mandated to specify functional requirements and propose data standards for trade procedures. [Thailand's](#) Electronic Transactions Development Agency (ETDA) and Office for SME Promotion (OSMEP) have developed a training programme for SMEs to access and use National and ASEAN Single Window (ASW). The [ASEAN Connectivity through Trade and Investment \(ACTI\) project](#) likewise hosts working group meetings to increase SME knowledge on Single Window and cargo clearance challenges, requisites, and expectations. Also as of June 2015, the Gujarat state government in India launched a single window system to support SMEs in the province.

#### **A.4 Reduced fees and charges for SMEs and expedited shipments**

Keeping in mind the smaller goods shipments of SMEs in contrast to larger firms, governments should lessen or waive superfluous fees, inspection procedures and paperwork for SMEs that satisfy a minimum shipment value or volume criteria, aimed at giving preference to the expedition of SME shipments in particular. This could save customs authorities and traders time, money, and paperwork, by giving up smaller value duties incomes that are not worth the effort they cost to collect, in favor of cost savings from improved clearance times. These measures generate much savings in human and information technology resources by not burdening the system with goods that have little relative effect on revenue collection (WTO, 2011).

##### **Related WTO TFA Articles**

###### **Art. 6: Fees & Charges**

*Member States are obliged to limit the size of fees and charges to the approximate cost of services rendered, including a regular review of regulations, and a publication requirement for all applied fees. Disciplines on the imposition of penalties are also required, to ensure that they are appropriate, proportionate, communicated in writing, and timely.*

###### **7.8 Expedited Shipments**

*Member States are obliged to adopt or maintain procedures for allowing the expedited release of 'at least' those goods entered through air cargo facilities.*

Similarly, while demand for air cargo facilities varies widely with the typology<sup>12</sup> of goods being shipped, the expedited shipment of these goods are nevertheless valuable for SMEs that ship products that have high value per unit density and/or are very time-sensitive (Bofinger, 2009). Good practices in this area

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<sup>12</sup>Apart from the type of goods, this also depends on their value, volume, logistics requirements, supply chain strategies, and other considerations. Air freight – which is costlier than both sea and land transport – is typically used for shipments of documents, production samples, perishable agricultural and seafood products, electronic consumer goods, pharmaceuticals and fashion garments, as well as emergency shipments of spare parts and some inputs to meet just-in-time production (Bofinger, 2009).

include the [United States' expedited shipment programme](#) which highlights the importance of (1) setting a *de minimis* value (all goods valued at less than that amount enter free of duty), and (2) not restricting the type of goods that can pass through the channel by setting arbitrary weight or value limitations. [Canada's One-for-One Rule](#) also requires Canadian policymakers to remove a regulation every time they introduce a new law or regulation that imposes new administrative burden costs on business.

Interestingly, the [European Commission](#) has also adopted innovative legislations aimed at minimizing regulatory burdens for SMEs, including trade facilitation measures such as: 1) Lithuania's waiving of guarantees for activities in excise warehouses for small breweries; 2) allowing SMEs from EU Member States that have products for inspection by the European Medicines Agency or use their scientific advice or services to benefit from fee reductions of 90 per cent.

## A.5 National Committees on Trade Facilitation and SMEs

Beyond mechanisms to facilitate trade facilitation information sharing with SMEs and enabling them to benefit from various WTO TFA measures through special services or incentive programmes, it is also important that the views of SMEs be heard as implementation of these and other measures proceed. In contrast to larger firms, SMEs are often less well-coordinated and usually have the smallest voice when it comes to lobbying for favorable laws and regulations. They often have less knowledge of and access to public consultation platforms in general, and often lack the extensive information networks of larger firms such as through government contacts, industry associations, or international networking events that typically circulate this information in the business community.

### Related WTO TFA Article /Sub-Articles\*

#### **Art. 2:** Opportunity to Comment, Information before Entry into Force, and Consultations

*Member States are obliged to regularly consult relevant stakeholders on their customs concerns, especially for the creation or amendment of laws or regulations related to trade.*

#### **Art. 23:** Institutional Arrangements

*Member States are obliged to form or maintain a national committee on trade facilitation, or designate an existing mechanism, mandated to facilitate domestic coordination and implementation of the agreement.*

\*Adapted from ITC's WTO TFA Business Guide for Developing Countries (2013).

Ideally, SMEs should be well represented and made key members of NCTFs. For instance, [the Republic of Korea](#) established a national trade committee with participants from private industry associations, including those for small and medium-sized enterprises (SMEs). However, finding good representation of SMEs is often a challenge given widely divergent private sector interests across sectors and firms, and often poorly organized private sector associations in low income countries.

In that regard, government agencies that regularly interact with SMEs through entrepreneurship or financing programmes may plan an active role in identifying trade facilitation needs and enabling consultations on pending trade facilitation reforms, including through SME Centers. These agents should be innovative in leveraging existing SME networks and technologies through existing newsletters, web-based services such as chat or online forums, social media, or mobile technology to ensure that the information reaches the intended SME audience.

More generally, policies should be crafted to ensure that SME associations are appropriately organized, informed [or educated] and represented and able to participate in public fora for customs issues.<sup>13</sup> For instance, Canada offers a good example of SME representation, with [Small Business Lens Checklist](#) that provides a list of SME considerations for Canadian policymakers that encourages consultation at the earliest stages of policy and programme development. The World Customs Organization (WCO) also has a similar [model checklist](#) available for Customs administrations to review their policy and programmes from the perspective of SMEs.

As a matter of fact, SMEs specificities in developing countries (e.g. limited resources, language barrier, limited awareness on administrations' offer of services and located outside capital cities...) call for specific solutions. Therefore, more than the obligation arising from each measure of the WTO TFA, it is the implementation modalities of the agreement that matters for the SMEs. Article 1.3 of the TFA on Enquiry Points (EP) can be used to illustrate this point.<sup>14</sup> Indeed, compliance with this provision can be achieved through several different implementation modalities. A physical enquiry point could be set-up in the capital city, an internet hotline could be embedded in the Ministry of trade website or alternatively a call center could be relocated to a third country. However, none of these implementation strategies would fully benefit SMEs. In order to improve transparency and availability of information for SMEs, other modalities should be considered, such as (a) EP at border posts and / or in cities outside the capital, (b) provision of free terminals connected to the trade facilitation portal with dedicated staff to assist and coach the users and (c) Providing EP service in local languages. Such SME-friendly modalities are likely to be easier to implement by mainstreaming trade facilitation into SME development programmes rather than developing separate and possibly duplicative solutions as part of TFA implementation.

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<sup>13</sup> Larger "big brother" firms and associations in the business community (that usually form SMEs' supplier or client networks) - and have more policy sway - could likewise be tapped to help consolidate the SME community and lend lobbying influence when needed. Notably, this ultimately benefits the entire supply chain, including the larger firms themselves.

<sup>14</sup> Another example would be implementation of the Electronic Payments provision. The TFA is not prescriptive on the modalities through which countries should provide e-payment services to traders. In this context, SME friendly implementation modalities such as mobile money may be prioritized, rather than bank transfers or credit card payment.

#### IV. WTO TFA implementation and Trade Facilitation for SMEs: Way Forward

Streamlining customs and other trade procedures inherently contributes to making international trade more sustainable and inclusive, increasing the chance that SMEs will be able to more directly engage in international trade. While the SMEs certainly face a host of other challenges in their efforts to “internationalize”, the WTO TFA is a significant step in the right direction. In order for all SMEs to fully benefit from implementation of the agreement, governments may consider taking affirmative action in favor of SMEs. This may be done by mainstreaming WTO trade facilitation measures into SME development policy frameworks that often already exist in many developing economies.

This report highlighted the potential role of SME Centres to disseminate information on trade procedures, facilitate SME consultations on trade facilitation matters, and to provide special services for SMEs to participate in AEO programmes and access single window facilities.<sup>15</sup> Going forward, authorities and agencies in charge of trade facilitation and SME development (which are in many countries under different ministries) may consider jointly taking the following steps as part of WTO TFA implementation:

- 1- Review the national SME development policy framework to identify whether and which WTO TFA measures are already included or related to different components of the framework.<sup>16</sup>
- 2- Organize workshops and consultations with SMEs on trade facilitation to identify their key concerns/interest in relation to the implementation of measures included in the WTO TFA.<sup>17</sup>
- 3- Based on the review and outcomes of the workshops, develop SME-specific TF support measures and services to be integrated into the overall SME development and internationalization framework.
- 4- Ensure adequate SMEs representation in the National Committee on Trade Facilitation<sup>18</sup> and include the TF support measures and services to SMEs in the domestic coordination and implementation mandate of the NCTF.

Importantly, while the WTO TFA implementation provides a unique opportunity and incentive to accelerate trade facilitation reform, trade facilitation for SMEs may not be limited to the measures featured in that agreement. Indeed, it has long been recognized that a holistic “whole of supply chain” approach to trade facilitation may be most effective in identifying and streamlining trade procedures.<sup>19</sup> The BUY-SHIP-

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<sup>15</sup> TFA provisions highlighted for SME-specific policy consideration were: Art. 1: Information Publication, Art. 2: Opportunity for Comment, and Art. 23: Institutional Arrangements, which are concerned with information dissemination, exchange, and transparency, and can be directed to SME channels of communication; Art. 6: Fees & Charges and Art. 7.8: Expedited Shipments, which provide opportunities to positively discriminate SMEs and facilitate small-size high-value shipments; Art. 7.7: Authorized Operators and Art. 10.4: Single Window, which can be tailored-fit to create special benefits for smaller firms through SME AEO and Single Windows Programmes.

<sup>16</sup> Particular reference may be made to the special WTO-TFA related SME services and good practices introduced earlier in the report.

<sup>17</sup> The new ITC training guide on <http://www.intracen.org/publication/SMEs-and-the-WTO-Trade-Facilitation-Agreement-A-training-manual/> may be a useful basis for introducing SMEs to the WTO TFA content.

<sup>18</sup> In particular, it is important to ensure that small and medium producers/manufacturers involved in trade are included - rather than only SME traders and/or trade service providers.

<sup>19</sup> See ADB and UNESCAP (2013), among others.

PAY international supply chain model developed by UN/CEFACT remains an essential reference in this regard, along with the UNNExT Business Process Analysis Guide to Simplify Trade Procedures.<sup>20</sup>

The growing reliance on electronic and paperless trade systems to implement trade facilitation reform, although neither emphasized nor mandated in the WTO TFA, is also an important trend that has implication for SME trade facilitation.<sup>21</sup> SME often lack capacity to access or use the new IT systems or services being put in place. Recognizing this, workshops or consultations with representatives from a variety of SMEs and SME representatives may be held to discuss the entire trade process and implications associated with its gradual digitalization. Discussions could focus on identifying the following: (1) what trade information and documents are already exchanged electronically, (1a) what could be done to further facilitate participation by SMEs in such electronic exchanges; (2) what information and documents are not yet exchanged electronically, (2a) whether or not it would be useful for SMEs if these information and documents could be exchanged electronically; (3) what human resource capacity building and/or other facilities are needed to enable SMEs to benefit more from such electronic procedures, e.g. mobile applications. Commercial procedures, transport procedures, regulatory procedures, and payment procedures may be discussed separately, keeping in mind however that they are often very much inter-dependent and all equally important in enabling SMEs participation in the fast growing cross-border e-commerce.<sup>22</sup>

A last suggestion that may be made on facilitating trade for SMEs is to encourage all agencies responsible for updating or issuing new trade regulations and procedures to systematically review their implications on small businesses and consider providing flexibilities for such type of enterprises. A *Regulatory Review Checklist for Small Business Trade Facilitation* is provided in Appendix 1 to facilitate such review. Based on a Small Business Lens Checklist developed by Canada, it introduces the concept of Reverse Onus to trade regulation and procedure design, with government agencies requested to consider various alternative options for putting the regulation in place and providing reasonable justification for not selecting the lower-cost option for small business in terms of administrative or compliance costs.

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<sup>20</sup> [http://unnex.unescap.org/tools/business\\_process.asp](http://unnex.unescap.org/tools/business_process.asp)

<sup>21</sup> Refer to the results of the UNRC Global Trade Facilitation and Paperless Trade Implementation Survey 2015, available at: <http://unnex.unescap.org/UNTFSurvey2015.asp>

<sup>22</sup> e-commerce services are among the SME Business Development Services (BDS) that the TFA does not directly address but are highly relevant to trade facilitation. [Korea's uTradeHub](#), the electronic single window system of the Republic of Korea, aims to facilitate the entire international trade processes from Contract, Finance, Certification/Licensing, Customs, Logistics, to Cross Border Transaction, where SMEs can use e-trade services in marketing, foreign exchange transactions, negotiations with potential buyers and sellers, logistics, customs procedures, and payments. [China's Alibaba](#) is an example of a third-party e-commerce provider that manages several online cross-border business-to-business (B2B) and business-to-consumer (B2C) platforms enabling global and local SMEs to trade internationally, including by providing low cost e-payment solutions. Republic of Korea has added cross-border e-commerce support to the list of services it provides through its regional export support centre (see Appendix 2).

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## Appendix 1 – UNNExT Regulatory Review Checklist for Small Business Trade Facilitation<sup>23</sup>

This checklist is intended to be systematically filled by the responsible government officer as part of the development of any new regulations or procedures related to international trade transactions to ensure SME considerations are taken into account before the new regulation/procedure is issued. It may be modified and adapted to each country context.

1. Name of the agency issuing the regulatory proposal:

2. Title of the regulatory proposal:

If the answer to any of the questions below is no or N/A, please include a short justification in the box below the question.

### A. Small Business Regulatory Design

I	Communication and Transparency	Yes	No	N/A
1.	Are the proposed regulations or requirements easily understandable in everyday language?			
Justification if answer is no or N/A:				
2.	Is there a clear connection between the requirements and the purpose (or intent) of the proposed regulation?			
Justification if answer is no or N/A:				
3.	Will there be an implementation plan that includes communications and compliance promotion activities, that informs small business of a regulatory change and guides them on how to comply with it (e.g., information sessions, sample assessments, toolkits, websites, etc.)?			
Justification if answer is no or N/A:				
4.	If new forms, reports or processes are introduced, are they consistent in appearance and format with other relevant government forms, reports or processes?			
Justification if answer is no or N/A:				

<sup>23</sup> Adapted from the Small Business Lens Checklist of the Treasury Board of Canada Secretariat (<http://www.tbs-sct.gc.ca/>).

II	Simplification and Streamlining	Yes	No	N/A
1.	Will streamlined processes be put in place (e.g. single window) to collect information from small businesses where possible?			
Justification if answer is no or N/A:				
2.	Have opportunities to align with other obligations imposed on business by national, international or multinational regulatory bodies been assessed?			
Justification if answer is no or N/A:				
3.	Has the impact of the proposed regulation on international trade been assessed?			
Justification if answer is no or N/A:				
4.	If the data or information, other than personal information, required to comply with the proposed regulation is already collected by another national agency, will this information be obtained from that national agency instead of requesting the same information from small businesses or other stakeholders?			
Justification if answer is no or N/A:				
5.	Will forms be pre-populated with information or data already available to reduce the time and cost necessary to complete them?			
Justification if answer is no or N/A:				
6.	Will electronic reporting and data collection be used, including electronic validation and confirmation of receipt of reports where appropriate?			
Justification if answer is no or N/A:				
7.	Will reporting, if required by the proposed regulation, be aligned with generally used business processes or international standards if possible?			
Justification if answer is no or N/A:				
8.	If additional forms are required, can they be streamlined with existing forms that must be completed for other government information requirements?			
Justification if answer is no or N/A:				

<b>III</b>	<b>Implementation, Compliance and Service Standards</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1.	Has consideration been given to small businesses in remote areas, with special consideration to those that do not have access to high-speed (broadband) Internet?			
Justification if answer is no or N/A:				
2.	If regulatory authorizations (e.g., licences, permits or certifications) are introduced, will service standards addressing timeliness of decision making be developed that are inclusive of complaints about poor service?			
Justification if answer is no or N/A:				
3.	Is there a clearly identified contact point or help desk (i.e. SME Center) for small businesses and other stakeholders?			
Justification if answer is no or N/A:				

## B. Regulatory Flexibility Analysis and Reverse Onus

<b>IV</b>	<b>Regulatory Flexibility Analysis</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1.	Is there at least one flexible option that has lower compliance or administrative costs for small businesses? Examples of flexible options to minimize costs are as follows: <ul style="list-style-type: none"> <li>• Longer time periods to comply with the requirements, longer transition periods or temporary exemptions;</li> <li>• Performance-based standards;</li> <li>• Partial or complete exemptions from compliance, especially for firms that have good track records (legal advice should be sought when considering such an option);</li> <li>• Reduced compliance costs;</li> <li>• Reduced fees or other charges or penalties;</li> <li>• Use of market incentives;</li> <li>• A range of options to comply with requirements, including lower-cost options;</li> <li>• Simplified and less frequent reporting obligations and inspections; and</li> <li>• Licences granted on a permanent basis or renewed less frequently.</li> </ul>			
Justification if answer is no or N/A:				
2.	Is there any study which quantified and monetized compliance and administrative costs for small businesses associated with the initial option assessed, as well as the flexible, lower-cost option?			
Justification if answer is no or N/A:				

3.	Is there any evaluation of the risks associated with the flexible option? (Minimizing administrative or compliance costs for small business cannot be at the expense of greater health, security, safety or environmental risks)			
	Justification if answer is no or N/A:			
4.	Is there any summary of feedback provided by small business during consultations?			
	Justification if answer is no or N/A:			
<b>V</b>	<b>Reverse Onus</b>			
1.	If the recommended option is not the lower-cost option for small business in terms of administrative or compliance costs, does a reasonable justification exist?			
	Justification if answer is no or N/A:			

## Appendix 2 – Republic of Korea’s Regional Export Support Centre and TradeNavi for SMEs

To provide structured and hands-on support for export SMEs, the Ministry of Trade, Industry and Energy (MOTIE) established ‘Regional Export Support Center’ at 11 regional Small and Medium Business Administration (SMBA) offices in 1999. This initiative was backed by legislation (the revised Act on Foreign Trade, Presidential Decree 16351) and experts were dispatched from 10 government agencies supporting SMEs: SMBA HQ, KOTRA, Small and Medium Business Cooperation, K-Sure (Korean government trade insurance company), Korea Export Import Bank, Korea Institute of Design Promotion (KIDP), KOTEC (a non-profit government agency responsible for operating the loan guarantee scheme specifically for high-tech SMEs in Korea) and Korea Credit Guarantee Fund (KODIT). In 2007, the center opened a web portal and migrated all services to <http://exportcenter.go.kr>. SMEs can apply for services through this portal. The main services offered are:

- Export capacity assessment and export capacity building program
- FTA and export consulting business (including foreign exchange and legal affairs) for SMEs
- Offering service of credit information of foreign buyers
- Provide information such as export statistics, overseas exhibition schedule and so on for overseas market developing
- Foreign countries’ national standard of goods database and support for foreign certification process including funding for certification to overcome technical barriers to trade
- Information of international procurement market
- Service to support offset trade of military supplies
- Translation and Interpretation service
- Discount for international call
- Supporting and training on cross-border e-commerce marketing and business opportunity finding, including through e-Marketplaces and development of online marketing materials

With the emerging trend of cross-border e-commerce, SME export center has strengthened the capacity building program on cross-border e-commerce marketing as part of an ‘SMEs’ online export support program’. The center supports the development of online shop establishment and teaches techniques for global e-marketplace marketing and online business opportunity findings (for example, how to be well exposed on popular websites and rank high in google search results).

Another initiative of Korean government for SME’s export is TradeNavi service. In 2011, MOTIE opened an internet portal service (<http://tradenavi.or.kr>) providing export-related service and information for SMEs. Through this portal, MOTIE provide one-stop information services connecting systems of the following 34 organizations. From 2014, they expanded information on trade barriers of importing countries that SMEs may encounter in 58 countries.

Governments	Public agencies	Associations
MOTIE Korea Agency for Technology and Standards Korea Customs Services Ministry of Foreign Affairs Small and Medium Business Administration Defense Acquisition Program Administration	KOTRA Small and Medium Business Cooperation K-Sure Korea Credit Guarantee Fund Korea Internet and Security Agency Korea Creative Contents Agency Korea Testing Laboratory Agency for Defense Development KOSTI Korea Export and Import Bank	Korea International Trade Association Korea Chamber of Commerce and Industry Korea Federation of SMEs Korea Association of Machinery Industry Association of Korea Exhibition Industry

These SME specific initiatives complement the e-trade services provided through the uTradeHub single window platform at: <https://www.utradehub.or.kr/>.