



Governments must use all economic levers to support micro-, small- and medium-sized businesses (**MSMEs**) during the unprecedented crisis of the novel coronavirus (COVID-19) pandemic. MSMEs, which comprise 90% of companies across the globe and more than 50% of the world's total employment, are both heavily exposed to the disruption and critical to the recovery.

We believe that trade policy has a vital role to play in enabling MSMEs to weather the COVID-19 crisis and drive a rapid economic recovery. We therefore call on governments to urgently take the following 10 steps to Save Our SMEs. By enabling MSME participation in international trade we have an opportunity to limit economic losses, protect jobs and set strong foundations for renewed economic growth.

## THE IMMEDIATE RESPONSE: LIMITING THE DAMAGE OF COVID-19

- 1. Improve access to information on trade policy changes.** Survey data shows that MSMEs frequently cite a lack of information about the workings of foreign markets as a central obstacle to international trade. MSMEs typically have limited resources to monitor potentially complex changes in tariff and non-tariff restrictions—including changes to customs procedures. In a rapidly changing environment, it is therefore vital that governments take several important steps to promote easy access to information on new trade measures, specifically:
  - a.** First, governments should establish websites on domestic measures taken—both restrictive and liberalising—to serve as a one-stop-shop for business and assist monitoring efforts by international organisations and service providers.
  - b.** Second, governments should consider engaging chambers of commerce to help obtain real-time information on supply chain difficulties faced by local companies, to enable rapid responses and disseminate government advice through trusted business channels. Such an approach has already been adopted to positive effect in a number of economies—including Germany—and we encourage all governments to follow this lead.
  - c.** Third, at the international level, governments must ensure the World Trade Organization (WTO), the World Customs Organization (WCO) and the International Trade Centre (ITC) are empowered to robustly monitor and report on all national trade and customs measures in a complementary manner so that MSMEs can understand measures taken in foreign markets in which they trade.
  - d.** Fourth, governments must go beyond the minimum notification requirements of WTO law to ensure measures are reported in real time—every day matters in responding to the economic fallout from COVID-19.
  - e.** Fifth, governments should actively promote existing tools which can help local businesses to monitor trade policy changes, such as the Global Trade Helpdesk (the portal developed by ITC, the United Nations Conference on Trade and Development (UNCTAD) and WTO to help MSMEs navigate trade and market intelligence challenges) and ePing (a free service for businesses to receive email alerts on new Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) notifications developed by WTO, ITC and the UN).

2. **Commit to saving MSMEs without sliding into protectionism.** Available research suggests that tariff barriers have a disproportionately heavy impact on the performance of MSMEs—eroding narrow margins or rendering them uncompetitive in price sensitive markets. Any tit-for-tat escalation in tariffs in response to the crisis would further exacerbate the impact of COVID-19 on MSME failure rates and associated job losses. Given many of the domestic measures necessary to support MSMEs involve major economic interventions, governments must be careful to design measures in a way that is compatible with their international trade law obligations.
3. **Extend timeframes for payments of customs duties and fees.** Many traders, especially MSMEs, are facing severe cash flow problems and difficulties operating due to lower demand and longer customs processing times. Governments should ease the burden on companies by extending the payment of all customs duties, taxes and fees—starting with a 90-day extension, subject to further review as appropriate—similar to the tax deferrals many countries are implementing to improve business cash flow.
4. **Keep supply chains functional and cost efficient.** Logistics tend to cost more for MSMEs than large enterprises. COVID-19 induced surges in freight and cargo rates therefore risk placing a disproportionate burden on small businesses—potentially rendering them uncompetitive in foreign markets. While we recognise that precautionary border measures currently affecting the cross-border transit of goods may be required to fight the pandemic, we encourage governments to ensure they are designed in a way that is temporary, minimally restrictive and can easily snap-back. If they are not, the risk of further damage to MSMEs—and jobs—will be increased, and a future economic recovery severely hampered.
5. **Enable paperless trade.** Despite rapid advances in digitisation in recent years, trade remains notoriously reliant on paper-based processes. Protective measures for COVID-19 have exposed the inherent weakness in this system—with difficulties in the physical exchange and review of trade documents creating significant bottlenecks to global trade. These bottlenecks have placed a further cost burden on struggling MSMEs—and risk further impairing their cash-flow as a result of delays processing associated financial instruments. Governments can easily and quickly remedy this situation by taking two immediate measures to enable paperless trading.
  - a. First, governments should follow the lead of many governments which are voiding legal requirements for trade documentation (such as bills of lading, promissory notes and commercial invoices) to be in hard copy.
  - b. Second, governments should adopt the UNCITRAL Model Law on Electronic Transferable Records, which provides a robust legal framework for the use of electronic trade documents both domestically and across borders. Equally important, such measures will help MSMEs operate now but also drive efficiency in the longer-term.

## SHORT TERM: MITIGATING FURTHER DISRUPTION

6. **Keep trade finance flowing.** While we welcome significant interventions in recent weeks by governments, regional development banks and international financial institutions, we urge policymakers to remain alert to any emerging gaps in the provision of trade finance in the coming months. Prior to the crisis, the ability of MSMEs to enter global markets was heavily impaired by an estimated US\$1.5 trillion trade finance gap—and it is therefore vital that the market is “pump-primed” to ensure ready access to trade credit as demand returns to the global economy. To this end, we encourage all governments to temporarily

include short-term credit within the remit of their respective export credit agencies and to consider approving a further expansion of development bank support schemes should market data indicate further interventions are required. Further, we encourage governments to consider interventions to support supply chain financing—leveraging the value chains of high-quality buyers—to provide essential working capital to MSMEs at relatively low risk.

## MID-TERM: LEVELLING THE TRADING FIELD FOR MSMEs TO BUILD BACK BETTER

- 7. Invest in digital infrastructure to make trade work for all.** Policy frameworks will only go so far in the absence of adequate infrastructure. In many parts of the world, COVID-19 has exposed chronic underinvestment in digital infrastructure, including in the customs, logistics and trade sectors. Immediately prioritising investment in critical digital infrastructure will help MSMEs monitor developments, transition to virtual operations, and ultimately pursue trading opportunities as economies gradually open up again. Donor assistance should be provided to countries that are most in need—including through a significant scaling of e-trade capacity building programmes
- 8. Prioritise trade facilitation reforms.** WTO and World Bank studies have shown that trade facilitation reforms can have an outsized impact on the ability of MSMEs to trade internationally. We urge all WTO Members to commit to rapid implementation of the Trade Facilitation Agreement and encourage the utilisation of innovative partnership models—such as the [Global Alliance for Trade Facilitation](#)—to enable identification of reforms that can provide the greatest benefits to MSMEs.
- 9. Join and give priority to the WTO MSME Joint Statement Initiative negotiations.** Over 90 countries have been negotiating to improve the participation of MSMEs in international trade and recognise the significant role of MSMEs in job creation and economic growth, while also taking into account the specific needs of those in developing countries. These welcome initiatives would have much greater impact if more countries joined discussions, pushed for concrete deliverables in the group's ministerial recommendations and demonstrated the political commitment to prioritise improving MSME access to the trading system. Furthermore, of all the WTO's current negotiations, the nature of the MSME discussions lend themselves best to digital exchanges and should be continued online.
- 10. Keep up momentum on the ultimate stimulus package—WTO reform.** While governments must of course deal with the crisis at hand, they should also not lose the opportunity to achieve long-lasting systemic change to the multilateral trading system. COVID-19—with its dramatic freezing of international trade and major economic consequences—has only heightened the already urgent need to build a modern global trading system that works for all. WTO Members should double-down on ambitious WTO reform and not use COVID-19 as an excuse for inaction. A comprehensive WTO reform package would provide a much-needed confidence boost to companies and investors in the face of unprecedented economic uncertainties.

ICC stands ready to work with governments and businesses to help resolve the crisis at hand and rebuild for the future. These policy settings represent the best chance we have to [Save Our SMEs](#) and ensure trade works for the benefit of all.

#### ABOUT THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 100 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.



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