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**Ensuring Inclusiveness and Equal Opportunity for
Small and Medium-Sized Enterprises Through
Competition Related Provisions of Free Trade
Agreements**

Submitted by: CMX Partnerships



**Free Trade Area of the Asia-Pacific Policy
Dialogue on Competition Related Provisions
from a Business Perspective
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Ensuring inclusiveness and equal opportunity for SMEs through competition related provisions of FTAs

By Juan Navarro

Policy Dialogue on Competition Related Provisions
from a Business Perspective | September 2020

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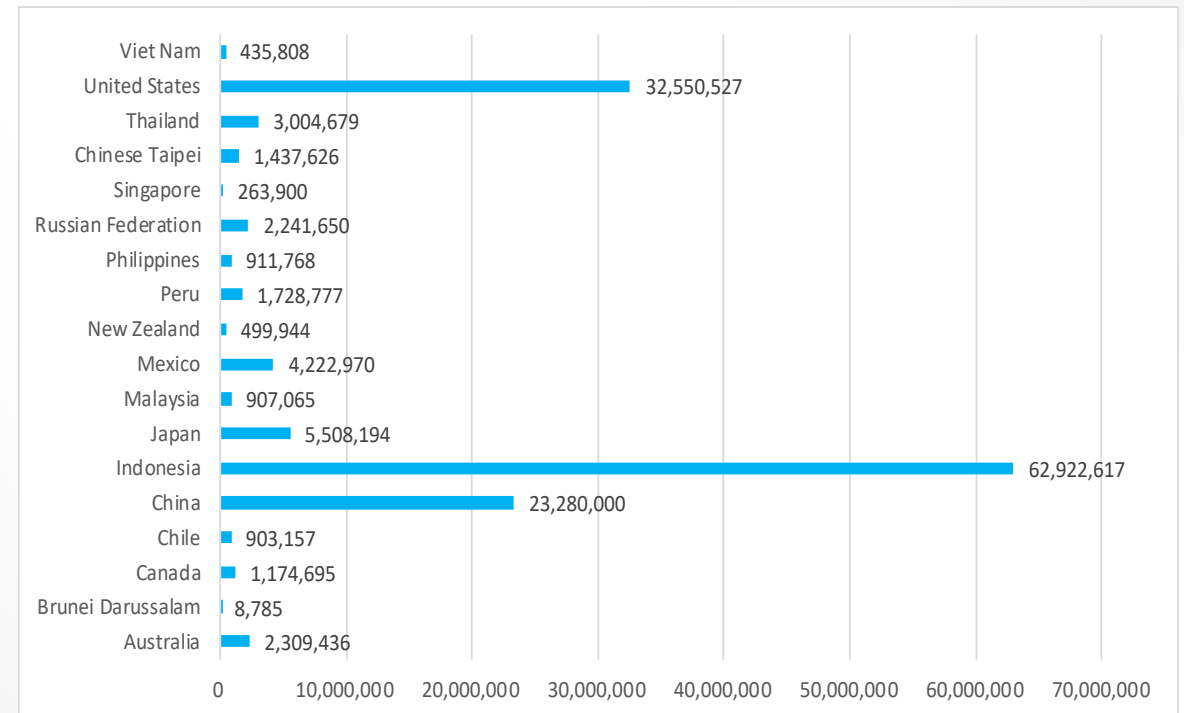
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I. RELEVANCE OF SMALL AND MEDIUM ENTREPRISES (SMES)

- A report co-published by the WTO and the World Bank indicated that **SMEs account for between 60 and 70 percent of employment and between 80 and 99 percent of businesses in the world.**
- Following the same pattern **in Asia Pacific, SMEs represent a driving force** whose contribution adds more than half the jobs, and over 97 percent of the total of companies.
- Based on information from the SME Finance Forum, the number of formally registered **MSMEs in the region is above 144 million.**

Number of MSMEs
APEC Economies and Number of Enterprises



Source: Navarro, J. (Author) based on the SME Finance Forum. MSME Economic Indicators Database 2019

Note: no information available for Hong Kong China, Rep. of Korea and Papua Guinea

II. SMES ARE NOT PARTICIPATING IN GLOBAL TRADE ACCORDING TO THEIR POTENTIAL

- I. Even with the extraordinary presence of SMEs worldwide, **these enterprises are not participating in global trade according to their potential**, which has prevented them from reaping the benefits of regional supply chains.
- II. **The APEC region is the same as the rest of the world**, with SMEs suffering from lack of integration, and the consequences are their **low participation in international trade and FTAs**.
- III. **It is imperative to consider SMEs** including underrepresented groups namely women, indigenous groups and young entrepreneurs in the design and negotiations of FTAs, improving their **capacity to engage in global markets**, and developing provisions that guarantee their **inclusion, a level playing field to compete and solutions to the most pressing challenges** that SMEs face today.

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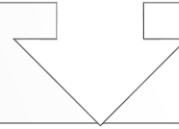
The Doing Business Report: Ranking APEC economies

Economy	Ease of Doing Business (Global rank)	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
New Zealand	1	1	7	48	2	1	3	9	63	23	36
Singapore	2	4	5	19	21	37	3	7	47	1	27
Hong Kong SAR, China	3	5	1	3	51	37	7	2	29	31	45
Korea, Rep.	5	33	12	2	40	67	25	21	36	2	11
United States	6	55	24	64	39	4	36	25	39	17	2
Malaysia	12	126	2	4	33	37	2	80	49	35	40
Australia	14	7	11	62	42	4	57	28	106	6	20
Chinese Taipei	15	21	6	9	20	104	21	39	61	11	23
Thailand	21	47	34	6	67	48	3	68	62	37	24
Canada	23	3	64	124	36	15	7	19	51	100	13
Russian Federation	28	40	26	7	12	25	72	58	99	21	57
Japan	29	106	18	14	43	94	57	51	57	50	3
China	31	27	33	12	28	80	28	105	56	5	51
Chile	59	57	41	39	63	94	51	86	73	54	53
Mexico	60	107	93	106	105	11	61	120	69	43	33
Brunei Darussalam	66	16	54	31	144	1	128	90	149	66	59
Viet Nam	70	115	25	27	64	25	97	109	104	68	122
Indonesia	73	140	110	33	106	48	37	81	116	139	38
Peru	76	133	65	88	55	37	45	121	102	83	90
Philippines	95	171	85	32	120	132	72	95	113	152	65
Papua New Guinea	120	142	122	118	127	48	72	118	125	173	144

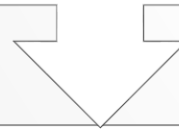
Source: Navarro, J. (Author) based on Doing Business Report 2020, the World Bank

III. CONCERNS FROM A BUSINESS PERSPECTIVE ON SMES

SMEs in Saint Lucia were struggling due to the lack of competitiveness. A survey confirmed that MSMEs did not have good access to market data.



Based on these results, the government of Saint Lucia, together with the support of the ITC, developed some specific actions to improving SMEs access to data and training stakeholders about their use.



The government organized the digital Literacy Boot Camp with the support of other international organizations in which entrepreneurs, civil servants, and stakeholders learned how to obtain, use, interpret and present data to fit their business objectives.

IV. HOW COULD COMPETITION POLICY OF FTAS ENSURE INCLUSIVENESS AND EQUAL OPPORTUNITY FOR SMES?

- **Harmonizing SMEs provisions by FTAs could be a meaningful support for SMEs** that struggle everyday with complex regulatory processes, burdensome customs regulations, lack of transparency in border procedures, restrictions on data flows across borders, weak logistics services, and lack of understanding of FTAs.
- **SMEs provisions, and ideally separate chapters,** should aim at addressing the barriers SMEs are facing and **support them to succeed in the complex and e-connected marketplace.** Incorporation of specific SMEs provisions and chapters must consider the **important differences between multinational companies and SMEs,** including capital, infrastructure, human and material resources.
- **FTAs can assist in building resilience in SMEs during market disruptions** such as covid-19 by promoting their effective participation in international markets, strengthening their inclusion in regional and global value chains and providing them valuable information to succeed in their business endeavors.

V. COMPARISON OF THE SMES PROVISIONS IN THE CPTPP, USMCA AND EPA

CPTPP, USMCA and EPA include solid commitments by Parties to support SMEs engagement in international markets

Provisions	CPTPP (Ch. 24)	USMCA (Ch. 25)	Japan-EU EPA (Ch. 20)
General Principles / Objective	-	Art. 25.1	Art. 20.1
Information sharing	Art. 24.1	Art. 25.3	Art. 20.2
<i>maintain its own free, publicly accessible website</i>	Art. 24.1	Art. 25.3	Art. 20.2
<i>the text of this Agreement</i>	Art. 24.1	Art. 25.3	Art. 20.2
<i>a summary of the Agreement</i>	Art. 24.1	Art. 25.3	Art. 20.2
<i>information designed for SMEs</i>	Art. 24.1	Art. 25.3	Art. 20.2
<i>links to the equivalent websites of the other Parties</i>	Art. 24.1	Art. 25.3	Art. 20.2
<i>links to the websites of its own government agencies</i>	Art. 24.1	Art. 25.3	Art. 20.2
Committee on SMEs / SME Contact Points	Art. 24.2	Art. 25.4	Art. 20.3
SME Dialogue	-	Art. 25.5	-
Obligations in the Agreement that Benefit SMEs	-	Art. 25.6	-
Cooperation to Increase Trade and Investment Opportunities for SMEs	Art. 24.2	Art. 25.2	Art. 20.3
Non-Application of Dispute Settlement	Art. 24.3	Art. 25.7	Art. 20.4

Source: Navarro, J. (Author) based on SMEs chapters of CPTPP, USMCA and EPA.

V. COMPARISON OF THE SMES PROVISIONS IN THE CPTPP, USMCA AND EPA

INFORMATION-SHARING ARTICLE ON CPTPP, USMCA AND EPA

CPTPP, USMCA and EPA includes provisions obliging parties to create a website with tailored information for the use of SMEs that would allow them to fully participate and take advantage of the agreement.

Information on the dedicated website for SMEs	CPTPP (Ch. 24)	USMCA (Ch. 25)	Japan-EU EPA (Ch. 20)
customs regulations and procedures	✓	✓	✓
enquiry points	-	✓	✓
regulations and procedures concerning IPRs	✓	✓	✓
technical regulations and standards	✓	✓	✓
conformity assessment procedures	-	✓	✓
sanitary or phytosanitary measures relating to importation or exportation;	✓	✓	✓
foreign investment regulations	✓	✓	
business registration procedures	✓	✓	✓
employment regulations	✓	✓	
taxation information	✓	✓	✓
When possible, information available in English	✓	✓	
trade promotion programs	-	✓	
competitiveness programs	-	✓	
SME financing programs	-	✓	
information related to the temporary entry of business persons	-	✓	✓
government procurement opportunities	-	✓	✓
other information which the Party considers to be useful for SMEs.	-	-	✓

Source: Navarro, J. (Author) based on SMEs chapters of CPTPP, USMCA and EPA.

VI. CONCLUDING RECOMMENDATIONS

- I. **It is imperative to revise SMEs regulations**, making them as simple and efficient as possible. In order to do this, **a basic first step** would be to agree to **a shared definition of how a micro, small and medium enterprise will be determined**.
- II. SMEs provisions in FTAs should reflect the **strong conviction from APEC economies to significantly grow participation of SMEs** including underrepresented groups namely women, indigenous groups and young entrepreneurs in international markets and global supply chains.
- III. SMEs provisions should contribute to reduce **the abysmal difference between SMEs and Multinational Corporations (MNCs)** in regards to international trade participation and use of trade pacts.
- IV. It is essential to recognize that **one of the most important challenges for SMEs is the lack of access to information**. FTAs and the eventual **FTAAP have to include solid commitments by Parties to support SMEs engagement in global markets** by providing them with high quality information that allows them to better research their proposed new markets.

THANK YOU

Ensuring inclusiveness and equal opportunity for SMEs through competition related provisions of FTAs

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