How to Build an Environment that Fosters the Participation of MSMEs in Trade? Addressing key Supply Chain Challenges in a Post-COVID Environment

Submitted by: Asian Trade Centre
How to Build an Environment that Fosters the Participation of MSMEs in Trade?

Addressing key Supply Chain Challenges in a post-COVID environment

Presentation at the Thirteenth Meeting of the APEC Alliance for Supply Chain Connectivity
MSMEs represent over 90% of businesses in most economies in the regions and have been the most affected by the current COVID-19 crisis.

A framework to understand MSME competitiveness:

There are three major factors to understand whether an MSME can operate: **time, money, resources**.

Any government or institutional reforms that either facilitate or add additional obstacles to those factors will affect MSME business growth.

1. What has been the impact of COVID-19 on MSMEs?

2. Have economy-level changes addressed MSME needs?

3. What are innovations in supply chain digitalization that may address key MSME challenges?
What has been the impact of COVID-19 on MSMEs?

The COVID-19 pandemic and accompanying economic crisis have been distinctly damaging to MSMEs.

- Almost 50% of SMEs have less than a month or just a month of cash reserves.
- Nearly 30% of SMEs expect that they may have to lay-off 50% or more of their workers.
- Only 35% are confident that they will not have to lay-off any staff.

“Manufacturers are now under extreme financial pressure to maintain the heavy investment needed to finance orders. It would have been great to have support from local banks with low interest loans to support with the financing until demand levels return to normal. We had to lay off 80% of our staff.”

From social distancing to government mandated closures, dwindling sales and a general plummet in demand have exacerbated key supply chain bottlenecks

1. Access to transportation solutions (No coverage in some regions)
2. Need to physical documentation (airway bill)
3. High costs of transportation (freight and air rates)
Have economy-level changes addressed MSME needs?

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<tr>
<th>Cost Factors</th>
<th>Logistics Factors</th>
<th>Time / Compliance Factors</th>
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<tbody>
<tr>
<td>1. Tariffs Remain High: Sustainable reduction in tariffs of products soaps and shampoo</td>
<td>1. Limited Freight Capacity: Ensuring access to key manufacturing inputs that could be considered non-essential. <em>MSMEs do not have the resources to diversify sourcing and establish multiple supplier relations.</em></td>
<td>1. Inconsistency in Paperless Trade Practices / Standards: Ensuring better consistency and predictability for digital documentation requirements. <em>Electronic phytosanitary certificates issued by exporting economy conflicted with physical copy requirement by importing economy</em></td>
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<td>2. Inconsistent Treatment of Low Value Shipments: Maintaining reasonable, consistent and predictable thresholds after the crisis</td>
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What are innovation in supply chain digitalization that may address key MSME challenges?

1. Shipment Consolidation
   - Streamlining customs processes for containers with multiple smaller shipments

2. Trade Information Management Systems
   - Enabling self-certification schemes under FTAs

3. Supply Chain Traceability Solutions
   - Enabling cross-border data flows
The Asian Trade Centre (ATC) is the premier regional thought leader, advocate and educator for trade in the Asia Pacific region and serves as the resource for trade-related activities in Asia.

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- Solutions for vexing trade problems
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