



**Asia-Pacific
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**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



**Thirteenth APEC Alliance for Supply Chain
Connectivity Meeting
18 August 2021**

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



ASIAN TRADE CENTRE



Asia Pacific MSME
Trade Coalition (AMTC)



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?

Cost Factors	Logistics Factors	Time / Compliance Factors
<ol style="list-style-type: none"> Tariffs Remain High: Sustainable reduction in tariffs of products soaps and shampoo Inconsistent Treatment of Low Value Shipments: Maintaining reasonable, consistent and predictable thresholds after the crisis 	<ol style="list-style-type: none"> Limited Freight Capacity: Ensuring access to key manufacturing inputs that could be considered non-essential. <i>MSMEs do not have the resources to diversify sourcing and establish multiple supplier relations.</i> 	<ol style="list-style-type: none"> Inconsistency in Paperless Trade Practices / Standards: Ensuring better consistency and predictability for digital documentation requirements. <i>Electronic phytosanitary certificates issued by exporting economy conflicted with physical copy requirement by importing economy</i>

What are innovation in supply chain digitalization that may address key MSME challenges?



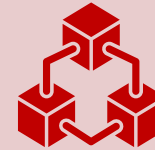
1. Shipment Consolidation

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

Thank you

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.

- Strategic, creative thinking for policy and regulatory challenges.
- Solutions for vexing trade problems
- Practical advice and suggestions for improving bottom line performance
- Sensible input to craft modern trade agendas

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