Global State of MSME Participation in Trade

Submitted by: Washington CORE
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Washington CORE
MSMEs: drivers of economic development

Today, MSMEs account for...

90%+ of all enterprises in most economies

70% of employment worldwide

60%+ contributed to GDP or value added in most OECD economies

7 out of 10 formal jobs created by MSMEs in emerging markets

Source: ILO, World Bank
MSMEs and trade

MSMEs continue to be less represented in global trade.

**MSME Shares in Exports**

- Developed Economies: 33%
- Developing Economies: 18%

Source: OECD (2020)
Obstacles to MSME participation in trade

**External**
- Poor access to information (e.g. clients, markets, regulations..)
- Costly compliance requirements
- Burdensome customs procedures
- Lack of trade finance

**Internal**
- Lack of experience, workforce capability
- Lower productivity

MSMEs, which lack the ability to exploit economies of scale, can be *disproportionately affected* by both tariff and non-tariff trade barriers (e.g. regulations).
How can digitalization help?

Digital solutions (e.g. digital trade platforms, e-commerce platforms) can support MSMEs in such areas as:

- transactions at a distance
- delivering products efficiently
- access to financial services
- access to foreign distribution networks
- customer engagement
- foreign regulation compliance
- unfamiliar & burdensome customs procedures
Benefits to MSMEs

- overcome human resources limitations & knowledge gap
- reduce uncertainties and risks, reduce costs
- find new customers, increase customer loyalty and retention
- increase productivity, increase revenue
- ability to innovate & offer new products and services
Regional & Global Gains

- Level the playing field & improve inclusivity
- Distribute gains from trade more broadly
- Invigorate global economy by unlocking MSMEs’ potential
- Wider dissemination of codes of conduct & best practices
- Increase overall sustainability in trade

Consumers may also benefit due to the wider variety of available goods and services.
Barriers to implementation

- time and cash
- digital divide
- infrastructure-related challenges
- security and privacy
- imbalances in market power
## What can be done?

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<tr>
<th>Private Sector</th>
<th>Governments</th>
<th>Intergovernmental Organizations</th>
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<tbody>
<tr>
<td>• Software solutions that are easy to adopt &amp; meet MSME needs</td>
<td>• Targeted programs for MSMEs (e.g. subsidies, trainings, partnerships)</td>
<td>• Promote regional cooperation</td>
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<td>• Collaborate with government, int’l organizations to kickstart digitalization</td>
<td>• Establish MSME-friendly business environment (e.g. fair competition, cybersecurity, access to financing)</td>
<td>• Develop frameworks, roadmaps &amp; toolboxes</td>
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<td>• Support standards development</td>
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Thank you!

Contact Information

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