



WORLD TRADE
ORGANIZATION

WORLD TRADE REPORT 2016

Levelling the trading
field for SMEs



Disadvantages of SMEs

- Tariffs and non-tariff restrictions affect the ability to participate in trade of SMEs more adversely than large firms.
- Services SMEs are relatively more impacted by barriers on "establishment" than by barriers on "operations", notably when these concern mode 4 trade (movement of natural persons).
- Logistics tend to cost more for SMEs than for large enterprises. For example, in Latin America, the cost of international freight is 42% higher for SMEs, compared to 15-18% for large firms.
- SMEs face more credit rationing, higher "screening" costs and higher interest rates than larger firms.

Disadvantages of SMEs

- Tariffs and non-tariff restrictions affect the ability to participate in trade of SMEs more adversely than large firms.
- Trade facilitation promotes the entry of SMEs into export markets. Small exporting firms profit relatively more from trade liberalization than large firms.
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- The benefits from the ICT revolution are particularly high for SMEs. However, there are some unique constraints, such as the constraints of ICTs in terms of infrastructure in regimes governing global data transfers. Small firms in LDCs only attain 22 per cent of the connectivity score of large firms in LDCs, compared to 64 per cent in developed countries.
- GVCs help SMEs to overcome some of the difficulties they face in accessing international markets. However, lack of skills and technology, together with poor access to finance, logistics and infrastructure costs and regulatory uncertainty make it difficult for SMEs to participate in GVCs.

Case Study: The Role of SMEs in Trade Agreements

- Reference to SMEs in RTAs has increased over the years. Almost half of the notified RTAs currently in force mention SMEs.
- The importance and scope of SME-related provisions has also increased in recent years. The two most common types of SME-related provisions are SME-related definitions and SME-related trade facilitation measures.
- Although SMEs are not always specifically mentioned in WTO agreements, multilateral rules have the effect of reducing trade costs, thereby benefiting SMEs.
- Multilateral rules reduce both the variable and fixed costs of trade that hinder SMEs from entering foreign markets. Such costs include transportation, insurance, and customs costs. MFN treatment of trade costs is a key element of WTO rules. The 1998 TBT Agreement and the 2001 TBT Annex are examples of WTO agreements that reduce trade costs for SMEs.
- WTO rules include a number of flexibilities that, in a similar fashion to the exemptions included in RTAs, allow for special treatment of SMEs. These include special treatment for SMEs in trade facilitation measures; special treatment for SMEs in trade-related technical assistance; special treatment for SMEs in trade-related capacity building; and special treatment for SMEs in trade-related dispute settlement.



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