Making MC11 think small first!

Recommendations from European Chambers for WTO Ministerial in Buenos Aires

Since the Doha Round was launched in 2001, the world has changed dramatically in economic, political and technological terms. Next to the increased importance of services and the rapid pace of digitalization, the world economy has witnessed an exponential development of global value chains over the past years. But some SMEs are still struggling to adapt to this reality. Moreover, while entrepreneurs are increasingly "born global", the gap between the number of existing SMEs with export potential and those that already export is still significant.

Confronted with these challenges and in order to make the WTO more inclusive for the bulk of global enterprises, EUROCHAMBRES has been consistently calling for SMEs to become a central part of the WTO agenda by tailoring existing and future rules better to their needs and priorities.

It is known that SMEs are not only engines for growth and critical to stimulate competitiveness in an economy, but also one of the main sources of employment across the global economy. Yet SMEs are still one of the main untapped sources of growth and inclusive development for the global economy.

Through continued leadership of the European Union, we believe is time for WTO Members to come together and deliver measurable outcomes for SMEs at the upcoming WTO Ministerial in Buenos Aires (MC11). The aim of the present paper is therefore not to elaborate a comprehensive vision for the WTO on this topic, but rather to highlight some key deliverables which Chambers in Europe feel could be decided upon already in Buenos Aires. By doing so WTO Members should lay the foundation to firmly anchor this topic at the WTO for the years to come. EUROCHAMBRES proposes the following actions to achieve this goal:

> ➢ **1) Transparency**: Today, SME's are facing a "knowledge gap" when it comes to internationalizing, as they often lack information in identifying relevant regulations, applicable technical standards, import procedures etc., which is unduly hindering their export potential. In order to tackle this challenge, a centralized, product specific online repository should be agreed upon, so that companies and in particular SMEs can better navigate complex rules and procedures free of charge when wanting to export to another WTO Member.

> ➢ **2) Regulatory**: SMEs, no matter where they are, are disproportionally affected by regulations as they lack economies of scale. Good regulatory practices are a centerpiece for better regulation and in reducing the disproportionate regulatory burden on SMEs. Therefore, WTO Members should agree on a common set of good regulatory practices. In particular they should establish a minimum benchmark within their respective national regulatory processes for how they actively reach out and consult SMEs, the degree to which they take their input into account, and whether existing regulations can be reviewed by considering the

impact they already had on SMEs. The EU's "SMEs test " or the US' "Regulatory Flexibility Act" should thereby guide discussions.

➢ **3) E-commerce**: Digital trade and e-commerce open the door for many SMEs to export which otherwise would not be able to do so. In order to ensure legal predictability for economic operators on this issue, WTO Members should use MC 11 to make permanent the WTO moratorium against applying duties on e-commerce transactions. Additionally discussions should be envisioned to start elaborating WTO rules on digital trade.

➢ **4) Trade Policy Review/Notifications**: Enhancing the WTO's notification provisions and strengthening the Trade Policy Review (TPR) mechanism, are two elements through which WTO members can sharpen existing rules to the benefit of SMEs. Notification procedures could be enhanced for instance by WTO Members to also notify and publish final legislation and not only draft legislation as part of their TBT commitments. Further notification expansions could be sought for priority sectors for SMEs in medium term.
Additionally, the trade policy review should be better used to analyze a WTO Members trade policy with a view to its inclusiveness/implications on SMEs as part of the necessary reporting. The peer to peer review at the Trade Policy Review Body is the right setting for increased analysis also on this aspect, and a way to achieve a more systematic review of new trade regulations in terms of impact on small business. It would also be the right setting to help LDCs better their policies towards SMEs.

➢ **5) Institutional:** New issues and especially those that cover virtually all WTO areas as is the case for SMEs, need a proper institutional mechanism so that future initiatives can be dealt with in a designated arena in a coherent and structured manner. For this purpose, WTO Members should agree in Buenos Aires to establish a WTO SME Committee composed of WTO members and working alongside other WTO committees in order to advance a future SME agenda, and to make sure that implementation of agreed outcomes (e.g. TFA or others), truly deliver for SMEs.
Moreover, the WTO should seek to ensure a more permanent and structured dialogue with SMEs and their representatives. For this purpose an SME advisory body should be established as an effective point of dialogue and advocacy for small business to accompany the process.

➢ **6) Leap ahead**: WTO Members should seize the occasion of MC 11 to agree on an ambitious work plan with concrete actions and targets for SMEs until MC12 and beyond, building on the efforts deployed already by the "Friends of MSMEs" at the WTO. The EU should complement these efforts by commissioning a study to further identify viable opportunities for SMEs, as well as cost savings elements within multilateral trading rules.

EUROCHAMBRES believes that today more than ever, the WTO needs to cement its leadership in promoting free, fair and inclusive trade. The above recommendations are to be seen in this context, and would send a powerful signal that the WTO is ready to deliver for SMEs in challenging global times.