

SME Competitiveness: Standards and Regulations Matter

Marion Jansen, Chief Economist, ITC

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Session: *Standards and Regulations: Do SMEs have
a Stake?*

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Standards and Regulations Matter: What exporters told us

- ‘A phytosanitary certificate is a problem due to many offices that are scattered instead of [a] one-stop centre. This takes more than two days.’
- “All exports of milk-based products [...] require a health certificate issued by the Ministry of Agriculture. There is always at least a 5-day delay in getting the certificate due to inefficiencies in the system”.
- “Complying with the standards is not difficult and causes only small additional costs for labour, and slightly weaker yields due to lower fertilizer use. The accreditation procedure, however, requires that auditors need to be invited from abroad at the full expense of our company. This causes high fixed costs, especially for new entrants in private standards.”

For entrepreneurs, terminology is not of primary concern

The terms 'standard' and 'regulation' mean different things to those who use them.

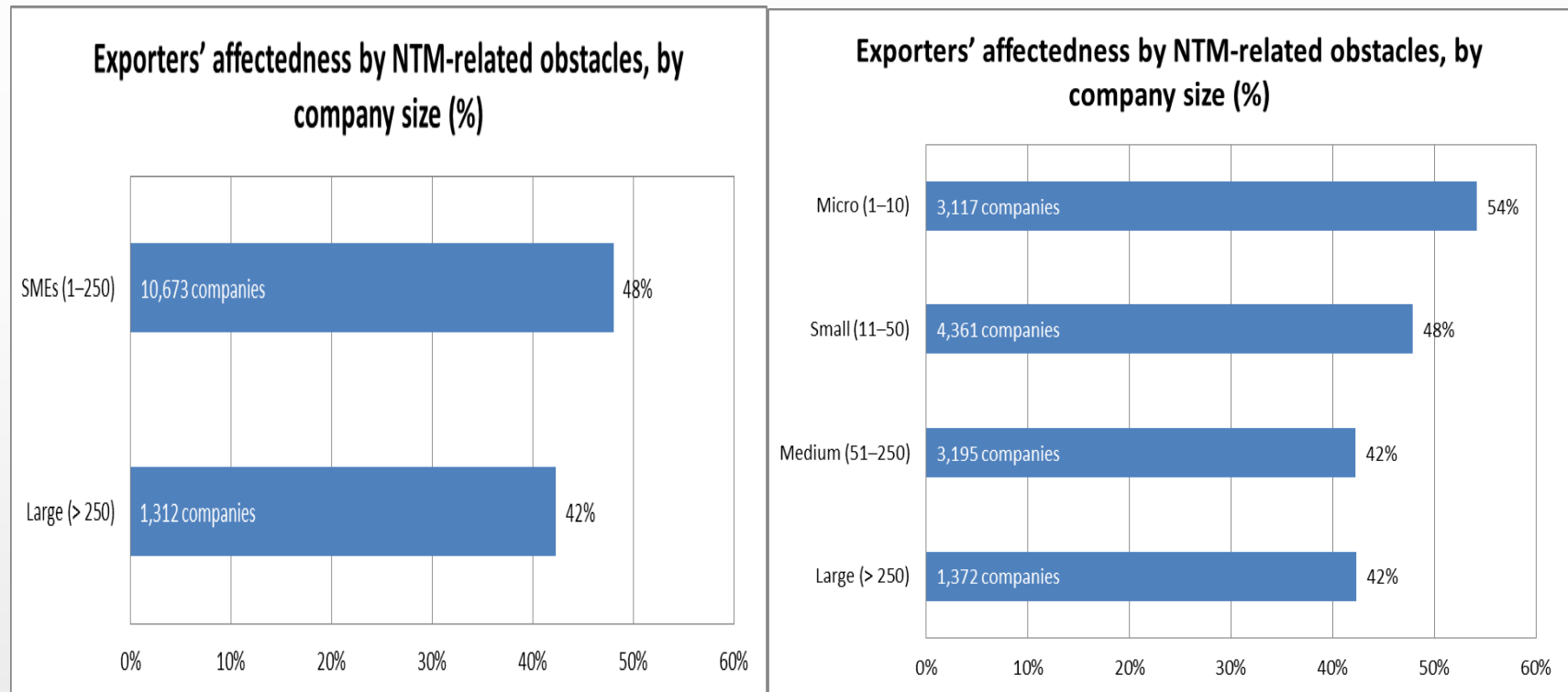
ITC firm-level surveys show that what matters for SME interviewees is whether access to a selected market depends on meeting the relevant quality level, not whether that level is imposed by the government or a non-governmental actor

In this presentation:

- Standard – a required or agreed level of quality or attainment.
- Regulation – a rule or directive made and maintained by an authority, often a government

NTMs as obstacles to trade: a private sector perspective

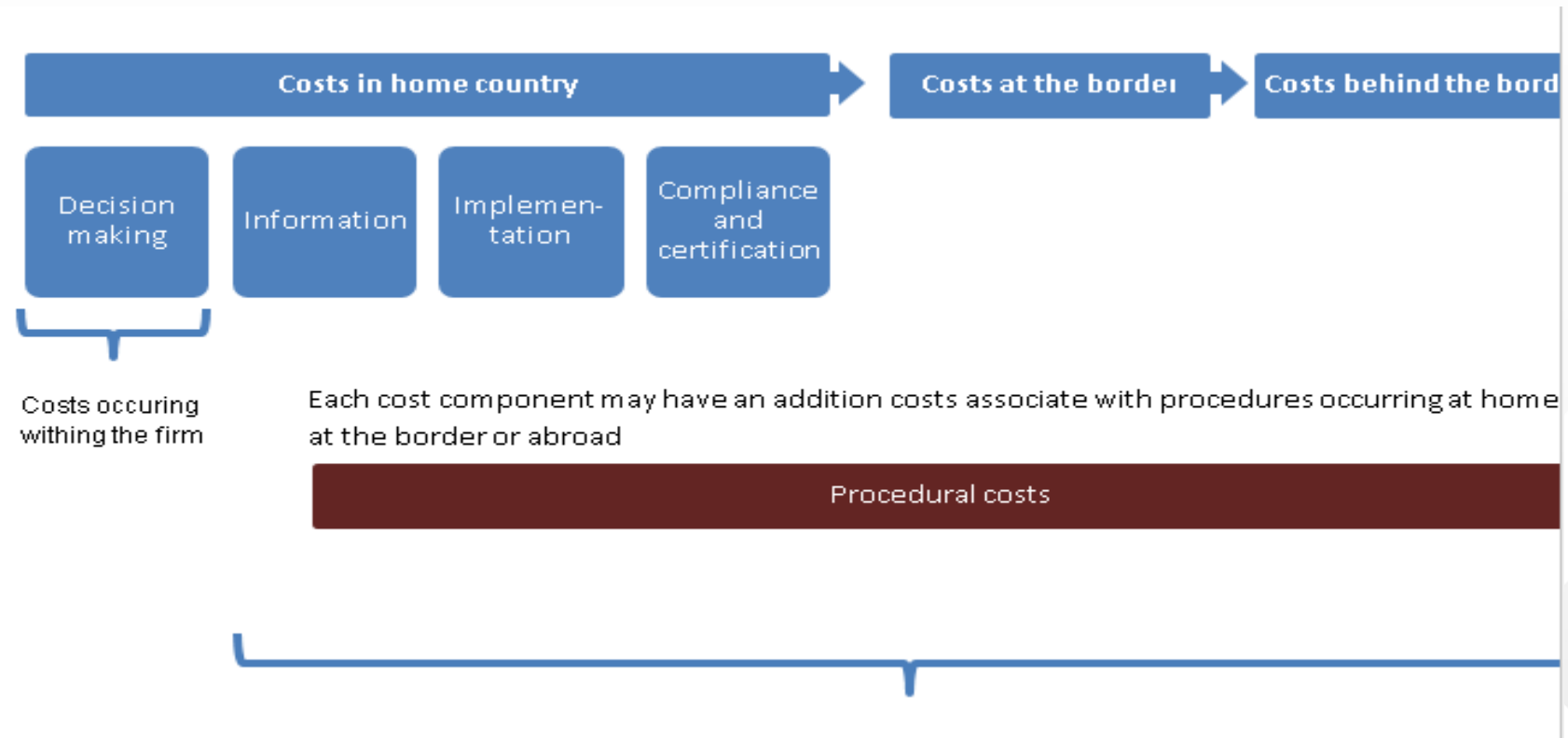
Figure 3.3 Exporters' affectedness by NTM-related obstacles, by company size



NTMs affect small exporters disproportionately

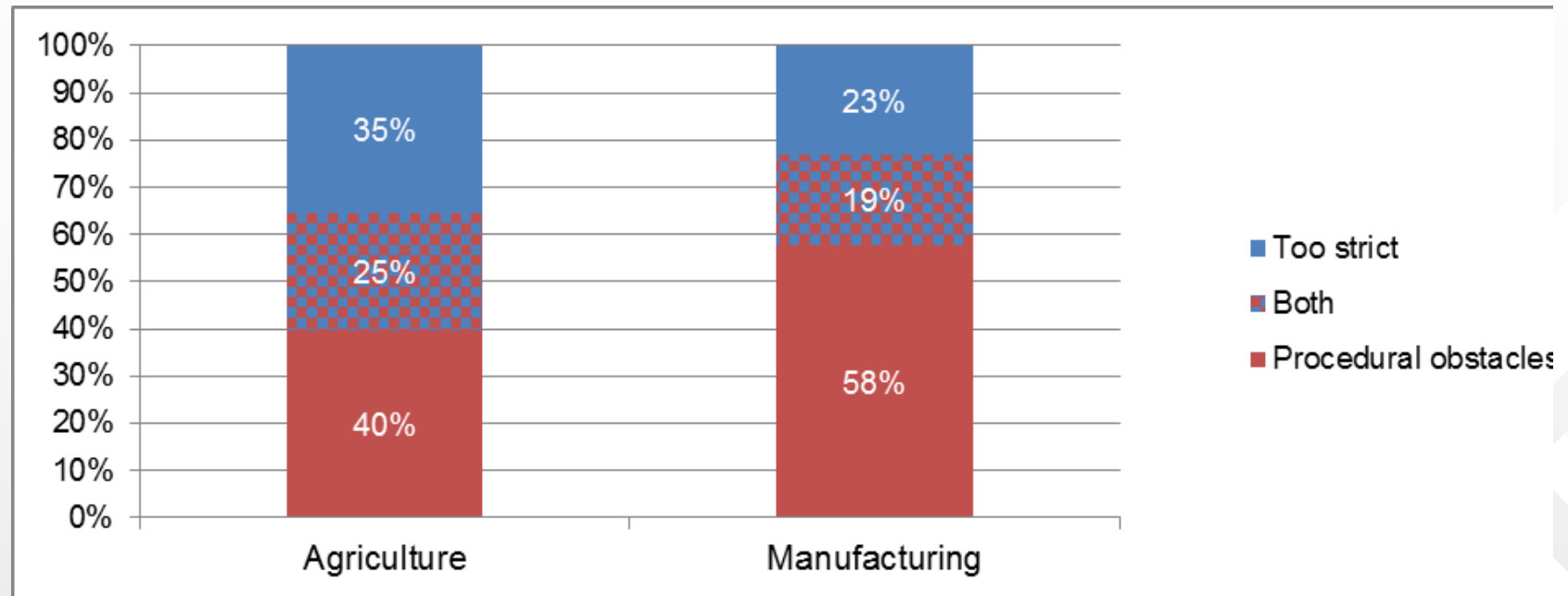
- Unlike large companies, most SMEs do not possess in-house trade or international departments with experts who know how to efficiently overcome relevant trade costs.
- SMEs tend to have limited resources and a lower threshold to absorbing risks, especially when operating in intensely competitive markets (OECD, 2006).
- More generally, the fact that SMEs tend to trade smaller quantities implies that fixed trade costs often make up a larger share of the unit cost of their goods and services when compared to rivals exporting larger volumes.

Different types of costs



NTMs as obstacles to trade: a private sector perspective

Figure 3.5 Reason making NTMs burdensome for exporters, by sector



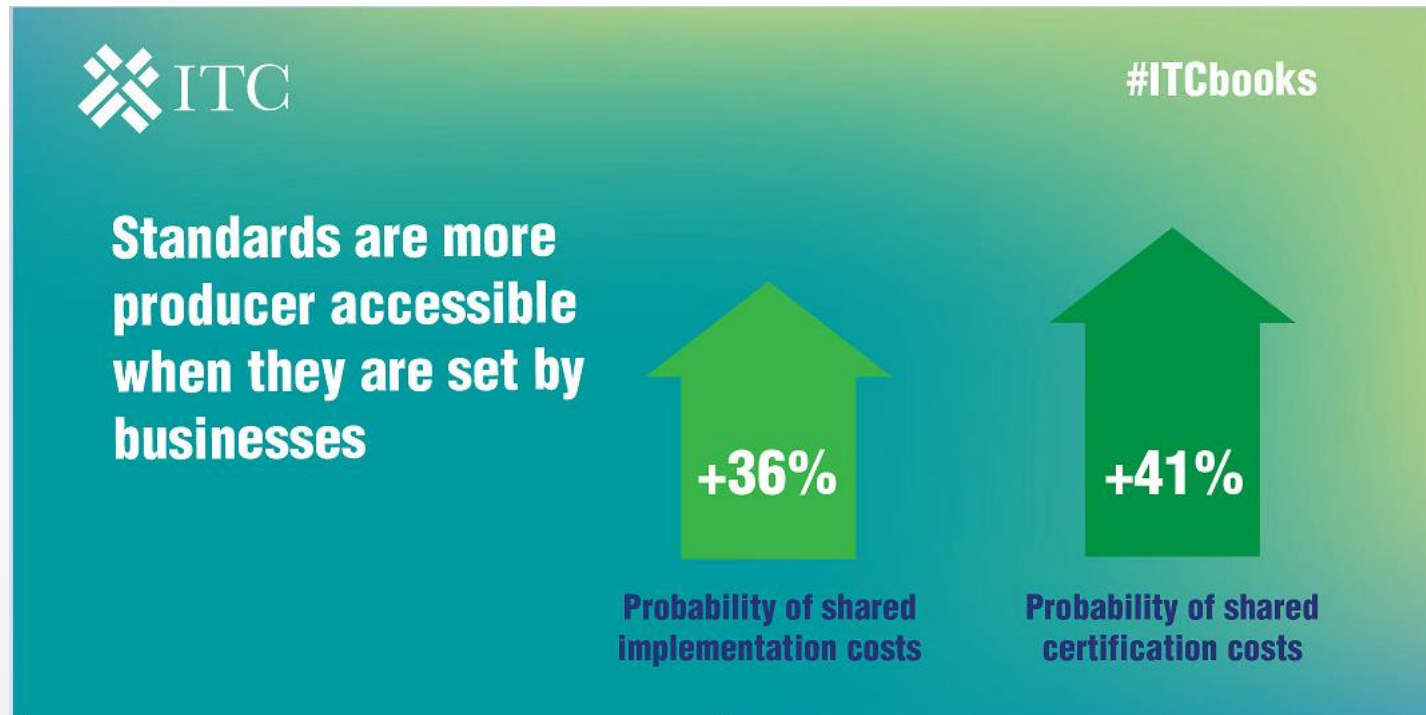
Source: ITC Business Survey on NTMs

Five-point government action plan to help SMEs



Source: ITC SME Competitiveness Outlook (forthcoming)

Attracting lead firms can help



Source: ITC-EUI (2016) "Social and Environmental Standards: Contributing to more sustainable value chains" using data from ITC Standards Map

But SMEs have to be competitive before they can enter value chains



Source: *ITC SME Competitiveness Outlook*
2016

Standards and regulations: what ITC does

E-Tools

- Provide global information platforms:
 - <http://www.intracen.org/itc/market-info-tools/non-tariff-measures/business-surveys/>
 - <http://www.macmap.org/>
 - <http://www.standardsmap.org/>
- Push information: E-Ping (with WTO and UNDESA)
- Assist governments in solving bottlenecks: Trade Obstacle Alert

Assistance in the country

- ITC helps SMEs in developing countries to meet technical requirements in international markets and overcome technical barriers to trade (TBT/SPS), the most frequent obstacles to trade: <http://www.intracen.org/itc/exporters/quality-management/>
- ITC connects SMEs to GVCs (session 94, room C)

Assistance at the border

ITC Trade facilitation programme: <http://www.intracen.org/itc/trade-facilitation-programme/>

SME Competitiveness Outlook 2016

Launch: Geneva, 6 October

Focus on **standards and regulations**

- Comprehensive analysis
 - Global thought leader insights
 - Case stories
 - New econometric findings
 - Insights: how to think strategically about standards
-
- “handbook” for SME managers
 - 5 Point Action Plan for Policy Makers

