WORLD TRADE ORGANIZATION

WORLD TRADE REPORT 2016

Levelling the trading field for SMEs

What is the World Trade Report?

The World Trade Report is an annual publication that aims to deepen understanding about trends in trade, trade policy issues and the multilateral trading system.

What is the 2016 Report about?

The 2016 World Trade Report examines the participation of small and medium-sized enterprises (SMEs) in international trade, how the international trade landscape is changing for SMEs, and what the multilateral trading system does and can do to encourage more widespread and inclusive SME participation in global markets.

Find out more

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Disclaimer

Foreword by the WTO Director-General

Trade is sometimes viewed as an economic activity that only favours larger companies. Certainly it is undeniable that trading internationally is often much more costly and difficult for micro, small and medium-sized enterprises (SMEs). The smaller the business, the bigger the barriers can seem.

Micro firms and SMEs account for the majority of firms in most countries (95 per cent on average), and for the vast majority of jobs. They figure prominently in most governments' social and economic policies. They also feature prominently in the new UN Sustainable Development Goals, which seek to encourage the growth of SMEs in order to promote inclusive and sustainable growth, full and productive employment and decent work for all.

So the significance of SMEs is beyond question yet, to date, SMEs have been largely absent from the broad trade debate. It seems that we may be missing an opportunity to support this vital part of every economy.

Relatively little is known about SME participation in trade, the determinants of their decisions to start exporting, or the benefits they may derive from internationalization. In the WTO context, SMEs have not figured very prominently over the years. A relatively small number of agreements have provisions that refer explicitly to SMEs.

This situation may be changing, however. Technological progress, through the expansion of e-commerce and the evolution of global value chains, is opening up new trading opportunities for SMEs. Regional agreements increasingly include SME provisions. Therefore it comes as no surprise that SME issues are increasingly being raised by WTO members. This report aims to support an informed discussion of the topic.

The report finds that SME participation in trade is typically weak. According to WTO calculations based on World Bank Enterprise Surveys covering over 25,000 SMEs in developing countries, direct exports represent just 7.6 per cent of total sales of SMEs in the manufacturing sector. This compares with 14.1 per cent for large manufacturing enterprises. In developed countries, on average, firms with fewer than 250 employees account for 78 per cent of exporters but only 34 per cent of exports.

On average, SMEs are less productive than large firms. Analysis conducted for this report estimates that SMEs in developing countries are 70 per cent less productive than large firms, and the evidence available for developed countries suggests a similar picture. The lower productivity of SMEs is often attributed to their inability to take advantage of economies of scale, the difficulties they face in getting access to credit or investment, the lack of appropriate skills, and their informality.

Governments around the world are interested in facilitating the participation of SMEs in trade. This is because there is a strong belief that this may raise productivity, helping to stimulate employment and growth, and reduce poverty. The report shows that indeed, participation in trade typically goes hand in hand with higher productivity and growth, but that the relationship is not automatic.

Participation in trade can raise productivity in a variety of ways. Internationalization helps SMEs learn, evolve and exploit economies of scale, reinforcing growth and employment. Internationalization also increases the probability of SMEs' survival by diversifying their markets.

The report identifies a number of obstacles to SME participation in trade. Fixed market entry costs, such as access to information about foreign distribution networks, border regulations and standards, are the main barriers hindering SMEs from engaging in exporting activities. However, recent evidence suggests that all trading costs, including those that increase with the size of shipments, impede SME participation in trade more than that of larger firms.

E-commerce and participation in global value chains are two ways in which SMEs can partially overcome these barriers and improve their participation in global trade. E-commerce allows SMEs to reach customers at much lower costs. Global value chains give SMEs a way to access foreign distribution networks and exploit economies of scale. Yet, SMEs face specific obstacles in seizing these opportunities. The main issues SMEs face with web sales relate to: the logistics of shipping a good or delivering a service; security and data protection; and payments. Among the major challenges SMEs face in joining global value chains are: logistic and infrastructure costs; regulatory uncertainty; and access to skilled labour.

So how can we remove the obstacles that seem to stand before SMEs? Although SMEs are not always specifically mentioned in WTO Agreements, multilateral rules have the effect of reducing trade costs that hinder SMEs from entering foreign markets. Evidence shows that without the disciplines of certain WTO agreements (including the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures), technical regulations and other standards would impose higher costs on firms to the detriment of SMEs. This is at least in part because it is easier and cheaper for large and potentially more efficient firms to comply with stringent technical requirements.

Evidence also suggests that trade facilitation holds particular benefits for SMEs, fostering their entry into international markets. By lowering a range of trade costs, in particular the cost of accessing information on rules and regulations in foreign markets, the WTO's Trade Facilitation Agreement addresses one of the main obstacles to SMEs exports. WTO rules also provide sufficient flexibility for national governments to take measures to remedy market failures that prevent these enterprises from participating in international trade. The WTO's capacity-building work, which tries to expand trading opportunities of its developing country members, puts a significant focus on SME internationalization. Other positive steps could be taken, for example to increase access to trade finance or to enhance transparency mechanisms to make it easier for SMEs to access essential information.

As WTO Director-General, I have always sought to make the work of the organization more inclusive but, over the years, I think that the interests of SMEs have sometimes been overlooked. This is an issue which members could seek to address and which could make a significant contribution to supporting growth, development and job creation. Whether further action is taken in favour of SMEs is for WTO members to determine. I hope this report will inform discussions and help to ensure that SMEs' interests are always remembered, so that we can continue building a more open and inclusive trading system, the benefits of which are available to all.

Roberto Azevêdo
Director-General

Executive summary

A. Introduction

The universe of small and medium-sized firms is very mixed.

In the majority of countries, small and medium-sized enterprises (SMEs) are defined as firms employing between 10 and 250 people. Firms with up to 10 employees are usually referred to as micro firms. There is, however, no commonly agreed definition of what micro firms and SMEs are. They are mixed by nature, ranging from producers of non-tradable services to "born global" suppliers of digital products, high-quality artisanal goods or sophisticated instruments.

In the majority of countries, SMEs account for a significant proportion of employment.

In a sample of firms from 99 emerging and developing countries (World Bank Enterprise Surveys), SMEs accounted for two-thirds of formal non-agricultural private employment. Similar, although not strictly comparable, evidence has been found for developed countries. In a sample of firms from 17 Organisation for Economic Co-operation and Development (OECD) countries plus Brazil, micro firms and SMEs accounted for 63 per cent of total employment. However, among SMEs, only new productive firms ("gazelles") significantly contribute to net employment growth rates.

SMEs face challenges in terms of job quality and productivity.

In developing countries, there is some evidence that earnings rise with firm size for workers with similar characteristics. In developed economies, conversely, the relationship between wages and firm size is non-linear within the class of micro firms and SMEs, with micro enterprises paying on average higher wages than small firms. Empirical evidence further shows that jobs in SMEs are less stable and secure than jobs in larger enterprises, and that SMEs are less likely to offer training to their workers than larger firms. In addition, SMEs contribute comparatively less to GDP than to employment, because they are, on average, less productive than large firms.

SMEs can benefit significantly from innovation, and their entry into the market can stimulate innovation in others.

Large firms exhibit, on average, faster innovation rates than small firms. Even the oft-made argument that, within the universe of SMEs, start-ups are more innovative than established firms, does not rest on firm empirical evidence. Against this background, there is abundant evidence of the positive impact of innovation for SMEs that engage in it.

The contribution of SMEs to industry dynamics (the process of entry and exit) can have positive aggregate effects on productivity, not only because successful entrants have productivity growth rates that are usually higher than those of incumbents, but also because their entry can foster increased innovation by market incumbents.

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B. SMEs in international trade

Trade is the most common form of internationalization chosen by firms, including SMEs.

Internationalization may take various forms: (1) direct exports; (2) indirect exports; (3) non-equity contractual agreements; and (4) foreign direct investment (FDI) and other forms of equity agreements. Trade, direct or indirect, is often considered to be the first step towards engaging in international markets. Compared to trade, other forms of internationalization entail larger fixed costs which are more difficult to reverse, in particular for SMEs.

The direct trade participation of SMEs in developing countries is not in line with their importance at the domestic level.

According to WTO calculations based on World Bank Enterprise Surveys covering over 25,000 SMEs in developing countries, direct exports represent just 7.6 per cent of total sales of SMEs in the manufacturing sector, compared to 14.1 per cent for large manufacturing enterprises. Among developing regions, Africa has the lowest export share at 3 per cent, compared to 8.7 per cent for Developing Asia. Participation by SMEs in direct exports of services in developing countries is negligible, representing only 0.9 per cent of total services sales compared to 31.9 per cent for large enterprises.

SMEs in developed countries trade relatively little compared to larger firms, despite the fact that they make up the majority of exporters and importers.

Considering only direct participation in trade, micro firms and SMEs from developed countries represent the vast majority of trading firms, over 90 per cent in many countries. On average, firms with fewer than 250 employees account for 78 per cent of exporters in developed countries but only 34 per cent of exports. Trade flows of micro firms and SMEs are heavily tilted toward services (accounting for 68 per cent of total exports and 83 per cent of total imports).

Measuring indirect participation in trade is challenging. Existing datasets do not characterize precisely indirect exports (supply of goods and services to domestic firms that export) of SMEs, or their participation in global value chains (GVCs).

Trade in GVCs refers to the exchange of goods and services along the production and distribution networks that are fragmented across countries. Firms can participate in GVCs through backward linkages (where an enterprise uses imported inputs to produce and export intermediate or final goods and services) or forward linkages (where an enterprise exports intermediate or final goods through a production chain or distribution network). Forward linkages can be direct (where an enterprise exports the good itself) or indirect (where an enterprise provides intermediate or final goods to a domestic enterprise that exports).

In developing economies, indirect exports of manufacturing SMEs account for 2.4 per cent of total sales, compared to 14.1 per cent for large manufacturing enterprises. Although small, SMEs' indirect exports of services are larger than their direct exports (2.6 per cent, compared to 0.9 per cent). Conversely, indirect services exports are smaller than direct services exports in large firms (4.2 per cent compared with 31.9 per cent).

This report uses the percentage of sales exported directly/indirectly and the percentage of foreign inputs in production, respectively, as proxies for forward and backward linkages of SMEs from developing countries in GVCs. According to WTO calculations, even in the region with the highest forward and backward participation of SMEs in GVCs (Developing Asia), most manufacturing SMEs have both low forward and backward GVC participation rates compared to those of large enterprises. In Africa, both large firms and SMEs are largely cut off from GVCs.

The development of e-commerce promises to expand export opportunities for SMEs and give them a global presence that was once reserved for large multinational firms.

Data from eBay covering 22 countries show that the vast majority of technology-enabled small firms export – 97 per cent on average and up to 100 per cent in some countries. By comparison, only a small percentage of traditional SMEs export – between 2 per cent and 28 per cent for most countries. Not only do Internet-enabled commercial SMEs export at a high rate, they also reach a large number of foreign destinations. Furthermore, exports are less concentrated across online exporters than across offline ones.

Despite the promises of e-commerce, SMEs continue to be less well represented online than larger enterprises. SMEs lag behind large firms in measures such as the establishment of a website. In developing countries for instance, less than a quarter of those formally registered SMEs with less than ten employees, and less than half of those with 10-50 employees, have websites, as opposed to 85 per cent of firms with more than 250 employees.

There is no clear trend in the trade participation of SMEs over time, but smaller enterprises take longer to start exporting.

No clear trend can be discerned in the export participation of micro firms and SMEs in developed countries in the OECD TEC database. Slightly more than half of available countries recorded increases over a period of less than 10 years, but this evidence is far from conclusive. Modest increases were also observed, on average, for developing countries and least-developed countries (LDCs) between their first and their second World Bank Enterprise Surveys, but these changes varied widely across countries.

Analysis of World Bank Enterprise Survey data on SMEs in 85 developing economies reveals that there is a negative correlation between the number of employees when operations began and the number of years before exports started. In the case of large firms which started as micro-firms (one to four employees), it took 17 years on average before they exported, while the number of years decreased with higher initial levels of employment.

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C. Dynamics of SME internationalization

The strategies behind SMEs' decisions to be involved or not in internationalization are mixed.

The literature on SME internationalization is fragmented. No single theoretical framework is able to explain why and how SMEs engage in internationalization activities, because the strategies behind SMEs' decisions to be involved or not in internationalization through indirect exports, direct exports, international subcontracting (licensing, outsourcing) or investment remain heterogeneous.

The internationalization of traditional SMEs tends to be gradual, starting with sporadic exports. In contrast, many knowledge-based or so-called "born global" SMEs, are often internationally oriented from their creation or soon after, and are able to experience internationalization faster thanks to their higher market knowledge and international network. Similarly, some SMEs are able to integrate into GVCs by exporting either directly or indirectly through large exporting firms situated in their home countries.

Firm size constitutes an important dimension in the relationship between productivity and exporting.

Among exporting firms, SMEs are usually strongly represented in terms of numbers, but account for only a small share of a country's overall exports, and often export only a few products to a narrow range of destinations. To a large extent, the relationship between a firm's productivity, size and export experience explains the relatively limited participation of SMEs in international trade: the most productive firms are not only larger in size, but also find it easier to access foreign markets and grow even further through exporting.

Many trade barriers are particularly burdensome for SMEs, notably where they give rise to fixed costs. This is why several studies highlight that SMEs would benefit most from further trade liberalization and policy coordination, including on non-tariff measures. Another finding is that, when given the opportunity to enter new markets, SMEs tend to respond more swiftly and flexibly than large firms, and can therefore play a key role in the creation of new exports. In addition, although small firms tend initially to have a lower chance of surviving as exporters, they grow more quickly than large firms if they do survive.

While SMEs engaged in international markets tend to be more productive and innovative than those who are not, they can further improve their performance through internationalization.

Internationalization, and in particular exporting, is often considered to be an important strategic option to enable SMEs to expand. Although limited, empirical evidence suggests that the effects of internationalization on SMEs' performance measured by profit, productivity, innovation and growth in sales and employment tend to be firm-specific depending on the firm's size, productivity level, skill intensity and industry affiliation.

On the one hand, the probability that SMEs might decide to start exporting tends to increase with the level of productivity and innovation. On the other hand, SMEs engaged in exporting activities can experience higher growth and employment through economies of scale and enhance their productivity and innovation through learning effects. The prospect of larger revenues from exporting can also incentivize SMEs to invest more in innovation beforehand. The adoption of e-commerce strategies is also found to have a positive impact on SMEs' average sales growth rates.

There is some evidence that SMEs engaged in global value chains can potentially improve their performance by importing intermediate goods and mobilizing their resources on tasks in which they have particular advantages. In turn, SMEs participating in GVCs can benefit from commercial linkages with customers and suppliers, including foreign suppliers, as well as training and increased competition, which can further increase the likelihood of exporting. Ultimately, the opportunity for these SMEs to further internationalize will depend on their capacity to absorb the spillovers from participating in global value chains.

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D. Trade obstacles to SME participation in trade

Firm surveys conducted by several international organizations point to the particular importance of certain non-tariff measures (NTMs) for SMEs.

One way to get a sense of the main obstacles to trade for SMEs is through survey data. The International Trade Centre (ITC), the United States International Trade Commission (USITC), the European Commission, the World Bank and the OECD-WTO have all conducted a number of surveys that allow firms to be distinguished by their size. These surveys show that poor access to information, costly requirements, burdensome customs procedures and lack of trade finance are major barriers to international trade for SMEs.

Unexpectedly, SMEs – even more than large firms – also perceive high tariffs as a major obstacle to trade.

Non-tariff barriers are particularly burdensome for SMEs, because they entail fixed costs independent of the size of the exporter. However, SMEs in the manufacturing sector also consider high tariffs to be a greater obstacle to exporting than large manufacturing firms do. One explanation is that SMEs are more sensitive to changes in tariffs than large firms, but it is also possible that SMEs disproportionately operate in sectors facing the highest tariffs in export markets.

The impact of tariffs and NTMs, such as regulations, on trade depends on the size of the exporters.

Higher tariffs in destination markets make it more difficult for firms to export profitably. Only the more productive firms will export in such an environment, whilst smaller and less productive firms will not. High tariffs do not only reduce SME participation in trade, they also reduce their volume of exports more than that of large firms.

Evidence also shows that tighter technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures are particularly costly for smaller firms. When a new restrictive SPS measure is introduced in a foreign market, smaller exporting firms are those more likely to exit the foreign market as well as those that lose more in terms of volumes of trade. Large firms lose comparatively less because they are able to comply with more stringent requirements more easily and at lower costs than SMEs.

Lack of transparency and cumbersome border procedures appear to be major hurdles for SMEs.

There is evidence that trade facilitation, while fostering trade for both large and small firms, particularly boosts the entry into the export market of small firms that would otherwise only sell in the domestic market. A study on the expected impact of the Trade Facilitation Agreement (TFA) shows that the TFA will particularly benefit SMEs by enabling improved transparency of information on rules and regulations in the foreign market.

Access to information and distribution channels are also important trade obstacles for SMEs.

Gathering information about regulations and export opportunities in the destination market is costly, especially for SMEs. Having access to distribution networks is a crucial component to developing SMEs' business, in particular for diversifying their customers within a region or worldwide. Delivery and logistical aspects are an issue, and these particularly affect SMEs, given their relatively low "weight" in overall transactions, whether as producers or intermediaries.

Lack of, or insufficient access to, finance can strongly inhibit formal SME development and trade opportunities.

Selling to foreign markets involves developing marketing channels, adapting products and packaging to foreign tastes, and learning to deal with new bureaucratic procedures. To cover the costs associated with these activities, exporters are likely to need credit. Lending to SMEs is often inhibited by informational problems and transaction costs, which often translate into higher interest rates and fees for SMEs than for larger firms.

Difficulty in accessing affordable trade finance is one of the most cited constraints for SMEs, especially in developing countries.

According to a recent study by the Asian Development Bank, globally more than half of the requests made by SMEs for trade finance are rejected, compared to only 7 per cent for multinational companies. Access to trade finance tends to be the most difficult in developing countries. Part of the problem lies in the fact that local banks may lack the capacity, know-how, regulatory environment, international network and foreign currency to supply import and export-related finance. Banking and country risk can be problems too.

The reluctance of global banks, which are dominant in trade finance markets, to invest in developing countries, may not help either. Many such banks reduced their presence internationally after the 2009 financial crisis.

For SMEs operating in the services sector, restrictions to Modes 1 (cross-border supply of services) and 4 (movement of people across borders to supply services) of the General Agreement on Trade in Services (GATS) are likely to be particularly burdensome. So are barriers to entry/establishment relative to measures affecting operations.

Available empirical evidence suggests that, in spite of some sectoral variation, service SMEs generally lean towards "soft" forms of trade, exporting mainly via cross-border trade and movement of contractual service suppliers unlinked to commercial presence. Barriers to these modes of supply, such as requirements to establish a commercial presence when supplying services across borders, or quotas on the movement of independent professionals, are therefore likely to be especially burdensome for service SMEs.

Measures affecting service firms' ability to enter a foreign market or establish therein usually involve fixed costs. Accordingly, they can also be expected to impose a relatively heavier burden on service SMEs relative to measures affecting their operations, as these are much more likely to imply variable costs only.

The benefits from the information and communication technology (ICT) revolution are particularly high for SMEs, especially if they can integrate in online commercial platforms that reduce IT costs and enhance buyer information and trust.

Recent research has shown that e-commerce reduces the costs associated with physical distance between sellers and consumers by providing both trust and information at a very low cost. Commercial platforms eliminate the need for a firm to buy its own e-commerce hardware and software. Consequently, firms conducting business on platforms such as eBay are smaller on average than traditional offline firms. E-commerce offers growth opportunities, especially to SMEs in developing countries.

SMEs, however, continue to be less well represented online than larger enterprises. The first hurdle to online sales is the affordability of, and access to, communications infrastructure.

In all countries, there is an Internet connectivity gap between small and large firms. This gap is especially large in LDCs. According to ITC estimates, 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.

Other hurdles concern access to online e-commerce platforms.

The platform providers may restrict the geographic scope of sellers or of buyers. Moreover, platforms often cannot fully serve markets where bank transfers are not accepted, or goods cannot be delivered. These constraints also restrict access to, and participation in, online trade.

SMEs in developed countries consider entry costs, logistics, payment systems, data protection and the legal framework to be the most relevant obstacles to online trading. In the case of developing countries, SMEs cannot always realize the full potential of e-commerce-enabling technologies and services because of a combination of factors such as lack of awareness, unavailability of funds or local restrictions on the international transfer of funds.

Involvement in GVCs is another way, beyond e-commerce, in which SMEs can improve their participation in global trade…

GVCs are a way for SMEs to access foreign distribution networks and exploit economies of scale. GVCs provide SMEs with the distribution network and their brand names. This significantly reduces SMEs' distribution costs, thus making exporting profitable for SMEs that become suppliers of a GVC.

GVCs also reduce SMEs' costs to acquire information on requirements in terms of products, processes, technology and standards in global markets.

…yet, there are specific obstacles that SMEs face in exploiting these opportunities.

SMEs face a number of challenges to participate in GVCs or move up to higher-value activities in the chain. These challenges are partially related to factors internal to the firms (such as lack of skills and technology) and partially to external factors.

When the production of a good relies intensively on imported intermediate inputs, timely delivery and reliability of these inputs are essential. Logistics and infrastructure are key factors affecting GVC participation. Low import tariffs, the implementation of trade facilitation and the enforcement of property rights are also key to GVC participation.

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E. Cooperative approaches to promoting SME participation in trade

SMEs are more adversely affected by market failures than larger firms.

Examples of these market failures include information asymmetry between lenders and borrowers in credit markets, imperfectly competitive product markets, and less than flexible labour markets.

Many governments, particularly in developing countries, lack the appropriate policy tools to correct these market failures. Instead, SME support programmes are used as second-best policy tools to remedy market failures. Governments may also have distributional goals that they want to achieve by supporting their SME sector. Consequently, governments are likely to want to preserve these programmes even as they sign up to international agreements.

SMEs are explicitly referred to in many regional trade agreements (RTAs).

Half of all the RTAs notified to the WTO, namely 136 agreements at time of writing, incorporate at least one provision explicitly mentioning SMEs. These SME-related provisions are highly heterogeneous, as they differ in terms of location in the RTA, language, scope and commitments. A limited but increasing number of RTAs incorporate specific provisions in dedicated articles or even chapters on SMEs. Although the number of detailed SME-related provisions included in a given RTA has tended to increase in recent years, most SME-related provisions remain couched in best-endeavour language by encouraging rather than requiring.

The two most common categories of SME-related provisions found in RTAs are provisions that (1) promote cooperation on SMEs and (2) specify that SMEs and/or programmes supporting SMEs are not covered by the RTAs' obligations, including in the context of government procurement.

Other SME-related provisions call on the parties to ensure that economic operators, including SMEs, are not negatively affected. Certain provisions recognise, affirm or agree on the importance of SMEs, for instance in the context of e-commerce. A limited number of RTAs set up institutional arrangements, such as committees, to discuss and oversee the implementation of certain commitments related to SMEs, including cooperative activities, or assess the RTA's impact on SMEs.

Several international organizations are active in the area of SMEs.

SMEs are not a new issue for the international community. SME-related activities by international organizations are clustered around two major themes of research/action: integration of SMEs into international trade, in particular GVCs, and more general SME support initiatives.

WTO agreements help SMEs by reducing the variable and fixed costs of trade and by increasing transparency.

Beyond reducing MFN tariffs, many WTO members (both developed and developing) have provided duty-free and quota-free (DFQF) market access to LDCs. WTO members also adopted new provisions on preferential rules of origin to facilitate LDCs' export of goods to both developed and developing countries which offer them preferential access.

The WTO has also allowed members to grant LDC services and services providers preferential access to their markets if they wish. These reductions in variable trade costs are likely to benefit SMEs more than larger enterprises.

The TBT and SPS Agreements contain disciplines that limit the trade cost-raising effects of measures that governments use to achieve public policy objectives, such as protection of human health, when these measures can have spillover effects on trade. The importance that the two agreements give to international standards is particularly pertinent to SMEs, as it is likely to be more burdensome for them to comply with a plethora of standards.

Furthermore, problems may arise in the implementation of these measures. For example, the regulation may be unclear, giving rise to uncertainty for suppliers or producers, or compliance may be difficult to assess and verify. The uncertainty may affect smaller firms more than larger ones. Work in the WTO's TBT and SPS Committees helps to resolve these issues, by increasing transparency and reducing the associated fixed costs of trade.

When it comes into force, the Trade Facilitation Agreement (TFA) will reduce some of the fixed costs arising from inefficient trade procedures once it is implemented, thereby increasing SME participation in trade.

The special situation of SMEs is acknowledged and addressed in a number of WTO agreements, plurilateral agreements and work programmes, and through technical cooperation.

Some provisions in the Anti-dumping (AD) Agreement reduce the burden of informational requirements for SMEs, and make it easier for a WTO member to make use of its rights to initiate an investigation when it acts on behalf of SMEs.

Under the Subsidies and Countervailing Measures (SCM) Agreement, SME support programmes which meet certain stipulations, and for which support is automatic upon meeting the stipulations, will generally be exempt from countervailing duties imposed by other members, and also from the disciplines of the SCM Agreement.

The Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement appears to give members greater leeway to promote the technological development of their SMEs through, among many other initiatives, lower patent filing fees and intellectual property-related consulting services.

The Government Procurement Agreement (GPA) encourages SME participation in international procurement in several ways. It improves procurement legislation and systems relating to transparency, integrity and competition, provides flexibility to implement measures relating to procurement practices that facilitate SME participation, and allows preferential measures to help SMEs obtain privileged access to procurement contracts.

The WTO work programmes on e-commerce and small economies have prominent SME components which involve, among other things, analytical work examining how SMEs might better take advantage of e-commerce or connect to GVCs.

Since the financial crisis, the WTO has been working to keep finance flowing for trade. Special attention has been devoted to the difficulties faced by traders in LDCs and developing countries where firms are generally small. In April 2016, WTO Director-General Roberto Azevêdo issued a call for action to help close the gaps in the availability of trade finance that affect the trade prospects of SMEs, particularly in Africa and Asia. Among the actions recommended was to ramp up existing trade finance facilitation programmes by US$ 50 billion.

Finally, many of the WTO's capacity-building efforts, such as the Aid for Trade initiative, the Enhanced Integrated Framework, and the Standards and Trade Development Facility, have a pronounced SME focus.

Progress can be made in various areas to help unlock SME trading potential.

Transparency mechanisms could be further enhanced with a view to making it easier for SMEs to access information. There is scope for further action in a number of areas, such as capacity building, specific steps to support SMEs from LDCs, and support to improve access to trade finance. More research would help to develop an even clearer picture of what works and what does not when it comes to SME-related provisions in trade agreements, including multilateral ones, providing valuable material for policy-makers and trade negotiators. Moreover, cooperation and coordination among international organizations should be increased, so as to make their efforts directed at SME internationalization more complementary.

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