

Session 4: Rethinking MSME Trade Policies – Key Challenges on Promoting International Business for MSMEs and the Role of Regional Cooperation

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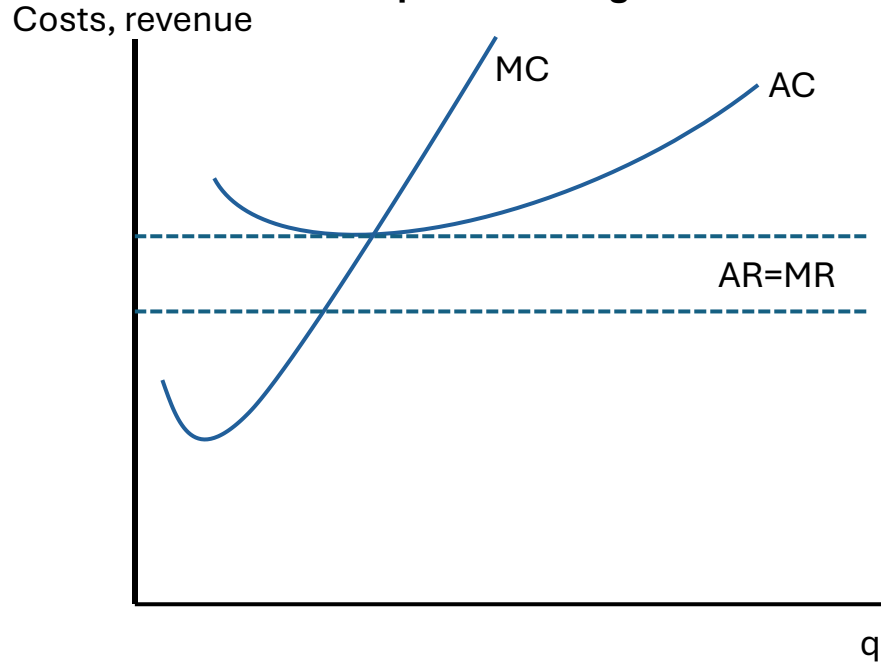
Typical support for MSMEs participation in a global trade

The range of typical policies to support MSMEs in international trade:

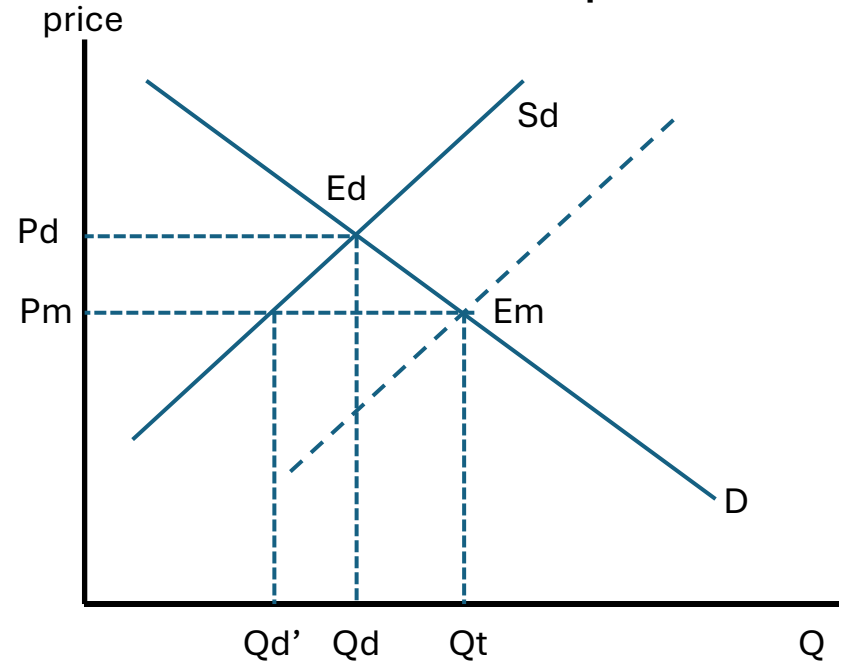
- Regulatory Facilitation: protectionist policies included.
- Financial Grants & Subsidies.
- Capacity development grants.
- Working capital guarantees: help to maintain cash flow, loans for exporters facing liquidity issues.
- Trade Risk Mitigation: export credit insurance.
- Trade Diplomacy: tariff reductions, provision of a more predictable trade environment for exporters.
- Adoption of international standards: harmonizes regulations with global norms, simplifying compliance for MSMEs.
- Dispute resolution mechanisms: address non-tariff barriers through negotiations or legal challenges.

Typical problems for MSMEs

Costs profile of avg. MSMEs



Market of the MSMEs' product



- Most (developing countries) MSMEs tend to be less competitive globally
- Protectionist policies are often taken at a cost of competitiveness and efficiency.

UNCTAD noted that the use of unilateral trade policy interventions—both liberalizing and restrictive—has surged dramatically, from about 190/year between 2010-2014 to over 1,200/year between 2020-2024.

→ Indicating global shifts towards more protective trade measures.

What to do?

Creating MSMEs that are competitive in the international market

- Avoid policies that limit competition; e.g., import restrictions, etc.
 - Restraining MSMEs from being competitive
 - Constraining MSMEs to be able to participate in the global market
 - Eventually leading to lowering/limiting the aggregate welfare of the economy
- Nurture MSMEs' competitiveness in the global market
 - Subsidize the cost difference
 - for a limited time and with set targets
 - Supports/subsidy reviewed periodically and declines gradually
 - Provide programs to improve MSMEs' capacity to compete with external competitors
 - Capacity Building: providing MSMEs with the suitable knowledge, skills, and technology to compete
 - Market Access Support: provide connections to navigate markets for their products; integrating them to the GVC

The role of RCI

Promoting Trade Facilitation, Regulatory Simplification, and Technology Transfers

Some examples:

- Trade Facilitation Agreement (TFA)—WTO
For example, the use of Single Window Systems (one-time submission of documentation) and expedited clearance for express shipments.
- Digital Trade Agreements in APEC and ASEAN
Promoting digital trade provisions that lower paper-based compliance costs for MSMEs.
- FTA MSME Chapters in free trade agreements
 - For example, the inclusion of dedicated MSME chapters in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—establishes online information portals, fosters cooperation, and mandates a review of the agreement's impact on small firms.

Concluding remarks

Challenges in promoting international business for MSMEs

Necessary condition:

- Ensuring competitive MSMEs.
Able to compete globally → Rely on comparative advantages

Sufficient conditions:

- Provide a supportive domestic regulatory environment for the MSMEs to grow.
- Utilizing RCI to facilitate trade, regulatory simplifications, and tech transfers when possible.

Thank You

