



Small business needs help navigating regulations and making it in export markets. Arancha Gonzales, International Trade Center executive director

Standards and regulations for export companies are multiplying, and for a small company the challenge of complying can be daunting. To counter that, the International Trade Center—or ITC—focuses on guiding export-oriented small and medium-sized enterprises or SMEs to export markets.

Many smaller SMEs in developing countries have trouble dealing with standards or non-tariff measures.

The ITC is a joint agency of the United Nations and the World Trade Organization. In 2016, it began a series of studies to see how well SMEs can compete internationally.

ITC executive director Arancha Gonzalez says the ITC is keen to improve SME competitiveness.

First, because they are an integral part in supporting SMEs' participation in international markets. They are essential to help SMEs connect, compete, and change. And we use these three Cs to analyze the competitiveness of the SMEs.

Second, because standards and regulations are present in every step of an SME's life cycle—in the administration of an SME, in its finance, human resources, procurement, marketing, in its accounting. They are present in inbound and outbound logistics, as well as in the primary activity of an SME, such as in agro-processing. Essentially, it is all about whether a small or medium-sized enterprise can meet the sanitary and phytosanitary standards, or the quality standards, whether they be private or public.

But the third and most important reason, in my view, is because in the 21st century, trade is about good trade. Trade is about environmentally sustainable trade. Trade is about socially sustainable trade. Trade is about consumer protection and about respectful privacy rules, and the list goes on.

Consumers are becoming more involved in setting and monitoring standards. Their impact on international trade has grown tremendously. Standards now cover farms, products—where they're grown and processed.

We found that for every 10% in the regulatory intensity of these non-tariff measures, the impact on reducing trade in big companies is around 1.6%. But the impact of this 10% regulatory intensity on small companies is double that, in the order of 3.2%.

So, the smaller the company, the more it is likely to undergo double the difficulty in meeting these standards and regulations. This means that without our conscientious support, SMEs will not be able to meet the trade standards, resulting in their exclusion from internationalization. They would probably be limited to informal markets, which explain the huge prevalence of these informal markets comprising SMEs in many poorer countries.

The ITC recently promoted inclusive trade and global economic growth. It drew up a five-point action plan on how to meet trade standards, and how policy makers and standard setters can ensure they make SMEs more competitive. Says Ms. Gonzales:

So, first we look at governance at home. Second, we look at how to leverage the mechanism of international cooperation in the area of standards and regulations, such as, for example, how to bring about harmonization and mutual recognition. Third, we determine how to implement the action, and identify best practices and how to ensure that companies get more granular information about those standards.

The fourth point of this five-point action plan is about measures to help SMEs improve their competitiveness. The fifth point is basically about helping governments understand where to make infrastructure investments based on quality and standards infrastructure. Where is it they need to focus on in order to make strategic decisions when investing in infrastructure?

That was Arancha Gonzalez, executive director of the International Trade Center, a joint agency of the UN and WTO, speaking at the Asian Development Bank Institute.