

INTEGRATING MSMEs IN GLOBAL TRADE

Priority Issue 3

Trade and Investment Working Group of the G20

Draft: Not for Further Circulation

Background

- India has assumed the G20 Presidency from 1 December 2022 till 30th November 2023
- As the G20 Presidency, India will set the priorities for different workstreams of the G20
- Integrating MSMEs in Global Trade is a key priority of the Trade and Investment Working Group (TIWG)
- MSMEs - 95 percent of all companies, 60 percent of employment, yet vastly under-represented in international trade.
- Impediments - limited knowledge about international markets, non-tariff barriers, cumbersome regulations and border procedures, low technological capacity, and limited access to finance.
- Participation of MSMEs in global trade is lower for developing countries.
- Integration of MSMEs in international trade only when they are integrated with GVCs as 70% of the World trade through GVCs.
- Need is to encourage **use of technology in creation of online platforms** to facilitate participation of MSMEs in the value chain.
- Two-fold approach: one, enhancing the competitiveness and productivity of MSMEs. And secondly, increasing the connectivity or the means by which MSMEs can connect to international markets and GVCs.
- Leverage digital technologies to accelerate the integration of MSMEs in global trade, with a focus on **access to finance, access to markets** and **access to technology**.

PAST PRESIDENCIES

- China, 2016: Facilitate developing country and SME access to information on trade and investment opportunities, including via increased utilization of information technologies.
- Germany, 2017: Promoted better access to financing, technology and training facilities for improving the capacity of MSME's to help better integration into sustainable and inclusive GSCs
- Saudi Arabia, 2020: Policy Note: Boosting MSMEs' international competitiveness through promoting MNC – MSME linkages: theory, practice and a policy agenda
- Italy, 2021: Italian G20 Presidency's non-binding MSMEs Policy Toolkit

Questions

- How can G20 members collaborate to develop common cross-border principles for creating financial information aggregation platforms--that bring financial entities and MSME borrowers together and use harmonized lending practices--to improve access to finance?
- Given the lack of equitable, affordable, and fair access to digital tools, how can G20 members collaborate to assist MSMEs in improving their productivity and product quality thereby integrating them with new markets?
- How can G20 members collaborate to create an online digital portal for MSMEs which integrates market research, trade, and business information

Expected Outcomes

- Adopt common principles for creating a “financial information aggregation platform for MSMEs” and enabling consent-based sharing of information between MSMEs and financial institutions for improved financial access
- The G20 can cooperate to develop guiding principles (such as open network protocols, robust consumer protection and complaint redressal mechanisms) to lower entry barriers for MSMEs in digital platforms and thereby enabling them affordable, equitable, and uniform treatment
- The G20 collaborates in establishing an online digital portal that offers integrated trade and business information for market research by MSMEs