



UNCTAD-UNECE Regional Policy Dialogue: the Role of Competition Policy in Supporting MSMEs' Economic Recovery in the Post COVID-19 Crisis

Impact of COVID-19 on trade and structural transformation:
Evidence from UNECE's demand-driven, survey-based assessments

25 March 2021

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Scope of UNECE Assessments



Small, medium and micro enterprises (MSMEs)



~ 2,000 manufacturing and agricultural **MSMEs** in Armenia, Belarus, Georgia, Moldova (Republic of) and Serbia



Transmission channels and the influence of non-tariff measures (**NTMs**), including trade facilitation and quality assurance, therein



Supply chain disruptions and their impact on trade activities



The MSMEs' **coping strategies**



The **ripple effects** that should be considered over the long term

Freight forwarders



32 freight forwarders operating in Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan ([SPECA](#) countries)



Transmission channels and the influence of **trade facilitation measures** therein



Transport disruptions and their impact on trade activities



The freight forwarders' **coping strategies**

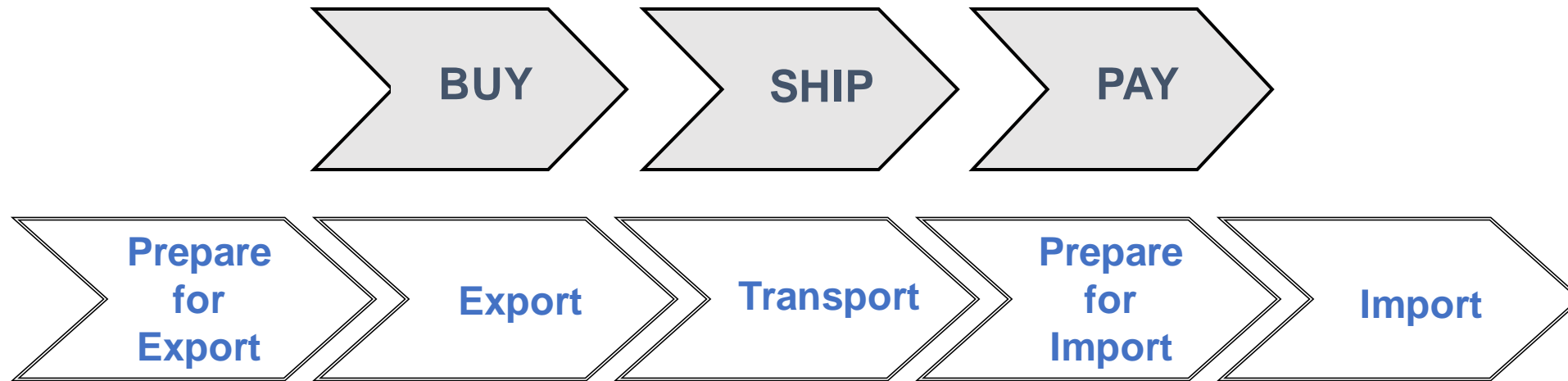


The **ripple effects** that should be considered over the long term

Scope of UNECE Assessments



NTMs: Trade facilitation measures



Commercial Procedures

- Establish Sales Contract
- Order Goods
- Advise on Delivery
- Request Payment



Transport Procedures

- Establish Transport Contract
- Collect Transport and Deliver Goods
- Provide Waybills, Goods Receipts Status Reports



Regulatory Procedures

- Obtain Licences
- Provide Customs Declaration
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods



Financial Procedures

- Provide Credit Rating
- Provide Insurance
- Provide Credit
- Execute Payment
- Issue Statements

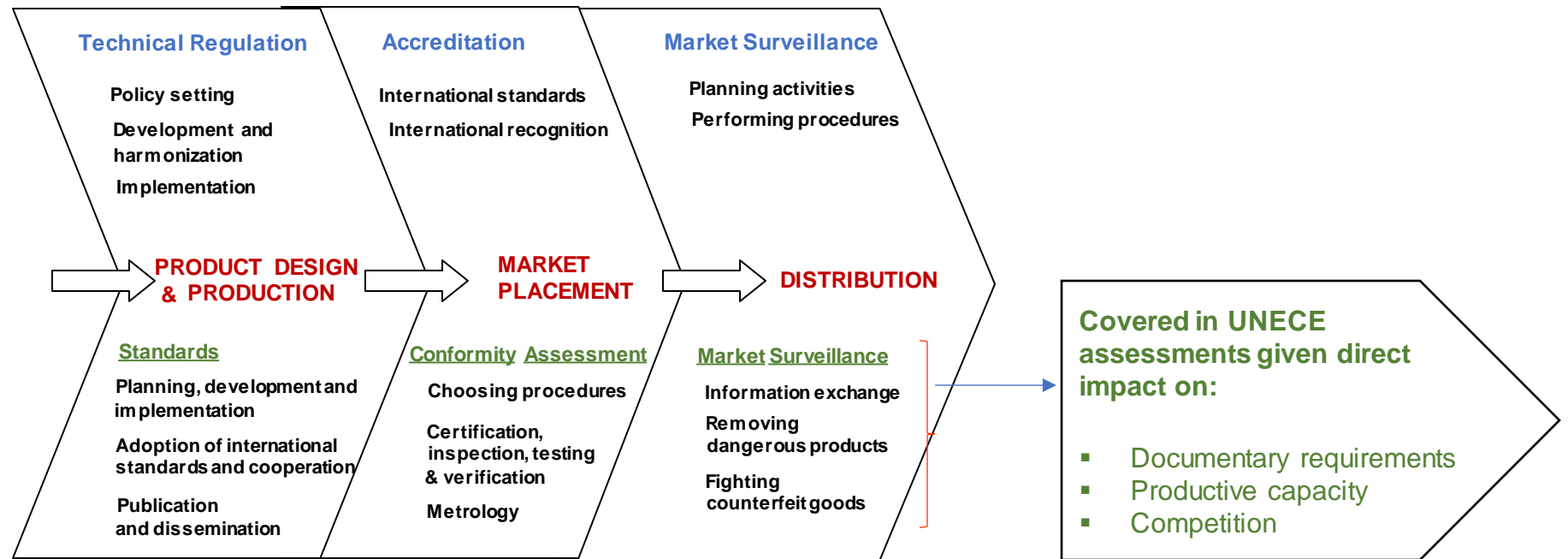


Scope of UNECE Assessments



NTMs: product lifecycle

Infrastructure, competence, management, environment



Regulatory activities

Key Findings



NTMs harnessed for curbing supply chain disruptions



Minimum restrictions to address supply shortages

Temporary export bans on personal protective equipment (**PPE**) and certain pharmaceutical products.

Temporary export bans on certain **food items**.

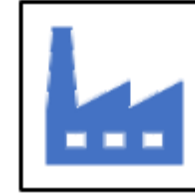


Trade facilitation to generate efficiency gains

Online publication of new NTMS:
Transparency.

Simplification of procedures associated with issuing trade documents: **Cutting down red tape:**

Cooperation arrangements



Easing of supply chain actors' financial pressure

Temporary **customs duties exemptions** on imported **PPE** and certain pharmaceutical products.

Temporary customs duties exemptions on essential **food items**.

Key Findings



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Trade facilitation NTMs used for curbing supply chain disruptions: Experience of Georgia

Transparency in trade continued to be ensured: online publication of new NTMS and Revenue Service 24/7 call centre.

Trade documents continued to be issued online through the national paperless trading system and conformity assessment agencies issuing paper-based documents stepped up efforts

At the border control continued to proceed within the context of the well-established integrated border management system and was risk-based

Physical inspection of cargo was re-allocated from the Customs Clearance Points to the Customs Clearance Zones to pre-empt congestion at border crossing points.

Customs and tax payments continued to be made online through the Revenue Customs Service Platform and were further streamlined through additional simplified procedures for tax refunds

Transit traffic continued to be facilitated by cooperation arrangements anchored in regional agreements, UNECE international transport conventions and protocols, and electronic data exchange

Key findings



NTMs as negative transmission channels

Negative transmission channels

Capacity shortfalls

Incomplete NTM reforms resulted in non-tariff barriers

- Issuance of trade documents slowed down by continued reliance on paper-based procedures.
- Border control slowed down by continued overreliance on physical inspection
- Lack of adequate infrastructure facilities at border crossing points (BCPs)
- Product retesting in destination markets

Connectivity disruptions

- Lack of adequate transport infrastructure
- Capacity shortfalls at neighboring countries' BCPs
- Burdensome transit trade arrangements
- Special health and safety arrangements at partner countries' BCPs (often cumbersome and not clear).
- Border closures: in country (Moldova) and in partner countries (especially the EU).

The lingering effect of COVID-19

Increased economic vulnerability

Supply shortages

Less than 20 % of the MSMEs found new international suppliers

Partner countries

Border closures, closure of non-essential businesses and at the border arrangements translated into:

- Delayed deliveries (imports & exports)
- Inflated transport costs (imports & exports)

Monetary policy

- Increased prices owing to national currency depreciation (e.g., Moldova)

A return to normality is not enough

Limited resort to growth enabling coping strategies

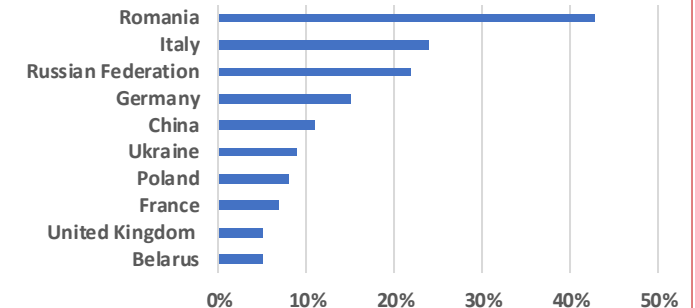
- Less than 20% of the MSMEs surveyed resorted to production repurposing (mainly cloth face masks)
- 30% (average) increased engagement in e-commerce, mainly for boosting sales in domestic markets.

Erosive coping strategies

- Put their staff on furlough
- Reduced or suspended production
- Postponed business expenditures and loan repayments
- MSMEs' owners used personal savings to cover running costs to the detriment of their households' welfare
- 80% (average) emphasized that their survival hinges on continued Government support

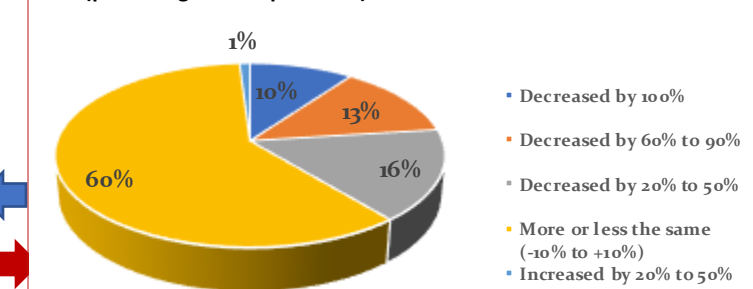
Dwindling international demand

Lost export markets (% of respondents): **Moldova**



Reduced export earnings despite MSMEs' efforts

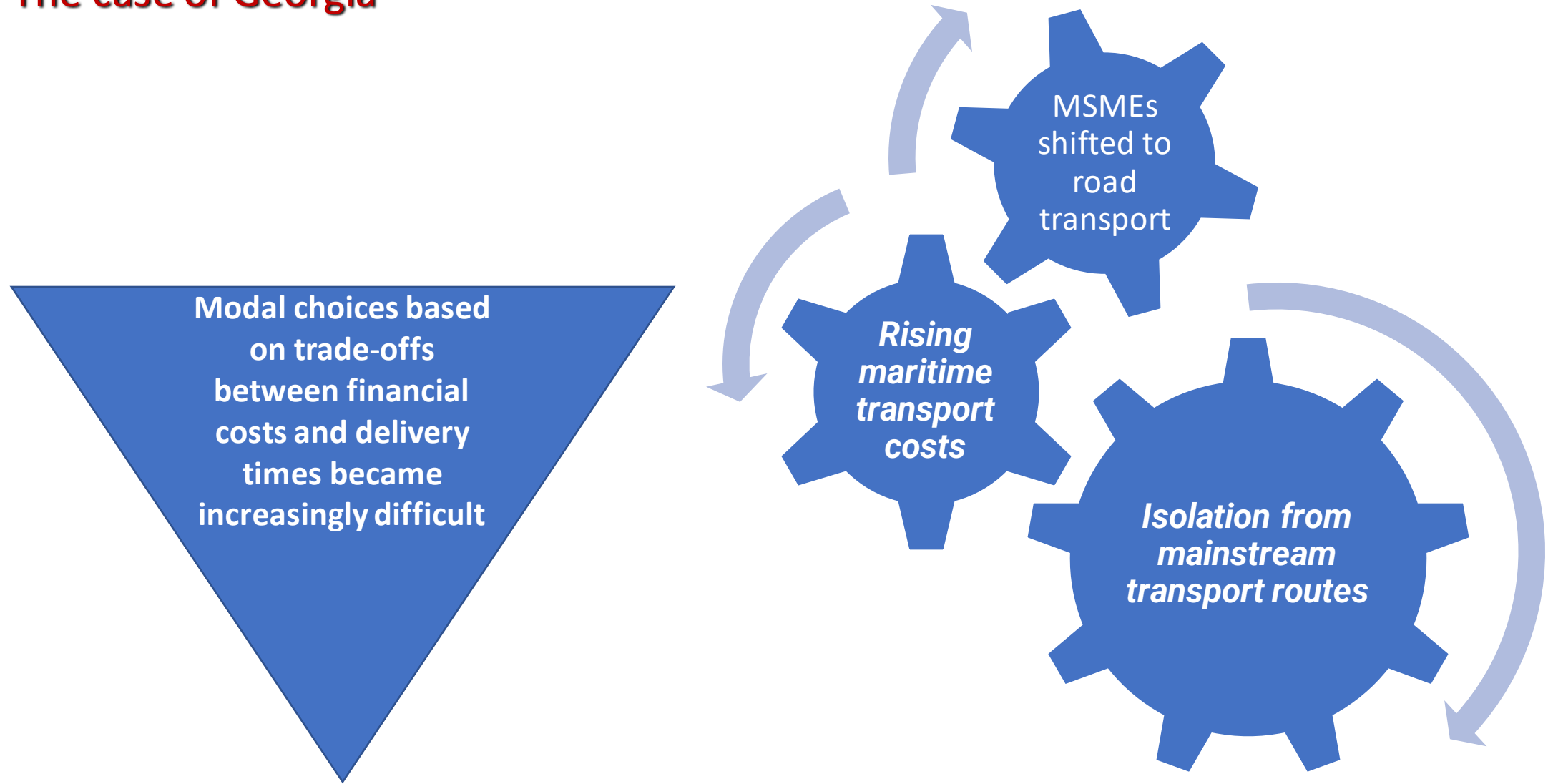
Armenian MSMEs' export earnings January-July 2020 compared to 2019 (percentage of respondents)



The Devastating Impact of Transport Challenges



The case of Georgia



Governments' Response



Linking Relief to Development: How Does It Work?



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An example from Armenia: the case of leading air cargo forwarders

Targeted loan schemes

Leveraged partnerships with counterparts in Europe to transport cargo by charter freighters



Contributed to addressing the industry's limited supply capacity

Digitalized services: Smart lockers in central areas to enable online enable to retrieve shipments



A boost to e-commerce

Linking Relief to Development: How Does It Work?



Whole of government approaches: trade and competition policy

The issue

The distribution of trade and competition policy gains are unequal among countries over time

Because

The ability of countries to take advantage of investment and market opportunities depend upon, among others, location, level of technological development and endowments.

NTMs

Offer valuable tools for addressing problems arising from the interface between competition and trade (if capacity shortfalls are addressed).

How

- Trade facilitation measures related to border control and market surveillance offer alternative tools to safeguards and anti-dumping measures.
- Technical regulations ensure consumer- and competition-oriented trade policies.
- Standards implementation and conformity assessment improve protection; the lack of which acts as a distortion to competition. Act as disincentive for technology transfer through foreign direct investment (establishing presence) and supply chain integration.

UNECE Toolkit for Supporting SMEs



Agri-standards

- Support transition to more sustainable production patterns & food supply chains for better quality products, increased income
- Support national efforts to improve market access conditions facing farmers and agri-industries.

HGEs (High Growth Enterprises)

- Webinars and a handbook in response to the recognition that broad SME policies fall short of meeting the needs of IHGEs.
- National innovation performance reviews.

Women's economic empowerment

- Build support system to encourage start-ups & upscaling of female-owned SMEs.
- Partnerships to provide biannual training workshops for professional women.

Non-tariff measures, NTMs

- National survey-based assessments on the impact of COVID-19 on trade and structural transformation.
- Presently conducting similar assessments on female-owned MSMEs in Armenia and Rep. of Moldova.
- National survey-based assessments of regulatory and procedural trade barriers

ISMIT & UN/CEFACT

- Help SMEs overcome the main obstacles in approaching international markets: cost, knowledge, use of technologies, competition, and network of partners.
- Freely available digitalization standards to help SMEs engage in supply chain activities and organize logistics.

Energy

- Study "Guidelines & Best Practices for MSMEs in delivering energy efficient products and in providing renewable energy equipment" served as basis for workshop and publication.
- Customize Guidelines and Best Practices for select member States.

THANK YOU

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COVID-19 impact assessments on trade and structural transformation, published progressively on:

<https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>

COVID-19 impact assessment, SPECA:

https://unece.org/fileadmin/DAM/trade/workshop/2020_Nov_SPECAWG/COVID-ConsolidatedReport_Eng.pdf