

Secretariat Note on Support to SMEs

I. Introduction

The impact of the COVID-19 pandemic on international trade, travel and transport, including disrupted supply chains, staffing constraints and social restrictions, has left many businesses closed, and plenty more not fully functional. This affects everything from operations to financial capabilities, and, ultimately, to the potential for a speedy recovery of global trade.

Small- and medium- sized enterprises (SMEs) make up a large portion of the economy of many WCO Members, accounting for the majority of domestic business transactions and constituting a major source of job creation. SMEs have been especially vulnerable under these unprecedented circumstances.

II. WCO's commitment to Customs-Business partnership and tools that support the private sector and SMEs

The WCO has a long-standing commitment to Customs-Business partnerships, at international, national and even local levels. This is particularly relevant to SMEs, as a source of economic development that may require special attention by government agencies.

The WCO's International Convention on the simplification and harmonization of Customs procedures, known as the **Revised Kyoto Convention** (RKC) adopted in 1999, brings forth a Customs-business partnership framework, ensuring the necessary support to SMEs. Among its key governing principles are providing a business-friendly environment by ensuring transparency and predictability of Customs actions and partnership with trade. Further, the RKC offers simplified procedures for authorized persons that show compliance built on trust with Customs. (http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv.aspx).

The **SAFE Framework of Standards to Secure and Facilitate Global Trade** (SAFE) took a significant step forward in developing the principle of Customs-Business partnerships. SAFE was adopted in 2005, acting as a deterrent to international terrorism, helping secure revenue collections and promoting trade facilitation worldwide. One of the pillars of the SAFE is the **Authorized Economic Operators** (AEO) Programme, developed based on the RKC concept of Customs-Business partnership. To date, 84 AEO programmes have been introduced worldwide that take into consideration the vulnerabilities of SMEs. This is also reflected in a SAFE Package tool on AEOs and SMEs - FAQ. The SAFE Package 2018 further includes a number of new and updated tools that take into consideration the particular challenges faced by SMEs, such as the AEO Validator Guide; the Mutual Recognition Arrangement/Agreement (MRA) Strategy Guide; the updated AEO Template; MRA Implementation Guidance; and others. More information on the SAFE Package can be found here: http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/safe_package.aspx.

SMEs often face obstacles as they attempt to internationalize, including differences in rules and business cultures, poor protection of intellectual property rights and restricted technical standards. The **WCO Model Business Lens Checklist for SMEs**, developed in 2014, provides a standardized approach to designing or refining programmes and policies and allows for more input from an SME perspective and ensures that SMEs benefit from the above WCO

instruments (<http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/key-issues/ecp/2015/model-checklist.pdf?la=en>).

Recognizing the need for, and significance of a sustained Customs-Business partnership more broadly, including ensuring proper representation of SMEs, the WCO developed **Customs-Business Partnership Guidance** in 2015 to assist Members with the establishment of a process for regular consultation and a robust partnership with business. It has a specific focus on SMEs and includes a special note for that purpose (<http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/customs-business-partnership-guidance/customs--business-partnership-guidance.pdf>).

The growing trade in cross-border E-Commerce in physical goods has generated enormous opportunities for the global economy, providing new opportunities to SMEs in terms of wider access to overseas markets by lowering entry barriers and reduced costs. This unprecedented growth, which was substantial during the COVID-19 pandemic, has revolutionized the way businesses and consumers market, sell, and purchase goods, providing wider choices and advanced shipping, payment and delivery options. These benefits are particularly relevant to SMEs. The WCO developed **The Cross-Border E-Commerce Framework of Standards**, including relevant guidelines and recommendations to facilitate cross-border E-Commerce in a way that meets the needs of E-Commerce stakeholders, consumers, Customs and other relevant government agencies alike (<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/ecommerce.aspx>)

III. WCO in Action

Safeguarding supply chain continuity, which would affect SMEs in particular, has been at the focus of the WCO's work during the COVID-19 pandemic. The WCO and its Membership have marshalled all efforts through responsive measures and policies to maintain Customs business and to share useful lessons from this experience with global partners. Over 110 Members submitted examples of Customs administrations' practices to prevent and fight the spread of COVID-19, while facilitating trade and applying appropriate risk management. Examples of enhanced coordination and cooperation with other government agencies and the private sector (including with AEOs) were also highlighted, as well as measures to protect the health of Customs officers. They have been collected into a **repository of Members' practices**, which is available at the dedicated WCO COVID-19 web page (<http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/natural-disaster/coronavirus.aspx>).

The WCO has been working closely with a number of private sector associations, representing SMEs globally, in addressing challenges in facilitating the movement of goods across borders through joint actions defined in our **joint statements**, such as those with the International Chamber of Commerce (**ICC**) and the International Road Transport Organization (**IRU**).

The WCO supported a number of initiatives that contribute to the availability of information for the benefit of the private sector, including SMEs which usually have difficulties in obtaining relevant information. In close collaboration with a number of partners (World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), Global Alliance for Trade Facilitation (GATF), International Trade Centre (ITC), Commonwealth Small States Office (CSSO) and International Air Transport Association (IATA)), the WCO contributed to the development of the **COVID-19 Trade Facilitation Repository**, a joint platform aimed at consolidating information on trade facilitation measures adopted by key stakeholders into a

single user-friendly, easily accessible and searchable database (<https://www.tfafacility.org/covid19-trade-facilitation>).

Another initiative supported by the WCO is the **Global Trade Helpdesk** (GTH) launched in 2017 by the ITC, UNCTAD and the WTO. This initiative has created a user-friendly digital platform that empowers micro, small and medium sized enterprises by providing a one-stop shop where businesses can find up-to-date trade statistics, export potential estimations, tariffs, regulatory requirements, as well as information about voluntary standards, and contact information for key public and private partners. The WCO contributed to the GTH by making its origin database and information on AEOs available for the purposes of the platform. The GTH has been recently revamped to better respond to firms' needs (www.globaltradehelpdesk.org).

WCO working bodies provide a platform through which the views and challenges of the private sector, including of SMEs, can be shared with the Customs community. Private sector associations are regular observers in WCO meetings, including the Permanent Technical Committee (PTC) meetings. The 227th/228th Sessions of the PTC that are being held in a document-based manner, have discussed the role of Customs in mitigating the effects of the COVID-19 pandemic. A number of observers, including those representing SMEs have shared their observations and have called for measures to be taken. These discussions combined with the repository of Member practices in response to the COVID-19 pandemic and the work being done on the Japan funded project to **Support to Improve the Capacity of Developing Countries' Customs Administrations in Response to the Impact of COVID-19** will provide a sound basis for the development of Guidelines that will inform Customs administrations as they face future challenges like the COVID-19 pandemic. These Guidelines will include a special focus on SMEs recognizing their importance in maintaining supply chain continuity and their criticality in economic recovery.

IV. Collaboration with the Private Sector Consultative Group (PSCG) during the pandemic

The PSCG was established 15 years ago with the objective of informing and advising the WCO Secretary General, the Policy Commission and WCO Members on Customs and international trade matters from the private sector perspective (<http://www.wcoomd.org/en/topics/key-issues/private-sector-consultative-group.aspx>).

Over the past three months, the PSCG, which represents a wide range of businesses and industry associations, and to a large extent SMEs worldwide, has been holding virtual **weekly/bi-weekly meetings**, with the WCO Secretary General, Deputy Secretary General and Council Chairperson in attendance. These meetings enable the members of the group to provide status updates relevant to their respective industries, discuss the impact of the COVID-19 pandemic on international trade and the global economy, and serves as a table for discussing proposals for courses of action by the global Customs community. Private sector associations who are current members of the PSCG have been working closely with the WCO to find ways to overcome border impediments faced by many of their SME members during the pandemic.

On 13 April 2020, the Chairperson of the WCO Private Sector Consultative Group (PSCG) submitted a paper to the WCO Secretary General outlining some **observations, priorities and principles to be considered by the WCO and its Members during this unprecedented time of the COVID-19 pandemic** that includes four key points:

- Expedite the clearance of essential goods and workers to support and maintain essential services;
- Apply the principles of social distancing to border processes;
- Strive for efficiencies and simplification for all clearances; and
- Support for business resumption and recovery.

The WCO Secretary General emphasized to the PSCG that working even harder together in the spirit of Customs-Business partnership was even more important during these critical times, modeling the partnership for emulation at national levels. The PSCG paper will contribute to the agendas of the relevant WCO working bodies in the months to come. The paper can be found on the following WCO web page: <http://www.wcoomd.org/en/media/newsroom/2020/april/the-private-sector-consultative-group-outlines-solutions.aspx>.

V. Supporting SMEs at national levels

The discussions at the PSCG meetings, which have more notably placed at the forefront the needs of SMEs, were aimed at identifying actions that can be implemented at national levels to mitigate the effects of the pandemic, and have therefore been shared with the Membership and more widely with the public.

Leveraging on the recommendations put forward by the PSCG, the WCO emphasizes the need for Customs administrations to continue to facilitate, not only relief goods, but goods in general, to help minimize the overall impact of the COVID-19 outbreak on the economies and societies. Customs administrations are strongly urged to establish and/or maintain a robust coordinated and proactive approach with all concerned agencies to ensure the integrity and continued facilitation of the global supply chain, with a special focus on the SME sector, bearing in mind its tremendous contribution to the prosperity and growth of economies around the world.

Coordinated Border Management (CBM) is one of the ten building blocks of a modern Customs administration of the 21st Century and is one of the key priorities of the WCO. It entails coordination and cooperation among all the relevant authorities and agencies involved in border security and regulatory requirements that apply to passengers, goods and conveyances that are moved across borders. It facilitates trade and provides huge benefits to the SMEs, in particular through Single Window arrangements which are aimed at cutting time and costs to cross-border trade. CBM at both national and international levels is critical during crises, ensuring alignment of working hours, procedures, practices and applied measures.

Building on CBM, as one of the cornerstones for efficient and effective border management especially during the pandemic, the WCO reiterates and highlights some of the measures included in the **4th Edition of the document on What Customs can do to mitigate the effects of the COVID-19 Pandemic** (http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/covid_19-categorization-of-member-input_may-29-2020_edition-4_en.pdf?la=en). Below is the list of Customs administration measures aimed, in particular at supporting the economy and sustaining supply chain continuity, which are relevant to businesses, including SMEs:

- Set up crisis teams to ensure the overall performance of Customs tasks. Take measures to guarantee personnel availability in the long term. Operate a 24/7 Customs clearance system;

- Create a Helpdesk to resolve issues faced by importers/exporters;
- Advocate for sustaining end-to-end supply chain continuity, including the smooth and unhampered movement of goods inland;
- Apply risk management to keep physical inspections to the minimum necessary and to speed up Customs clearance. Optimize use of non-intrusive inspection equipment;
- Designate priority lanes for freight transport and introduce measures to guarantee the supply chain continuity;
- Facilitate the continuation of transport by road, including for goods in transit, in cases where the driver of the means of transports has COVID-19 symptoms;
- Remove restrictions on containers;
- Introduce tax relief measures, such as extending payment of duties, payment of duties in installments, and duty drawback with a special focus on SMEs;
- Allow for flexibility in extending AEO certifications during the pandemic, while maintaining an appropriate monitoring mechanism;
- Waive penalties for delays that are due to late arrival of commercial documents from exporting countries;
- Introduce facilitative measures with regard to the requirements to submit original documents or to stamp certain documents; and,
- Provide greater facilities to ATA carnet holders when the temporarily imported goods cannot be re-exported due to a state of emergency.

In addition to the measures listed above, Customs administrations can implement additional measure specifically aimed at supporting SMEs, such as:

- Partnering with MSMEs through AEO programmes;
- Applying simplified and automated procedures;
- Consulting the private sector before introducing new legislation/regulations;
- Making information on changes in procedures available through the channels most used by MSMEs;
- Facilitating cross-border e-commerce;
- Facilitating road transport; and
- Deferring payments.

In response to the uncertain trade conditions created by COVID-19, the ICC has called upon governments and Customs authorities to adopt concrete measures designed specifically to help SMEs. The ICC recommendations outline Customs hurdles and challenges faced by SMEs, as well as best practices for governments and Customs authorities to strike a balance between necessary health measures and trade facilitation. Some of the recommendations highlighted in the paper include: adopting a risk-based approach to Customs clearance; moving swiftly from paper to electronic documentation requirements; extending operating hours for Customs offices; reducing unnecessary physical inspections; allowing deferred payment of Customs duties for SMEs; private sector consultation in the design and implementation of health, trade and customs measures and others.

While the ICC paper rightly notes Customs' role at the border, it is necessary to emphasize that a CBM approach is vital at a domestic level in ensuring that all agencies with a responsibility at the border are coordinated and a focus on SMEs is emphasized. Internationally, the RKC provides the framework, transparency and predictability critical to SMEs' participation in the global economy.

The ICC paper can be found at: (<https://iccwbo.org/content/uploads/sites/3/2020/06/2020-customs-measures-sos-1.pdf>).

VI. Conclusion

With all of the above in mind, the Secretariat encourages its Membership to make full use of the WCO instruments and tools developed over the past years and more recently. By conforming to the principles and standards for harmonization and simplification of Customs procedures embedded in the RKC, drawing from Members' national practices and implementing measures to mitigate the effects of the COVID-19 pandemic, as listed above, Customs administration can play a significant role in supporting SMEs and national economies during the COVID-19 pandemic, as well as towards business resumption and post-pandemic economic recovery.

In recognition of the Micro-, Small and Medium-sized Enterprises (MSMEs) Day marked on 27 June, the WCO Secretariat uses the opportunity to raise awareness of their contribution to sustainable development and the global economy, and of the leadership that Customs can show in strengthening the MSMEs sector.
