



NUMBER: 17-05

May 2017

RCEP: HELPING MSMEs STRUGGLE LESS WITH STANDARDS

With more than three billion consumers, RCEP needs to allow its MSMEs (Micro, Small and Medium Enterprises), representing about 97% of all enterprises, to take advantage of the opportunity to use e-commerce and other channels to find new markets for their products.

But one obstacle for smaller firms is the difficulty in navigating standards and testing requirements. Companies that wish to grow in new markets struggle with addressing incompatible existing rules across Asia.

While bigger firms have the resources to figure out solutions, small companies are often stymied by issues they did not even realize existed.

As the Asian Trade Centre case study on toys in the region makes clear, a company that has an excellent new product that ought to be highly desirable for parents and families across RCEP will struggle to get their toy into the market. The firm is unlikely to have had the right product testing done or labeled with existing standards marks to safely ship the item widely across the region.

The use of different standards and testing regimes in RCEP will diminish the benefits that could otherwise be expected from market opening in the e-commerce, goods, trade facilitation and other chapters.

Such issues need to be addressed over time within RCEP to really harness the benefits of this regional agreement for smaller firms.

Business Benefits for MSMEs

Companies can use standards as part of their export strategy. Effective use of standards also helps with marketing.

Parents, for example, prefer to buy toys that are clearly labeled and like items that indicate safety standards matching international rules. Products that meet these requirements sell better.

The German Institute of Standardization (DNI) looked at 680 companies in Germany, Austria and Switzerland in 2011. The use of standards were shown to have a positive impact on the economy as a whole, but also on individual businesses that used standards effectively.¹

Standards give confidence to customers that products and services are reliable, and also allow MSMEs to adopt better practices to improve their competitive advantage, get new customers, open up export markets, and reduce transaction and production costs.

Plugging into Supply Chains

The more MSMEs engage in cross border trade, the more standards can contribute to their business development and economic growth.

As a way to encourage their development in international markets, adopting international standards helps MSMEs to access global value chains (GVCs) or supply chains. Companies that start by using international standards are more likely to be picked up as suppliers in larger chains than those that are manufacturing to only local standards.

Engaging with Firms

Smaller firms need may help seizing the opportunities presented by RCEP. The agreement will provide a significant platform for companies to find new markets and customers across all of Asia.

But effectively using the agreement—understanding the complexities of both the RCEP rules and existing standards and testing regimes in RCEP markets—will be challenging for many companies. In order to demonstrate win-win outcomes, RCEP will need capacity building and outreach to smaller firms.

¹ TS85-Standards Hans Knoop, "Economic Benefits of Standardization," https://www.fig.net/resources/proceedings/fig_proceedings/fig2006/apers/ts85/ts85_02_knoop_0890.pdf