

SME Competitiveness in LLDCs:

Improving SME participation in International Value Chains

A presentation at: Fifth Meeting of Trade Ministers of
Landlocked Developing Countries

By: Marion Jansen, Chief Economist, ITC
Date: WTO, 23 June 2016



Being part of international value chains

Is good because it generates opportunities to:

- to create jobs;
- Increase income;
- Increase working conditions;
- Diversify production and exports

Connecting to IVCs can help local firms to:

- Access finance;
- Shorten lead times;
- Reduce operational disruptions;
- Cut inventory;
- Improve quality and customer services
- Speed innovation;
- Reduce risk

Linking up to IVCs ... but how?

Gains at the bottom of the chain are not necessarily high

Company	Function		Cumulating
Chinese Farmers	Raw material	1	1
Chinese Factory	Manufacturing costs	2	3
Chinese Factory Owner	Owner margin	2	5
Lebanese design workshop	Design	0.1	5.1
	Boat	0.2	5.3
	Customs	0.7	6
Chinese state plant	Quotas	0 – 0.5	
Spanish trader	Trader margin	2	8
Spanish supermarket	Distribution	20	28
Lebanese company	Market research	10	38
Lebanese company	Advertising	2	40
French Brand	Margin	10	50

Governments are concerned about «being trapped at the bottom of the value chain»

Ruffier (forthcoming)

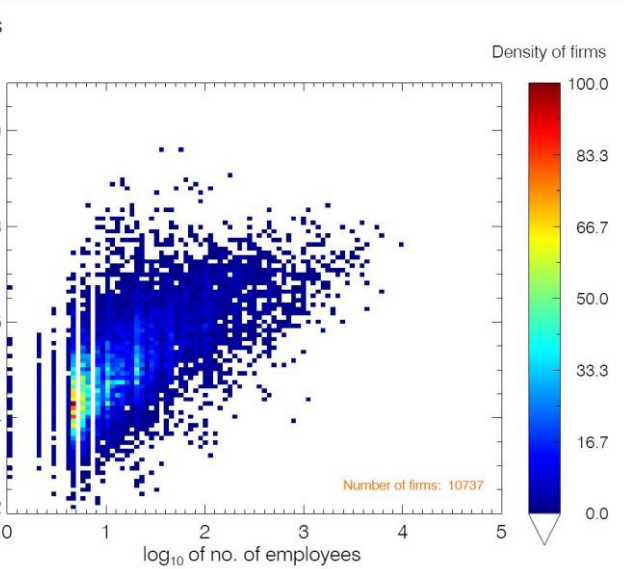
Competitiveness matters

- Determines whether firm exports and whether it exports directly or indirectly;
- Determines governments structures within value chains
- Determines firms potential to upgrade within a value chain

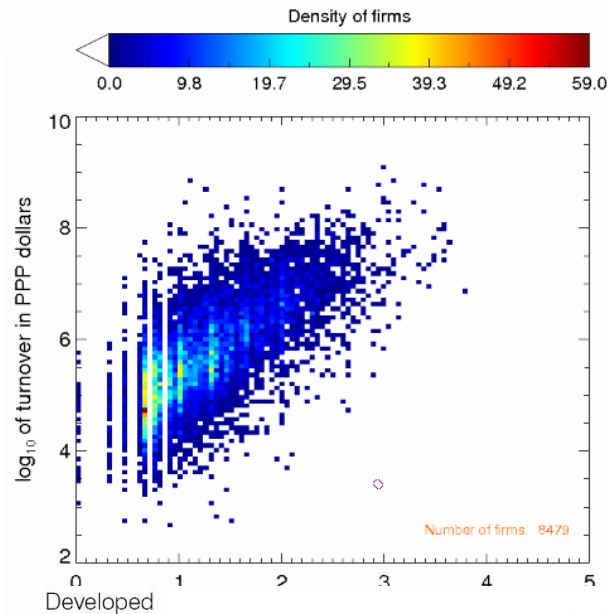
**What do we know about
competitiveness in LLDCs?**

Firm size distribution in LLDCs

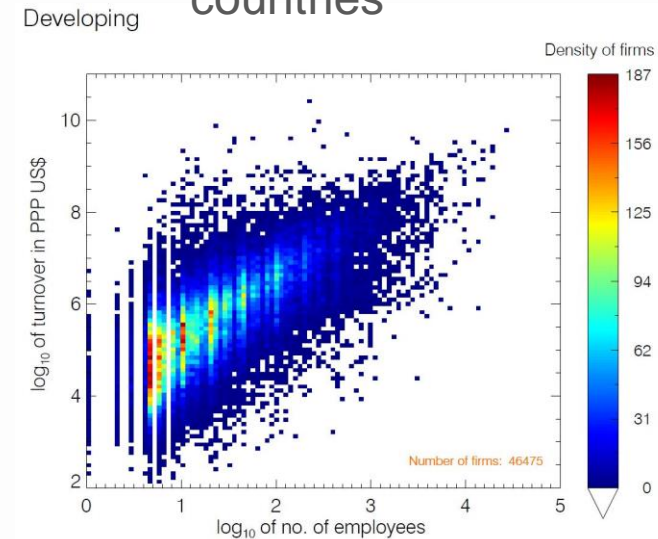
LDCs



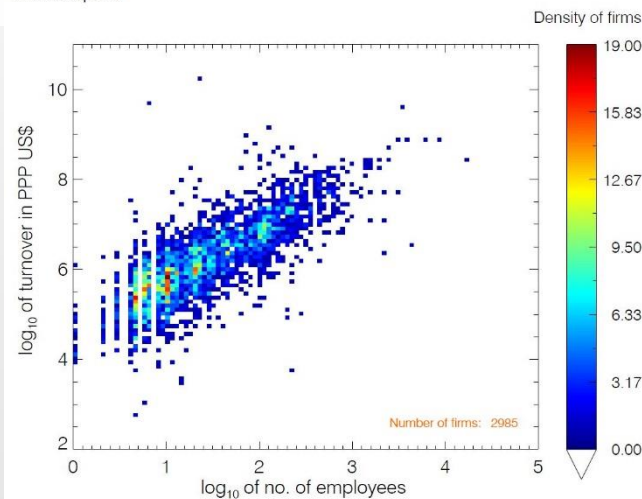
LLDCs



Developing countries



Developed countries



SME Competitiveness Grid

Pillars of competitiveness

Levels of competitiveness	Capacity to connect	Capacity to compete	Capacity to change
Firm level capabilities			
Immediate business environment			
National environment			

The SME Competitiveness Grid

SME Competitiveness Grid		Pillars		
		Capacity to Compete	Capacity to Connect	Capacity to Change
Layers	Firm Level Capabilities			
	Immediate Business Environment			
	National Environment			

Compete

This Pillar centres on **present** operations of firms and their efficiency in terms of cost, time, quality and quantity. It refers to the 'static' dimension of competitiveness

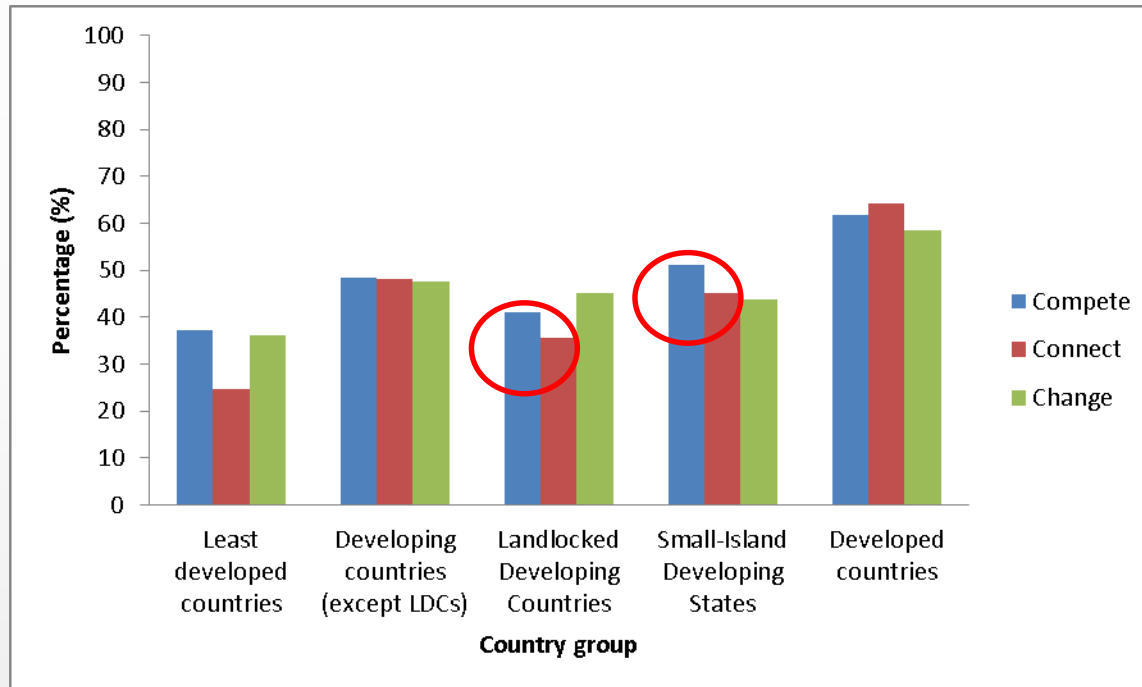
This Pillar centres on the gathering and exploitation of **information** and **knowledge**. At the firm level, this refers to efforts to gather information flowing into the firm and efforts to facilitate information flows from the firm

Connect

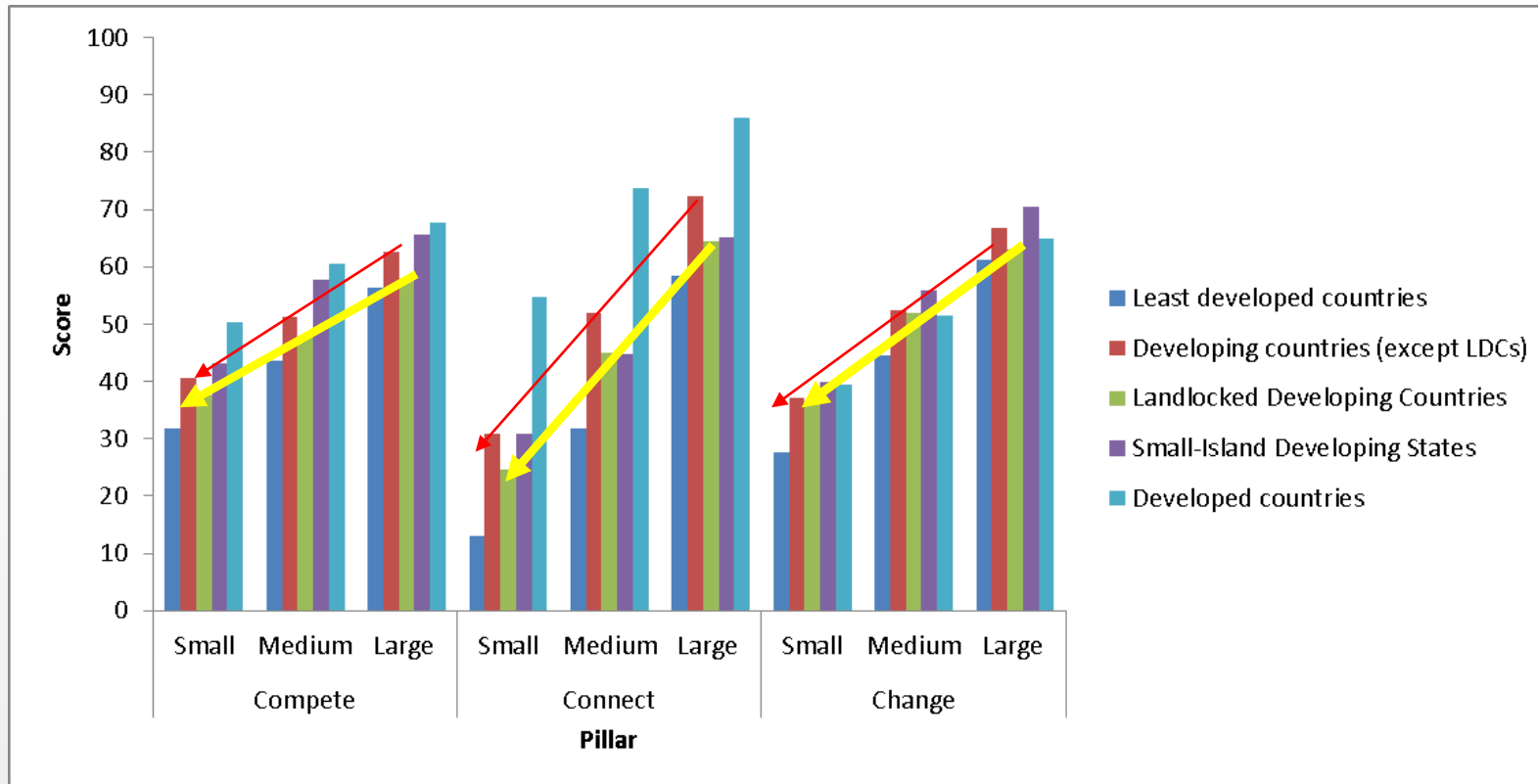
Change

This Pillar centres on the capacity of a firm to execute change in response to, or in anticipation of, **dynamic** market forces and to innovate through investments in human and financial capital

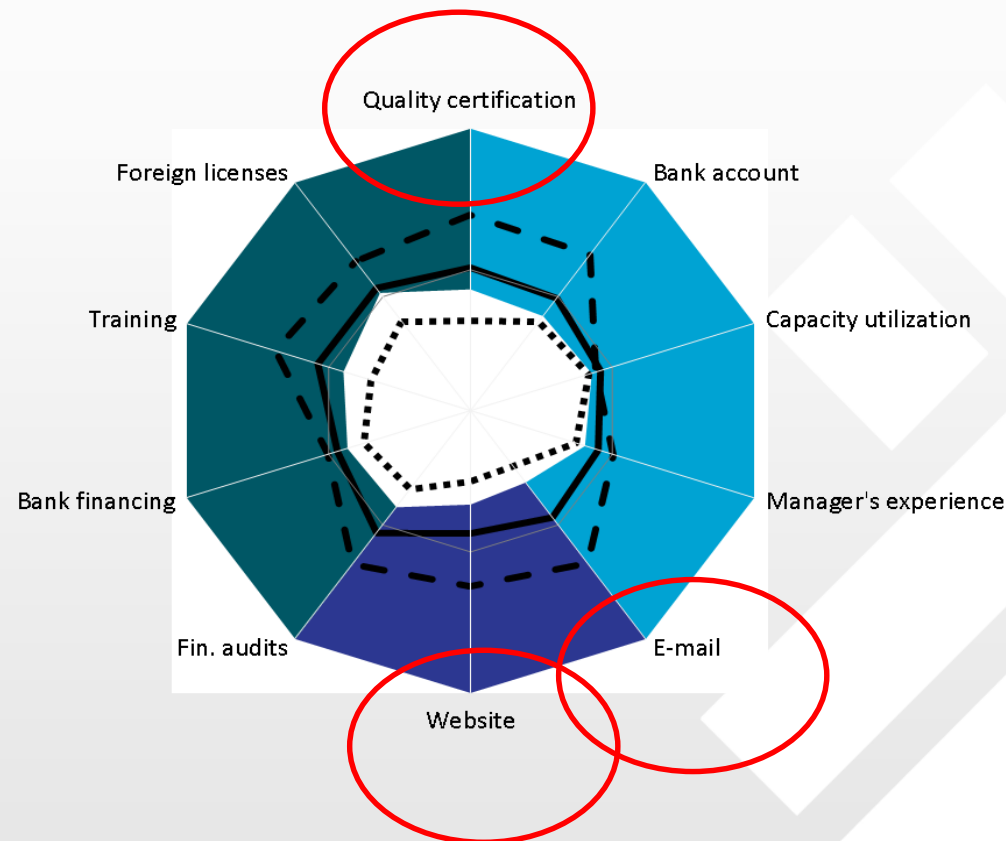
Different performance across competitiveness pillars in LLDCs



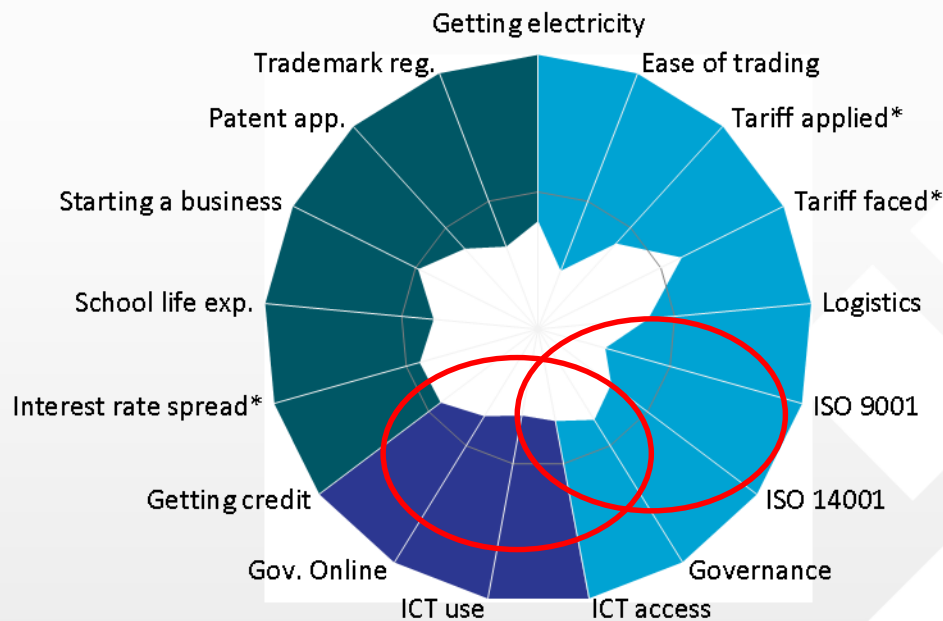
... zooming in on the firm level



More detail about the firm level LLDCs: weaknesses in connectivity pillar among small firms and in capacity to meet standards



... this is confirmed when looking at national policy variables



Vienna Programme of Action

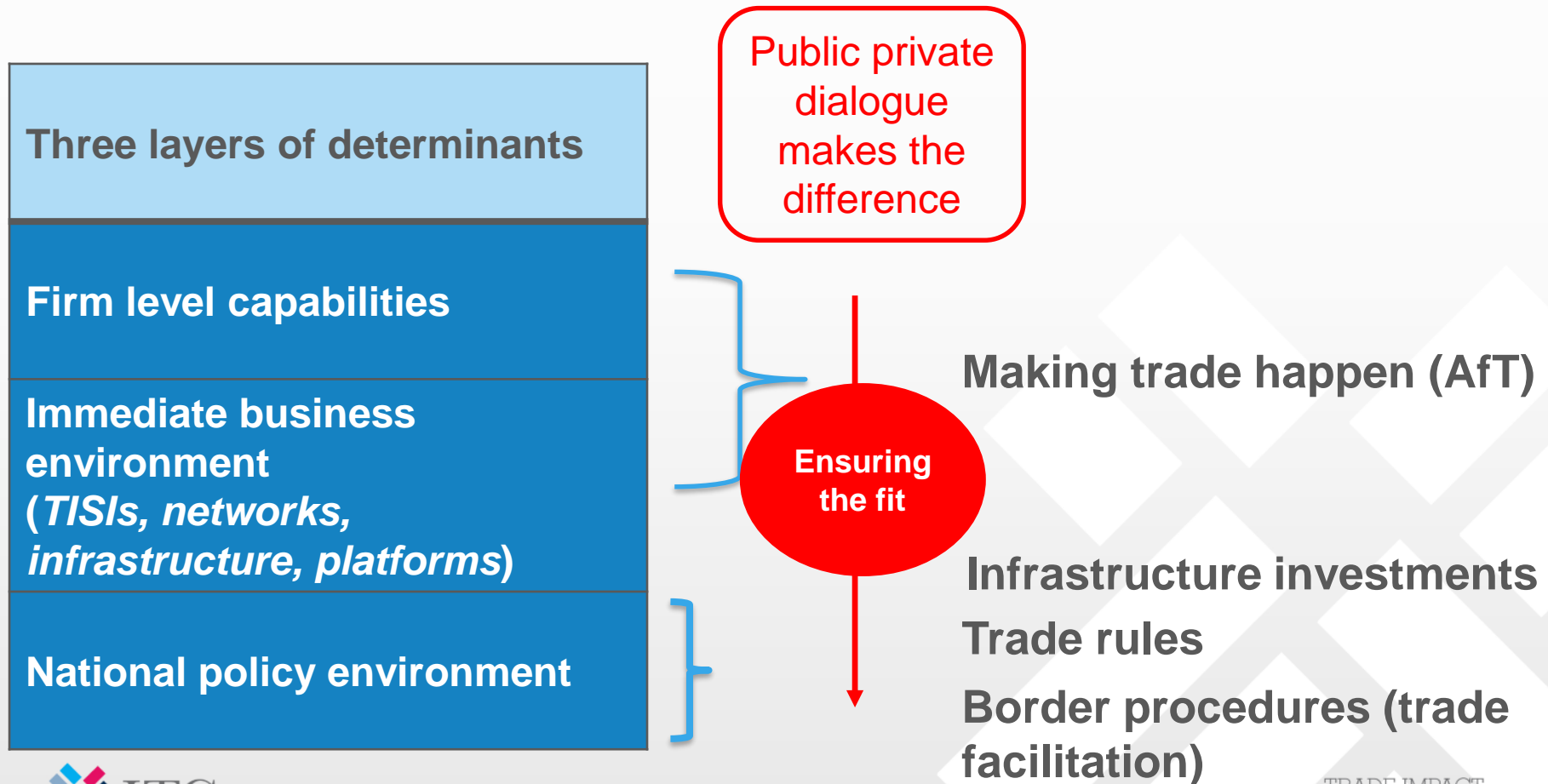
“ Despite some progress, landlocked developing countries lag behind other developing countries in terms of telecommunication infrastructure, including broadband Internet access, which can play a crucial role in increasing connectivity, boosting enterprises’ competitiveness and facilitating international trade.”

Connecting LLDCs to Regional and Global Value Chains: Making Trade Happen

In addition to well-known challenges regarding transport and transit infrastructure, the ITC SME competitiveness analysis highlights:

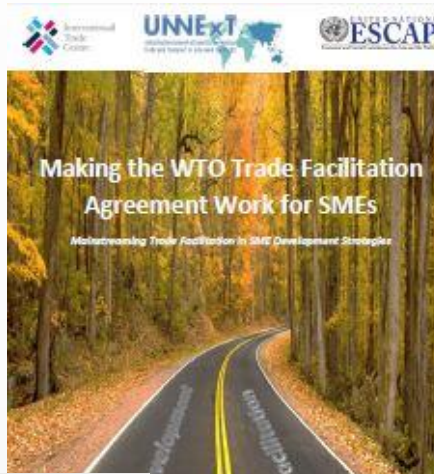
- The importance of the digital gap and the importance of shortages in ICT infrastructure and connectivity challenges for SMEs
- The lack of capacity in SMEs to meet international standards and regulations

Helping MSMEs to trade: Determinants at three levels of the economy



More on <http://www.intracen.org>

BRINGING SMEs ONTO
THE E-COMMERCE HIGHWAY



SMEs AND THE WTO TRADE
FACILITATION AGREEMENT
A TRAINING MANUAL



NATIONAL TRADE
FACILITATION COMMITTEES
MOVING TOWARDS IMPLEMENTATION



SME COMPETITIVENESS OUTLOOK 2015

Connect, compete and
change for inclusive growth



5 Thought leaders | 8 Case studies | 25 Country profiles



TRADE IMPACT FOR GOOD



TRADE IMPACT
FOR GOOD