

IOE DIGITAL CONFERENCE ON TRADE AND EMPLOYMENT

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EXECUTIVE DIRECTOR A.I.**

Good afternoon ladies and gentlemen, it is my pleasure to be here with you at today's Conference. Thank you, Secretary-General Suarez Santos and President Kiresepi, for your warm welcome and kind invitation to deliver the keynote address.

Let me also take the opportunity to wish the International Organization of Employers Happy Birthday! For 100 years, IOE has been providing an essential platform to help make sustainable trade happen. At the International Trade Centre – that gives us cause to celebrate especially given these are very turbulent times.

Of course, here I am speaking about the devastating socio-economic impact of the current health pandemic. But, I also refer to deep and far reaching concerns that we have seen targeted at the rules-based system underpinning the global economy.

In many parts of the world, the health situation remains acute. The WHO said recently that countries across the Americas, South Asia, and several in Africa, remain in the 'intense transmission phase' of the virus. The numbers of affected and those that have left us keep increasing and the situation for now is not looking promising. The trend particularly in the regions I have mentioned is certainly curving upwards.

On the other hand, we have also seen in a number of European countries and beyond, they have shown it is possible to bring large outbreaks under control. This gives us a glimmer of hope.

Our world is fundamentally transformed. The way that we are producing, trading and consuming has and will continue to change as we move forward and ‘build back better’.

Micro, small and medium-sized enterprises (MSMEs) are under unprecedented strain. Employers of all sizes are shedding employees. The ILO says that further working-hour losses will be as high as 11.9% in the last quarter of 2020 – equivalent to 340 million full-time jobs evaporating – while the most optimistic analysis puts extra job losses at 140 million.

We can also look at the effects of the pandemic through the lens of the 4,500 companies from 133 countries, which took part in ITC’s COVID-19 Business Impact Survey whose results were analyzed in our SME Competitiveness Outlook 2020 published last month. The survey shows that one-fifth of MSMEs are at risk of shutting down permanently within three months.

55% of firms report that they have been ‘strongly affected’ by COVID-19, and firms that are small, led by a woman, or based in a developing country are disproportionately affected.

The World Bank estimates that by the end of the year, COVID-19 will push 71 million people into extreme poverty, and in the worst case scenario, this increases to 100 million.

The UN Development Programme's latest Multidimensional Poverty Index concludes that the pandemic could set back development gains by up to 10 years. That would be a tragedy.

Back in 2015, when the international community committed to the 2030 Agenda for Sustainable Development, 2030 seemed a long way off. Now, with 10 years on the clock remaining, we must all continue to use the Sustainable Development Goals (SDGs) as our guide and compass if we are to stay the right course and emerge from the negative impacts of long standing, new and emerging challenges.

There is a silver lining. There is also an opportunity to press the 'reset' button.

Exporting and importing companies are proving to be more resilient to the pandemic when compared to companies operating only in their home countries. Exporters and importers are less likely to shut down, more likely to work remotely, and more likely to source from new suppliers.

The message is that international trade matters. The future must continue to focus on helping these MSMEs trade across borders. Our analysis confirms this and it matters because MSMEs are the backbone of our economies.

Policy is responding. Green New Deal packages are gaining ground. In Europe and Canada, emergency government support is being tied to sustainability targets. The direction of travel toward climate-smart economics is long and winding, with some veering off-track, but clear. Many small island developing states, in particular, have called for the recovery to be ‘green’ and ‘blue’.

If the world seizes the opportunities, the New Normal will emphasize resilience to change and unexpected shocks, embrace digital possibilities, prioritize inclusiveness and lead to sustainable growth.

Fostering MSME resilience in this new reality means pushing for diversification, connecting with business support organizations and building financial buffers. Whole parts of the world’s economies have shifted onto digital platforms. We have seen that teleworking, remote learning, online health services, e-commerce and digital payments prove their worth.

Digitalization is no longer ‘nice-to-have’ but essential. This shift must be accompanied by technical assistance, skill-building and infrastructure support to ensure that it is inclusive and equitable. The opportunity before us is to shift

towards better quality and more inclusive growth to ensure the benefits of trade are shared as broadly as possible, including for women and young people.

The resilience and inclusiveness of supply chains will matter significantly for the future of trade.

In lockdown, lead firms passed risk along the supply chain to vulnerable SMEs in developing countries. That explains why the shock triggered job losses and bankruptcies. Therefore, lead firms should redesign their approach to greater sharing of costs and risks with small suppliers.

New standards and regulations related to market requirements, security, and risk management will increasingly govern cross-border business – including travel and tourism – as it recovers. National standards bodies must actively engage the private sector as a means of providing solutions, support and advice on relevant standards.

Trade governance reform can begin with supply chains rebuilding disrupted supply chains and diversifying into new ones. Resilient supply chains can transmit knowledge, provide stability and generate agility under a New Normal.

It is clear that the ramifications for employers are complex. Companies need to work in ecosystems with policymakers, business support organizations, workers and customers to navigate this new reality.

Employers' and business member organizations can first respond to this scenario by offering continuity of support. But they must also design interventions that build on the broader ecosystem in which they function. Here are a few ways that they can do this:

1. **First**, Channel the flow of trusted information and build bridges to rapidly deploy solutions. When governments announce support packages, Employers' and business member organizations can disseminate this information, similarly when it comes to information on remote working, crisis leadership or cash flow management.

2. **Second**, Leverage your expertise in coordinating businesses. By working together, firms can develop and promote new standards or brands with collective marketing campaigns, create new local supply chains or cluster to respond to new market opportunities.

3. **Third**, use digital platforms to enhance the competitiveness and agility of your MSMEs to reach customers, hold meetings and match-making between businesses. In developing economies, companies may rely entirely on a support

organization to be a digital intermediary between them and their potential customers abroad.

Our societies will depend on MSMEs to power the recovery. They represent around 70% of jobs and half of all economic activity. In many small developing countries it is closer to 99% of all formal jobs. They employ a disproportionate share of less qualified workers, young people and women. Without MSMEs these people will fall even further behind. We cannot allow that to happen.

We are not out of the woods yet. MSMEs will need vigorous advocates like the International Organization of Employers if their voices are to be heard. Like you, ITC stands ready to play its part in constructing the conditions in which they can flourish in the future.

Thank you and I hope you have some food for thought for a fruitful discussion.