

# High-Level International Workshop on the World Trade Organisation Agreement on Trade Facilitation:

## Implications for Landlocked Developing Countries

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on Landlocked Developing Countries  
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United Nations Office of the High Representative for  
Least Developed Countries, Landlocked Developing Countries  
and Small Island Developing States



This publication includes the report of the High-Level International Workshop on the “WTO Agreement on Trade Facilitation: Implications for LLDCs” held in Ulaanbataar, Mongolia, 2-3 June 2014 as well as the background report prepared for the workshop.



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# Acronyms and Abbreviations

ADB	Asian Development Bank	OECD	Organization for Economic Cooperation and Development
APoA	Almaty Programme of Action	OSBP	One-Stop Border Post
AEO	Authorized Economic Operator	PPP	Public-Private Partnerships
ASEAN	Association of Southeast Asian Nations	PTA	Preferential Trade Agreement
ASYCUDA	Automated System for Customs Data	REC	Regional Economic Community
COMESA	Common Market for Eastern and Southern Africa	RTA	Regional Trade Agreement
EAC	East African Community	SADC	Southern African Development Community
FDI	Foreign Direct Investment	SDT	Special and Differential Treatment
FTA	Free Trade Agreement	SPS	Sanitary and Phytosanitary
GATT	General Agreement on Tariffs and Trade	SMEs	Small and Medium Enterprises
GDP	Gross Domestic Product	TFA	WTO Trade Facilitation Agreement
GNP	Gross National Product	TIR	International Road Transport Convention
GTI	Greater Tumen Initiative	TNCs	Transnational Companies
HDI	Human Development Index	TSI	Trade support institution
ICC	International Chamber of Commerce	UNCEFACT	UN Centre for Trade Facilitation and Electronic Business
ICT	Information, Communication and Technology	UNCTAD	United Nations Conference on Trade and Development
ITC	International Trade Center	UNDP	United Nations Development Programme
ITT-LLDCs	International Think Tank for LLDCs	UN ECE	United Nations Economic Commission for Europe
LDCs	Least Developed Countries	UN ESCAP	United Nations Economic and Social Commission for Asia and Pacific
LLDCs	Landlocked Developing Countries	UNNExT	United Network of Experts for Paperless Trade
MDGs	Millennium Development Goals	UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States
MDT	Multi-Destination Tourism	WCO	World Customs Organization
MVA	Manufacturing value added	WTO	World Trade Organization
NCTTA	Northern Corridor Transit and Transport Agreement		
NTMs	Non-Tariff Measures		
ODA	Official Development Assistance		

# Summary

## Introduction

The High-Level International Workshop “The WTO Agreement on Trade Facilitation: Implications for LLDCs”, was jointly organized by the Government of Mongolia, the International Think Tank for the LLDCs and the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS). The workshop was hosted by the Government of Mongolia, in Ulaanbaatar on 2 and 3 June 2014. The objectives of the workshop included: to review the progress made in improving trade facilitation in LLDCs, substantively assess the WTO Trade Facilitation Agreement and its implications for LLDCs, equip participants with the necessary knowledge to effectively take advantage of the trade facilitation provisions available to them and provide suggestions that will form substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

The meeting is one of the thematic pre-conference events held as part of the preparatory process for the Second UN Conference on Landlocked Developing Countries (LLDCs), to be held from 3 to 5 November 2014 in Vienna, Austria. The Meeting was attended by more than 100 participants that included Ministers, Ambassadors and other high level representatives from LLDCs, transit developing countries and developed countries responsible for trade and representatives from the United Nations and other international organizations, international financial institutions and representatives of the private sector and academic institutions.

## Summary of the Proceedings

The meeting started off with an opening session followed by three thematic sessions: The development challenges of LLDCs and their participation in international trade; The WTO Agreement on Trade Facilitation and its implications on the LLDCs; and The Legal framework on transit trade and transport: Multilateral conventions, regional, sub-regional and bilateral. The meeting concluded with a session that discussed suggestions for the preparations of the outcome document for the Second UN Conference on Landlocked Developing Countries and some closing remarks.

The following senior officials presented statements in the opening session: H.E. Mr. Luvsanvandan Bold, Minister for Foreign Affairs of Mongolia; H.E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia and Chair of the global coordination bureau of the Group of LLDCs, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP, and Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia.

The statements stressed that the Trade Facilitation Agreement could yield great benefits to LLDCs as it seeks to drive customs efficiency, lower trade costs, and reduce delays at



border crossings. Improved trade facilitation would improve the trade competitiveness of the LLDCs and promote their integration into the global economy. The speakers noted that the potential gains from the full implementation of the agreement were high and the OECD estimated cost reductions to be between 10% and 15%. The statements underscored that the WTO Trade Facilitation Agreement is also an innovative agreement as it will provide capacity building to developing countries to allow them to undertake the implementation of the agreement where necessary. They also noted that it was important for the LLDCs to improve productive capacities, promote diversification and value addition in order to fully harness the benefits brought by improved trade facilitation. It was important for the LLDCs to integrate trade into their larger national development policy and planning efforts.

The session on the development challenges of LLDCs and their participation in international trade reviewed the major challenges faced by the LLDCs and how the WTO Trade Facilitation Agreement (TFA) could help address them. Participants noted that the most critical challenge of the LLDCs in improving their participation in international trade is the high trading costs. According to the World Bank Doing Business Report for 2014, the LLDCs pay more than double what transit countries incur in transport costs and take more time to send and receive merchandise from overseas markets. The LLDCs pay US\$3203 and US\$3884 per container to export and import respectively while the transit countries paid only US\$1287 and US\$1602 respectively.

The meeting noted that the other challenges affecting the LLDCs include: infrastructure constraints, lack of ICT tools, institutional bottlenecks including lack of coordination between relevant ministries and sectors especially at border crossings – police, customs, laboratories, inspection authorities and other agencies, lack of direct access to sea ports and remoteness from major markets. The LLDCs also had high export concentration, low value addition to their exports, higher vulnerability to the volatility of international prices, and low level of inflow of export oriented foreign direct investment.

Participants highlighted some of the progress that has been achieved by the LLDCs in the priority areas of the Almaty Programme of Action. They noted that despite the progress made some of the challenges were still persisting. For example physical infrastructure development is still inadequate and poses a major obstacle to the trade potential of LLDCs. The meeting noted that even though relevant international, regional and sub-regional agreements and conventions have been established such as the TIR (1975), Harmonization of frontier controls of goods (1982), and the Revised Kyoto Convention of the World Customs Organization (1999); ratification and effective implementation of relevant international conventions and regional and sub-regional agreements is slow. Representatives from the LLDCs highlighted some of the transit problems that they were experiencing including inadequate infrastructure development, lack of transparency and limited use of ICTs.

In order to unlock their trade potential, the representatives of the LLDCs stressed that infrastructure development is important in both the LLDCs and the transit countries and increased use of ICTs at the border crossings is critical. Most of the LLDC representatives noted that their economies were dependent on a few primary commodities for exports either agricultural or minerals. As a way forward the participants agreed to the need to diversify their economies, support local industries that could process their value-added products. Some countries noted that they had developed and were implementing a national diversification strategy.

With regard to the Trade Facilitation Agreement (TFA), participants noted that full implementation of the agreement will help to address the major underlying structural constraint of the LLDCs which is high trade transaction costs. They noted that they will need technical and financial assistance to support their efforts to implement the agreement. They agreed that it was important to implement the agreement as soon as possible. They encouraged each other to undertake needs assessment to estimate how much they need for implementing the agreement. They noted that Aid for Trade will be important and should be maintained and increased in order to support the implementation of the TFA.

The session on the WTO Agreement on Trade Facilitation and its implications on the LLDCs reviewed the provisions of the TFA and how the LLDCs would potentially benefit from it. The meeting noted that the WTO Trade Facilitation Agreement clarified and further improved aspects of relevant articles of GATT 1994, namely freedom of transit (Article V), fees and formalities connected with importation and exportation (Article VIII) and publication and administration of trade regulations (Article X). The meeting took note of the detailed provisions contained in the Trade Facilitation Agreement that are of interest to the LLDCs including: Article 11 on Freedom of Transit; Article 6 on Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation; Article 7 on release and clearance of goods; Article 8 on Border Agency Cooperation Expedited Shipments; Article 9 on movement of goods intended for import under customs control; Article 10 on formalities connected with importation, exportation and transit; and Article 12 on customs cooperation. The meeting also discussed the potential benefits of the TFA to the private sector.

The meeting discussed the provisions under Special and Differential Treatment and how the LLDCs can benefit from assistance and support for capacity building. The participants acclaimed the fact that the TFA has capacity building as a central pillar. Developing countries, including landlocked developing countries will determine provisions “A” that they would be able to implement upon the entry into force of the agreement; provisions “B” for which they need transition period to provide necessary preparations and provisions “C” which would require international assistance in order to build the necessary capacity for the implementation of the agreement. Donor members agreed to facilitate provision of assistance and support for capacity building bilaterally or through international organizations. The representatives from the LLDCs underscored that the TFA would be very beneficial to their countries if it is fully implemented by all members.

The session on the Legal framework on transit trade and transport reviewed the relevant multilateral conventions, regional, sub-regional and bilateral agreements that could help the LLDCs. They reviewed some of the benefits from acceding and effectively implementing the relevant conventions to include: enhanced regional integration, development of a reliable, cost-effective and efficient integrated transport network, improved trade facilitation, reduced trade costs and increased competitiveness resulting in increased trade, expanded partnerships and improved connectivity. They highlighted the major challenges that countries experience in acceding to and implementing the multi-lateral conventions, regional, sub-regional and bilateral agreements.

## **Suggestions Made by the Meeting**

The following suggestions were made as substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

### **Trade and Trade Facilitation**

- i. The LLDCs are encouraged to quickly ratify the WTO Trade Facilitation Agreement.
- ii. The LLDCs should undertake their technical assistance and capacity building needs assessment to establish how much they need for implementing the agreement. International organizations should provide support to LLDCs to help them assess their TFA needs and in implementing some trade facilitation measures.
- iii. The international community should support the LLDCs and transit countries to establish information technology (IT) systems and make improvements in facilitation and transparency.
- iv. Strengthen the LLDC Group’s participation in Geneva through: a special recognition of the Group in the WTO, with the launch of a Work Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities. They should also be active in the World Economic Forum and other relevant international fora. LLDCs are encouraged to use the WCO instruments and tools in implementing the WTO TFA.

- v. The LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. The LLDCs and transit neighbours should undertake transport and trade facilitation reforms jointly in a collaborative manner. They are encouraged to harmonize customs procedures and practices.
- vi. Enhance regional integration which is important for reducing transport costs and to facilitate cross border trade and use the corridor approach to foster the implementation of the TFA.
- vii. The LLDCs should enhance productive capacities, value addition, diversification and reduction of dependency on commodities. They also need to integrate trade and trade facilitation into their larger national development policy and planning efforts.
- viii. The LLDCs should share knowledge and experiences on trade facilitation. They are encouraged to take advantage of trade facilitation tools developed under the UN Centre for Trade Facilitation and Electronic Business (UNCEFACT) such as Single Window Implementation Toolkit in the process of implementing the TFA. The work that ESCAP is undertaking on trade facilitation for the LLDCs should be shared with other regions.
- ix. Expand the scope of the APoA to include services, environmental issues, regional value chains and aid for trade.

### **International Think Tank on LLDCs**

- i. The International Think Tank for the LLDCs should work closely with OHRRLLS.
- ii. The LLDCs that have not yet done so are invited to ratify the multilateral agreement on establishing the LLDC International Think Tank. More information on how to ratify the agreement should be shared with the LLDCs that have not yet ratified.
- iii. The International Think Tank for the LLDCs should be linked to the local think tanks in the LLDCs.
- iv. The International Think Tank for the LLDCs should avail all relevant information on development issues of the LLDCs on their website from all relevant sources.
- v. The International Think Tank for the LLDCs is invited to solicit if necessary inputs from the LLDCs on the terms of reference for future studies.

### **Legal Framework**

- i. LLDCs should be supported to adopt a more comprehensive approach in formulating bilateral agreements.
- ii. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed.
- iii. All countries should ratify the relevant conventions on transit transport and trade facilitation and effectively implement them by integrating them into their domestic law.
- iv. The LLDCs and their neighbours should properly apply the conventions.
- v. The international community should provide support to create awareness on the relevant agreements/ conventions, build the capacity of the LLDCs to enter into international agreements and share best and effective practices across regions.



# Introduction

1. Thirty two Landlocked Developing Countries (LLDCs)<sup>1</sup> with a population of about 450 million face special challenges that are associated with their lack of direct territorial access to the sea and remoteness and isolation from major markets. Their international merchandise trade depends on transit through other countries. This transit dependence, often coupled with cumbersome border crossing procedures and inadequate transit transport infrastructure, substantially increases transport and trade-related transaction costs, erodes the competitive edge of the LLDCs, discourages investors, reduces economic growth and subsequently adversely impacts their capacity to promote sustainable development. Landlockedness is a major contributor to the high incidence of extreme poverty and general underdevelopment in many LLDCs.
2. The Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries was adopted in August 2003 in Almaty, Kazakhstan at the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation. The overarching goal of the Almaty Programme of Action was to forge partnerships to overcome the special problems of landlocked developing countries caused by their lack of territorial access to the sea and their remoteness and isolation from world markets and identified specific actions in five priority areas namely fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, international support measures and implementation and review.
3. On 7 December 2013, at the Ninth WTO Ministerial Conference in Bali, WTO members reached an agreement on the so-called Bali package, a selection of issues from the broader Doha round negotiations that includes trade facilitation, agriculture and provisions for least developed countries and development in general. The WTO Agreement on Trade Facilitation addresses many of the fundamental transit policy issues that affect LLDC exports and bring concrete benefits to these countries in terms of easier and faster cross-border trade. Being able to facilitate more trade quicker, easier and cheaper would allow LLDCs to benefit more fully from market access and significantly improve their competitiveness and integration into the world markets. Consequently, enhanced trade facilitation is also likely to lead to increased flow of foreign direct investment and enhanced economic development.
4. The High-Level International Workshop on “The WTO Agreement on Trade Facilitation: Implications for LLDCs” was jointly organized by the Government of Mongolia, the International Think Tank for the LLDCs and the United Nations office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) to review progress made in improving trade facilitation in LLDCs, substantively assess the WTO Trade Facilitation Agreement and its implications for LLDCs, equip participants with the necessary knowledge to effectively take advantage of the trade facilitation provisions available to them and provide policy recommendations that will form substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

<sup>1</sup> Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Rep., Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao PDR, Lesotho, Malawi, Mali, Republic of Moldova, Mongolia, Nepal, Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, TFYR Macedonia, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

5. The workshop was hosted by the Government of Mongolia, in Ulaanbaatar on 2 and 3 June, 2014. The meeting was one of the thematic pre-conference events held as part of the preparatory process for the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action, also known as the Second UN Conference on Landlocked Developing Countries (LLDCs), to be held in November 2014 in Vienna Austria.
6. The Meeting was attended by more than 100 participants that included Ministers, Ambassadors and other high level representatives from LLDCs, transit developing countries and developed countries responsible for trade and representatives from UN and other international organizations, international financial institutions and representatives of the private sector and academic institutions. The meeting followed the programme of work presented in annex 1.

# Opening Session

7. In the opening session, the following senior officials presented statements: H.E. Mr. Luvsanvandan Bold, Minister for Foreign Affairs of Mongolia; H.E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia and Chair of the global coordination bureau of the Group of LLDCs, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP and Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia. The session was moderated by Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia.
8. In his statement, H.E. Mr. Luvsanvandan Bold Minister for Foreign Affairs of Mongolia, noted that the High-Level International Workshop on “The WTO Agreement on Trade Facilitation: Implications for LLDCs” was a major event on trade facilitation following the 9th WTO Ministerial Meeting in Bali in December 2013, and very timely one for the preparation of the Second UN Conference on LLDCs.
9. Minister Bold indicated that the international community had acquired a comprehensive platform to address the specific development issues of LLDCs in 2003 by adopting the Almaty Program of Action. The Almaty Program of Action has overarching priorities including fundamental transit policy, infrastructure development and trade. He noted that today, the problems of LLDCs are prominent in the international development debates and forums, ranging from the Millennium Development Goals to the multilateral trade negotiations. He stressed that trade facilitation is the prime trade policy instrument in the WTO for the LLDCs to achieve gains from international trade and reinvigorate trade competitiveness.
10. Minister Bold pointed out that the workshop would review progress made in improving trade facilitation, examine major achievements and constraints experienced, discuss ways of how LLDCs could grow from being land-locked into being land-linked. He expressed his hope that the meeting will also discuss new and emerging challenges and opportunities for LLDCs including issues on economic diversification, private and public partnerships, promoting “green” economic activities and investment through creation of a conducive business environment, use of clean technologies, mitigating climate change, accession to WTO, South-South and tripartite cooperation and ensuring more benefits for LLDCs from international initiatives such as Aid for Trade.
11. Minister Bold highlighted the Mongolian saying that *‘gathered magpies are stronger than tigers, marching one after another’*. Similarly he underscored that land-locked countries need to combine their efforts to research and analyze the constraints and emerging challenges to the international community, to identify policy recommendations and actions for enabling LLDCs to participate in the global trade and to realize that full potential for sustainable and inclusive development. Such research and analytical work would help to improve awareness of LLDC’s acute issues and strengthen their hands in trade negotiations. To that end, as a landlocked developing country, Mongolia initiated establishment of an International Think Tank for LLDCs, which was supported by the LLDC Group. He emphasized that the Reform Government of Mongolia is committed to make the International Think Tank a venue where scholars and academicians could work together.

12. Minister Bold called on the fellow landlocked developing countries to sign and ratify, at their earliest convenience, the Multilateral Agreement on the Establishment of the International Think Tank for the LLDCs in Ulaanbaatar in order to bring it to full operation. He invited the World Bank, regional development banks, organizations of the UN system and other interested parties to support the International Think Tank.
13. He concluded his statement by expressing his hope that the outcomes of the Ulaanbaatar workshop will substantially contribute to the Second Conference on the LLDCs in November this year.
14. In his opening statement, Mr. Robert Sichinga, Minister of Commerce, Trade and Industry of Zambia, and Chair of the global coordination bureau of the Group of LLDCs, thanked and commended the Government of Mongolia for the successful hosting of the meeting. He applauded the efforts made at the Bali Ministerial Decision of 7th December, 2013, to conclude the WTO Trade Facilitation Agreement. He indicated that the WTO Trade Facilitation Agreement was established on the basis of: Article V (Freedom of transit); Article VIII (Fees and formalities) and Article X (Publication and administration of trade regulations) of the General Agreement on Tariffs and Trade (GATT) 1994.
15. Minister Sichinga highlighted that the focus of the agreement was to simplify customs procedures by reducing costs, improving their speed and enhancing efficiency. The expectation is that the business community from both the developed and developing countries would benefit from reduced costs arising from implementing measures contained in the Agreement, as these measures would facilitate the creation of a stable business environment that would be attractive for foreign investment. He noted that globally, the gains from the full implementation of the agreement are estimated at about US\$400 billion to US\$1 trillion, from the cost reductions of between 10% and 15%.
16. The Minister noted that the agreement alone is not a panacea for all the challenges and concerns that LLDCs have, but it provides an opportunity for moving forward. He noted that the potential benefits are generally expected to include the following: speed up customs procedures, especially at entry/border points; make trade easier, faster and cheaper; promote and encourage the use of technology; improve movements of goods in transit; provide clarity, efficiency and transparency, reduce bureaucracy and corruption; and allow for technical assistance to update infrastructure in LLDCs, train customs officials or for any other cost associated with implementing the agreement.
17. Minister Sichinga encouraged the LLDCs' members to consider ratifying the agreement since the agreement will enter into force once 2/3 of the WTO Members ratify it. He also called upon the LLDCs to undertake needs assessments of their technical assistance as well as capacity building support that they required. He noted that a decision on the work programme on small economies was also taken in Bali in 2013 which could be of relevance to some of the LLDCs as a starting point. He called upon the WTO to develop a dedicated Work Programme for the LLDCs. This programme should address the special needs of LLDCs, such as the trade facilitation, Aid for Trade, services, electronic commerce and WTO accessions, among others.
18. The Minister underscored that the LLDCs had a huge trade potential which needs to be unlocked. In order to unlock this potential, however, it will require team work to deal with issues such as infrastructure, productive capacity, diversification and value addition. The conclusion of the Trade Facilitation Agreement will therefore, accelerate the process of unlocking the potential of the LLDCs. He also noted that for example, Zambia has also established a One-Stop Border Post (OSBP) at Chirundu (border with Zimbabwe) that has seen the reduction in the time spent from crossing the border from 9 days to about 9 hours. There is however, still room for further improvements. Similarly, additional infrastructure is being developed



in other border areas such as Kasumbalesa (border with DRC), Katima Mulilo (border with Namibia) and Kazungula (border with Botswana), Nakonde (Border with Tanzania), Mwami (Border with Malawi) and Chanida (Border with Mozambique). These are some of the initiatives that Zambia has embarked on to turn its landlocked status to land linked.

19. Minister Sichinga concluded by stressing that the Trade Facilitation Agreement will, however, not only result in reduced costs of doing business but will also have an impact of regional trade agreements. He urged participants to also consider the effects that this Agreement will have in the regional groupings such as COMESA, SADC and EAC among others.
20. In his statement, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative commended Mongolia's consistent support for and commitment to the cause of LLDCs, which is clearly reflected by their hosting of the Trade and Trade facilitation thematic meeting that was held in 2007 during the preparatory process of the Mid-term Review of the Almaty Programme and their hosting of the International Think Tank for LLDCs. He indicated that this support is in line with Mongolia's dedication to contribute to the purposes and principles of the United Nations to promote social progress and better standards of life in larger freedom.
21. The Under-Secretary-General informed the meeting that inherent geographical difficulties, and poorly developed transport, communications and border management and logistics systems, hamper productivity growth and poverty reduction in landlocked developing countries. He indicated that the Almaty Programme of Action was adopted in 2003 as the United Nations response to the growing need to address the special development challenges faced by the LLDCs in a collective and focused manner. He noted that in December 2011, the United Nations General Assembly adopted resolution 66/214 in which it decided to convene a comprehensive ten-year review conference on the Almaty Programme. He noted that the Government of Austria had offered to host the conference from 3 to 5 November in Vienna. The review conference is also the Second UN Conference on LLDCs that will formulate a global development framework to support the needs of the LLDCs for the next decade, based on renewed partnerships among landlocked and transit developing countries and their development partners.
22. Mr. Acharya provided an update of the preparations for the conference in the three tracks that the preparatory process is following: intergovernmental, UN inter-agency and private sector tracks. Under the intergovernmental track, he indicated that the LLDCs prepared and submitted national reports on the implementation of the Almaty Programme of Action. Regional reviews were successfully held in 2013 in Vientiane, Addis Ababa and Asuncion. He underscored that these events had provided substantive inputs to be used for developing the new programme of action for the LLDCs. He also informed the meeting that two sessions of the intergovernmental preparatory committee for the Conference, will be held from 12 to 13 June 2014 and from 2 to 3 October 2014, in New York. The main mandate of these meetings of the intergovernmental preparatory committee is to prepare the outcome document of the conference.
23. Under the UN inter-agency track, the Under Secretary General noted that the Inter-Agency Consultative Group, comprised of key UN system, international, regional and other organizations, had held a series of meetings to consult on the substantive and organizational preparations for the Conference. UN-OHRLS and other UN system and international organizations have successfully organized fourteen pre-conference events focused on key developmental issues of crucial importance to the LLDCs, including for example international trade, trade facilitation and aid for trade, road and rail financing, the role of services, transport development, impacts of climate change, desertification, land degradation and drought, ICT development and connectivity, a brainstorming meeting on the priorities for a new development agenda for the LLDCs

and recently a retreat of New York Ambassadors to discuss the substantive elements of the outcome document. Under the private sector track, he noted that a Steering Committee was established, and had held regular consultations to build a common position and prepare substantive inputs.

24. Mr. Acharya noted the tangible progress that has been achieved since the Almaty Programme of Action was adopted in 2003 including increased support from development partners, improvements in transit transport infrastructure and trade facilitation and increased harmonization of transport and transit policies between LLDCs and transit countries. As a result, the LLDCs as a group had improved their share of world trade over the past decade – and by that, their economic growth. They had also made some advances on some aspects of social development such as primary education, gender parity in primary education, and representation of women in decision-making.
25. The Under-Secretary-General noted that despite this progress much more needed to be done as the LLDCs had not yet undergone the desired structural transformation, as shown by LLDCs' continued dependence on a few, unprocessed export commodities with lack of competitiveness. He noted that the LLDCs were beset by other challenges such as joblessness, extreme poverty, economic informality and isolation, declining productivity in agriculture, increased deindustrialization, and limited resilience to internal and external shocks, including climate change, desertification, land degradation and drought.
26. Mr. Acharya stressed that the Vienna conference, should come up with a new development agenda for the LLDCs that can truly deliver and adequately address all these issues and help them achieve rapid economic growth that is inclusive and environmentally sustainable. He noted that the major underlying structural constraint of the LLDCs is high trade transaction costs and improved trade facilitation would address this problem. He highlighted that the Trade Facilitation Agreement approved by WTO Members in December 2013 could yield great benefits to LLDCs as it seeks to drive customs efficiency, lower trade costs and reduce delays at border crossing. He indicated that an OECD analysis in 2013 which covered 133 countries revealed that full implementation of the Trade facilitation Agreement is estimated to reduce total trade cost by 14.5% for low income countries (that includes 10 LLDCs), 15.5% for middle income countries (that includes 9 LLDCs) and 13.2% for upper middle income countries (that includes 4 LLDCs).
27. The Under-Secretary-General underscored that the Agreement is also an innovative agreement as it will provide capacity building to developing countries to allow them to undertake the implementation where necessary. He highlighted that the main objective of the meeting was to enable participants to fully understand the Trade Facilitation Agreement and its implications for the LLDCs and how to effectively take advantage of the trade facilitation provisions available. The meeting was to come up with recommendations on actions that need to be undertaken by all stakeholders to ensure the full implementation of the Trade facilitation Agreement so as to really help the LLDCs to structurally transform their economies.
28. Mr. Acharya informed the meeting that besides addressing trade facilitation, other key priorities that have come up repeatedly from the pre-conference events and regional review meetings that were held and national reports and other substantive inputs include: (i) Investment into the critical transit transport infrastructure development and maintenance; (ii) Deepening of regional cooperation and integration has the potential to enhance competitiveness of LLDCs, improve their access to the seaports, increase their markets and maximize the benefits from globalization; (iii) Building the resilience of the LLDCs to internal and external shocks including among many, the global economic and financial shocks, conflicts, climate change and desertification resilience building; (iv) Enhancing productive capacities, value-addition, diversification, promoting the role of the private sector and linking up into the global value chains and trade in services in order to structurally transform the economies of the LLDCs; (v) A strong national strategy that

is important to develop and implement strong national policies, promote good governance, the rule of law, a good regulatory framework, human resource development, strengthen domestic resource mobilization, and sound macroeconomic policies; and (vi) Adequate means of implementation including ODA, Aid-for-trade, market access, capacity building support, transfer of technology, South-South and triangular cooperation is important for the LLDCs to achieve sustainable and inclusive development. Innovative forms of international support are also crucial and should be explored and strengthened.

29. He emphasized that strong linkages should be established between the LLDC conference and the Post 2015 Development Agenda. He also emphasized that the Conference was a very important international event, taking place only once in every ten years and that the UN Secretary-General placed the LLDCs high on his agenda and he had indicated that he will attend the Conference. He invited the participants to ensure that their Governments attend the preparatory committee sessions and to participate in the Conference at the highest level possible.
30. In his statement Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP highlighted the challenges and opportunities for connecting LLDCs to the global market. First, he pointed out that ESCAP and World Bank's trade cost database is showing that trade costs of LLDCs are still extremely high, typically 4 to 7 times higher than those of most other middle-income developing countries in Asia largely because of the constraints that they face due to their lack of access to the sea. Furthermore, limited progress has been made in terms of obtaining nondiscriminatory market access by LLDCs of the region with only four countries having successfully managed accession to the WTO since the adoption of the Almaty Programme of Action. He urged the international community to facilitate the process of accession to WTO of LLDCs on easy and expedited terms, thereby providing them the fruits of the multilateral framework of trade and market access.
31. Second, he exemplified surveys which were conducted by the ESCAP secretariat since 2012 on the implementation of trade facilitation measures by selected Asian countries including LLDCs which reveal that many measures for transit – including those in the WTO trade facilitation agreement – have rarely been effectively implemented. Thus, in order to truly help the LLDCs to get access to international market, transit countries and LLDCs should be more active in introducing these measures to facilitate transit. On the other hand, the results of the surveys also show that the LLDCs can also spearhead implementation of trade facilitation. He provided an example of Lao PDR, which is both a LLDC and LDC that has developed one of the most advanced trade portal in the region.
32. Third, he noted that a recent ESCAP study on Asian transit agreements in the context of the WTO negotiations reveals that little attention has generally been given to transit matters in preferential trade agreements. Transit issues were addressed through a variety of separate trade, transport, and transit specific treaties and instruments – rather than through a more integrated approach, which can lead to legal contradictions and inconsistencies. The study concluded that the WTO trade facilitation agreement clearly enhances the freedom of transit of WTO members, with specific provisions on guarantees and institutional aspects, which should be welcome news for WTO landlocked developing economies in particular.
33. Mr. Ratnayake indicated that even before the WTO trade facilitation agreement, ESCAP has a long-standing and very active programme of support on trade facilitation and highlighted following initiatives and efforts by ESCAP. He noted that under the mandate of the Almaty programme of action, ESCAP attached high priority to support its member states including the LLDCs to advance trade facilitation. ESCAP has proved to be an important platform in the region for policy dialogue between LLDCs, their transit countries and the development partners to implement the Almaty Programme of Action.

34. Mr. Ratnayake informed the meeting that ESCAP member states adopted ESCAP resolution 68/3 in May 2012 which aims at enabling paperless trade and cross-border recognition of electronic data and documents for inclusive and sustainable intraregional trade facilitation. Since then, the ESCAP secretariat has organized more than 20 capacity building activities for its member states. Most recently, an Ad Hoc Intergovernmental Meeting on a Regional Arrangement for the Facilitation of Cross-border Paperless Trade was held in Bangkok in April 2014. The Meeting discussed and revised the draft Agreement/ Framework Arrangement on Facilitation of Cross –border Paperless Trade, and requested the Commission to endorse the establishment of the interim intergovernmental steering group on cross-border paperless trade facilitation. Although ESCAP resolution 68/3 is relevant to all ESCAP member countries, the key issues and challenges addressed are particularly relevant to LLDCs, because facilitating the cross – border recognition and electronic exchange of trade-related documents between landlocked and transit countries would significantly reduce costs and enhance efficiency of transit transport to LLDCs. Therefore, he urged all LLDCs in the region to be actively involved in implementing the ESCAP resolution 68/3.
35. Mr. Ratnayake noted that ESCAP and United Nations Economic Commission for Europe established the United Network of Experts for Paperless Trade (UNNEXT) in 2009, which is a community of knowledge and practice for experts from the region to implement electronic trade systems and trade facilitation across the region. The trade facilitation tools developed under the UNNEXT such as Single Window Implementation Toolkit provide countries with comprehensive guidance on how to implement some of trade facilitation measures included in the WTO trade facilitation agreement. LLDCs are encouraged to take advantage of these tools in the process of implementing the WTO trade facilitation agreement.
36. Mr. Ratnayake also noted that ESCAP is working in partnership with other UN Regional Commissions, the Asian Development Bank, World Bank, World Customs Organization and WTO. Recently, ESCAP, in partnership with ADB and WCO, assisted two LLDCs in the region, namely Bhutan and Nepal, to establish sustainable trade and transport facilitation monitoring mechanism. ESCAP has provided extensive advisory services in trade facilitation to Mongolia since 2009, including in drafting and peer reviewing the Mongolia National Single Window Implementation Masterplan in 2010, and organizing an External Partners’ Meeting to discuss funding and Implementation of Mongolia National Single Window in 2012. ESCAP also provided relevant capacity building training such as on trade process analysis and data harmonization in 2012.
37. In conclusion, he said that ESCAP accords high priority to the implementation of the WTO trade facilitation agreement to assist its member countries including LLDCs in achieving inclusive growth and sustainable development. He stated that ESCAP is ready to work collaboratively with all stake holders; the Asia-Pacific LLDCs, bilateral and multilateral donors and partners in this respect.
38. In her statement Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia said that it was widely recognized that international trade and investment play an important role in reducing poverty and enhancing human development by helping raise productivity, generating employment and boosting economic growth. She noted however that the LLDCs were unable to fully benefit from global trade and continued to fare poorly in comparison with their maritime neighbours on both economic and human development outcomes. She highlighted four areas where the LLDCs required breaking barriers.
39. First and foremost, she pointed out that in order for the LLDCS to be able to trade better, they should have a good product to sell. The product needs to be of good quality, up to international standards and competitively priced. No matter how many agreements a country has, how much infrastructure it has

established, unless it has something worth selling – its trade will be limited. Therefore, she noted that many LLDCs rely on exports of a few commodities – they need to innovate and diversify their economies. At the end of the day it is small businesses producing a variety of goods that will create jobs and bring people out of poverty. And, unless there is an analysis of the market and the value chains for that product, their success in getting the goods to international markets will be limited – regardless of any other investment in trade.

40. Second, she indicated that trade needs to be integrated into countries' larger national development policy and planning efforts. It needs to be integral to the broader development objectives of poverty reduction and human development. Also she advised that there needs to be clear linkages and targets to ensure improved trade indeed results in human development gains.
41. Third, Ms. Sinanoglu pointed out a need for alliances that work together. The group of LLDCs is an excellent one, but there are many more that can be established. She encouraged LLDCs to be leaders for regional and global integrations efforts. She also highlighted a room for other innovative alliances, such as those between cities – especially those that share borders in neighboring countries and would jointly benefit from trade. Innovative alliances such as those among cities that can broker partnerships among businesses and trade should be welcome and encouraged.
42. Finally, she noted that there was a need for research, innovation, knowledge and an evidence base of what works and what doesn't – all with the goal of developing stronger negotiating positions, helping guide trade, transit and transport agreements and reduce non-tariff barriers. She remarked that the LLDC International Think Tank based in Ulaanbaatar could play a major role in this. The idea of setting up a Think Tank had emerged because of a felt need to strengthen analytical capabilities of the LLDCs to assess their problems, propose solutions and coordinate their efforts to negotiate common positions at regional and global forums. She encouraged LLDCs and countries to learn from each other, and the Think Tank could be a great conduit to promote the exchange of such experiences and best practices.
43. Ms. Sinanoglu concluded her statement by recognizing the cash investment that the Government of Mongolia had made into the LLDC Think Tank. She indicated that the UNDP is a partner to the Think Tank and supports both its aspirations to provide services to the global community and in translating that knowledge to actionable policies for Mongolia.

# The Development Challenges of LLDCs and Their Participation in International Trade

44. In this session, presentations were made by H.E. Ambassador Juan Esteban Aguirre Martinez, Permanent Representative of Paraguay to the United Nations in Geneva and LLDC Group Coordinator on Trade and Development; Ms. Heidi Schroderus-Fox, Director, OHRLLS; Mr. Saurabh Sinha, Senior Economist, UNDP Mongolia; Mr. Erdenetsogt Odbayar, Interim Director, International Think Tank for LLDCs, and the LLDC Member States. The session was moderated by Ms. Ochir Enkhsetseg, Ambassador, Ministry of Foreign Affairs of Mongolia.
45. In his presentation Ambassador Juan Esteban Aguirre Martinez highlighted the potential benefits of the WTO Trade Facilitation Agreement (TFA) to the LLDCs. The TFA offered increased transparency and gave an opportunity for the LLDCs to comment on neighbour's new policies and regulations. It improved customs cooperation, and exchange of information. The agreement promotes one stop border posts, advance filing of documentation, more convenient guarantee regimes, reduced requirements at entry points, no technical barriers to trade to goods in transit and free circulation of goods in transit. He also noted that the TFA introduced the concept of disguised restriction on traffic in transit.
46. Ambassador Martinez highlighted that the TFA provided technical assistance for capacity building. He encouraged the LLDCs to ratify the agreement. He indicated that in order for the LLDCs to get quick access to the technical capacity assistance in the agreement, there is need to quickly ratify the agreement.
47. Ambassador Martinez highlighted that the endogenous factors that affect the LLDCs include infrastructure constraints, lack of ICT tools; limited public goods especially for health, education and other social development aspects; institutional bottlenecks including lack of coordination between relevant ministries and sectors especially at border crossings – police, customs and other agencies; market competition problems; and landlocked mindset. On landlocked mindset the presenter emphasized that if the LLDCs look at themselves as isolated then they will not be able to make a breakthrough and achieve structural transformation. Instead he indicated that LLDCs should see themselves as being important in driving the process of development in their regions take charge and fully address the endogenous problem.
48. Ambassador Martinez also highlighted the exogenous factors that the LLDCs were faced with. These include infrastructure constraints in neighbouring countries, additional border crossing costs, higher transportation costs, lack of access to sea ports and remoteness from major markets, and dependency on transit countries. He noted that the impact of both the exogenous and endogenous factors on LLDCs led to high export concentration, low value added of exports, more vulnerability to the volatility of international prices, low level of inflow of export oriented FDIs and asymmetric interdependence to neighbor countries. He noted that as a result today the LLDCs account for only 1,2% of the world trade, represent only 2/3 of the trade volume of their neighbor countries, are twice costly than coastal economies for trading goods, trading from or to LLDCs takes in average a double time than in transit countries and the manufacturing value addition is only a half of transit countries.
49. In terms of recommendations, Ambassador Martinez suggested the following recommendations. In the short run (i) implement the trade facilitation agreement; (ii) strengthen the Group's participation in Geneva



through looking for a special recognition of the Group in the WTO ie. a Working Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities, World Economic Forum and other relevant international fora; and (iii) expand the scope of the APoA to include services, environmental issues, regional value chains, and aid for trade. In the medium to long run (i) Enhance regional integration, (ii) Enhance productive capacities, value addition, diversification and reduction of dependency on commodities, and (iii) LLDCs and transit neighbours should undertake transport and trade facilitation reforms.

50. In her presentation, Ms. Heidi Schroderus-Fox, Director, OHRLLS highlighted that there has been increased economic growth that has been achieved by the LLDCs since the adoption of the Almaty Programme of Action in 2003. GDP growth rate for the LLDCs increased from 4.5% in 2002 to 6.3% in 2013. She noted that although an overall positive trend was achieved by the LLDCs as a group, there are very wide disparities across the countries and that the high economic growth rates have neither translated to job-creation nor rapid reduction in extreme poverty. She also noted that although the average GDP per capita for the Group increased from US\$697 in 2003 to US\$ 1,423 in 2012; in 20 out of the 32 LLDCs the GDP per capita is still well below US\$ 1,000. The presenter also noted that while there has been some positive developments with regard to the Human Development Index (HDI) in the last 10 years, 15 LLDCs were still in the lowest HDI ranking.
51. The presenter highlighted the progress made in the implementation of the priority areas of the Almaty Programme. On the priority area 1. Fundamental transit policy issues, the landlocked developing countries have increased harmonisation of transport and transit policies, laws, procedures and practices with transit countries. There has been increased establishment, adoption and implementation of regional and sub-regional agreements including the Intergovernmental Agreement on the Asian Highway and Railway Networks. The Africa region is also developing an agreement for the Trans African Highway. In April African Ministers of Transport in April 2014 held a conference, which endorsed the Trans-African Highway Agreement.
52. Some landlocked developing countries have developed supportive institutional framework for example, transport and trade facilitation bodies or coordination committees, and road funds. Border facilities and procedures have been streamlined and harmonized leading to increased efficiency and fewer delays. For example: one stop border controls at Zambia – Zimbabwe, Chirundu Border, and at Malaba border, between Kenya and Uganda. These are trade facilitation initiatives that need to be scaled up or replicated.
53. According to the World Bank's doing Business Report 2014, the number of days that landlocked developing countries take to import has decreased from 57 in 2006 to 47 in 2014 and the number of days to export have reduced from 48 to 42 days over the same period. Although this is a major achievement, the number of days taken by landlocked developing countries to import and export is still almost double that of transit countries, 22 days to export and 27 days to import. Furthermore, transport costs for LLDCs remain high and have increased over the review period.
54. The presenter noted that even though relevant international, regional and sub-regional agreements and conventions have been established such as the TIR (1975), Harmonization of frontier controls of goods (1982), Contract for the International Carriage of Goods by Road (1956) and the Revised Kyoto Customs Convention (1999); ratification and effective implementation of relevant international conventions and regional and sub-regional agreements is slow.

55. On priority area 2, Infrastructure development and maintenance, progressive efforts have been made to develop and upgrade road and rail infrastructure and to foster the maintenance of the existing infrastructure at national, sub-regional and regional levels. For example there has been development and upgrading of both the Asian Highway and the Trans-Asian Railway networks. The Africa region is implementing the Programme for Infrastructure Development in Africa (PIDA). The South America region is implementing the Initiative for the Integration of Regional Infrastructure. Dry ports are being established in all regions. However despite the progress made under priority area 2, physical infrastructure development is still inadequate and poses a major obstacle to the trade potential of LLDCs.
56. On priority area 3, International trade and trade facilitation, total trade (exports and imports) from landlocked developing countries grew from US\$93 billion in 2003 to US\$443 billion in 2013. However when compared to world total trade – LLDCs account for a very low proportion of global exports of only 1.2%. This demonstrates the marginalization of the LLDCs from the global markets. Furthermore, only a few LLDCs account for 60% of the total exports. The LLDCs rely heavily on natural resources and agricultural products for their exports making them highly vulnerable to commodity price volatility. It is very important that LLDCs diversify their export base. In terms of accession to WTO, the review period has witnessed the accession of – Nepal, Lao PDR and Tajikistan.
57. On priority area 4, International support measures, Official Development Assistance (ODA) disbursements to LLDCs more than doubled – from US\$ 12.2 billion in 2003 to US\$ 25.9 billion in 2012 in current terms. ODA accounts for more than 20% of central Government expenditure in 16 LLDCs. Aid-for-Trade disbursements to LLDCs have grown strongly, from US\$ 3.5 billion in 2006, to over US\$ 5.9 billion in 2012. Aid for trade has helped improve trade facilitation and trade related infrastructure.
58. Support from the UN system and other international and regional organisations has increased at global, regional and national levels. The major support provided include: advocacy and resource mobilization, capacity building – trade negotiations, customs reforms and border cross management, technical assistance in the areas of needs assessments for Aid-for-Trade, trade and trade facilitation, infrastructure development, capacity building and commissioning of specific studies.
59. The presenter noted that these challenges constitute some of the important issues to be addressed in the substantive preparation for the Second United Nations Conference. The presenter noted that the Trade Facilitation Agreement has the potential to address many of the fundamental transit policy issues that affect exports and imports of the LLDCs. She stressed that the recommendations that will come out of the workshop will be crucial to the development of a comprehensive development framework for the next decade that can address these special needs of the landlocked developing countries, based on scaled-up partnerships and enhanced international support.
60. In his presentation, Mr. Saurabh Sinha, Senior Economist, UNDP Mongolia, indicated that the LLDCs make up 6% of the world's population and cover 3% of the total land area. He noted that even though the LLDCs together contribute 1.4% of the world's GDP (at PPP, 2013), they are among the poorest developing countries and face multiple challenges: more than half are also least developed (LDCs); nearly half are classified as low human development; 10 of the 20 lowest-ranked countries in the Human Development Index are LLDCs; nearly half are classified as low income countries by the World Bank and more than one-third are landlocked. Using data, the presenter showed that LLDCs had lower HDI than their neighbouring coastal countries. Generally economic and human development indicators



for landlocked developing countries were worse than those for maritime neighbours. However there were some LLDCs who were doing better than others.

61. The presenter indicated that variation among the landlocked developing countries in each region is related to their proximity to rich neighbours. The LLDCs in rapidly growing regions benefit from their more economically powerful neighbours for example: South Africa (for Swaziland, Lesotho, Zimbabwe, Malawi), India (for Nepal, Bhutan), China (for Mongolia, Laos), Viet Nam and Thailand (for Laos) and Russia (for Mongolia and Central Asia). He concluded that location within a prosperous region helps the LLDCs.
62. The presenter noted that trade has a significant and often positive impact on growth and poverty reduction in the medium-long term and can have strong redistributive impacts in short-term. He noted that LLDCs that had higher HDI are usually those with high levels of exports. The presenter pointed out that the LLDCs share 2 key structural challenges, which inhibit their economic development: these include lack of territorial access to the sea and dependence on neighbouring maritime countries for transit of goods. As a result they incur higher total transport costs for exports and imports and moving goods by land increases the cost by more than 7 times than if transported by sea. Using data he showed that LLDCs were dependent on a few commodities for their export earnings.
63. He suggested that there was need for strong regional networks to improve transit through neighbouring countries, strong domestic land (road and rail) infrastructure and sound cross-border administrative practices to reduce transit time. He underscored that LLDCs with only a few commodity exports are particularly strongly impacted by landlockedness.
64. Mr. Sinha also reviewed public spending by LLDCs on health and education which is an indicator of the national governments' seriousness in addressing human development in their respective countries. He noted with satisfaction that in spite of the trade-related constraints, the LLDCs' average spending on the social sectors is comparable to their maritime neighbours in each region. There are some variations across regions and he suggested that the LLDC Think Tank could undertake this kind of a cross-country research and analysis for the LLDC member countries to assist them ensuring that trade facilitation not only helps improve trade, but also human development.
65. In concluding his presentation, Mr. Sinha noted that in spite of similar structural constraints, there are differences among LLDCs which is a cause for optimism. Through suitable policies many constraints can be overcome and human development enhanced. He stressed that while landlockedness may be a geographical reality, it does not have to be LLDCs' destiny.
66. In his presentation, Mr. Erdenetsogt Odbayar highlighted the trade challenges facing LLDCs and the response of the International Think Tank on LLDCs (ITT-LLDCs) to these issues. He pointed out that LLDCs are characterized by lack of direct access to the sea, remoteness from major markets, small populations and equally small markets. In many cases, the transit developing countries neighboring LLDCs are also equally poor. He indicated that these challenges were compounded by other difficulties such as additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure, that often translate into high transport and transit costs for LLDCs which impose serious constraints on their overall socio-economic development, including their trade competitiveness.
67. The presenter noted that LLDCs were among the poorest countries in the world. He highlighted that 16 out of 32 LLDCs were classified as LDCs and half of the LLDCs were in Africa. Moreover, most of the LLDCs are fully dependent on exports of raw materials and minerals and imports of food and other types

of finished products. He indicated that economies of LLDCs were negatively affected by steep drop in prices of raw material and minerals in the markets of their immediate and third neighbors. He provided an example of Mongolia's case, where the dramatic fall in coal price in China had significantly led to economic stagnation in Mongolia.

68. The Interim Director of the ITT-LLDCs noted that a heavy reliance of the LLDCs on international trade, especially imports, has generated trade deficits. Although some initiatives to promote export diversification and value-added processing were being promoted, the results on the ground are poor due to a narrow manufacturing base and supply-side constraints. He highlighted that very few LLDCs such as Armenia, Kazakhstan and Macedonia exported manufactured goods, mainly low-tech goods such as textiles, leather products and handicrafts. He explained that the LLDCs with high transport costs and weak infrastructure development are unattractive to export-oriented FDI because the firms based in these countries will be much less competitive in international markets.
69. Mr. Odbayar provided the case of Mongolia whose economy continues to be heavily affected by the financial situation in its neighbors and therefore extremely vulnerable to their economic performance. Mongolia sources 95 percent of its petroleum products and a substantial amount of electric power from Russia. He added that trade with China represents more than half of Mongolia's total external trade, which means that China is receiving more than three-fourths of Mongolia's exports. He stressed the need for Mongolia to improve value addition to its exports. He highlighted that unprocessed and semi-processed raw material of livestock has become one of the largest export commodities in Mongolia. He stressed that there is a chance for Mongolia to earn more income from livestock value added production where Mongolia can gain more benefit than from the mining sector. Labour-intensive manufacturing sector also generates more employment compared to the mining sector.
70. The presenter noted that in order to overcome the geographical disadvantages of LLDCs there was need for concerted action towards joining the international trade system and benefiting from trade facilitation, multilateral trade and transit transport negotiations, close and effective cooperation with transit developing countries, enhanced and comprehensive level of support from the international community and development partners and participation and ownership by the private sector as a key to LLDCs development. He added that LLDCs need multidimensional approaches such as implementation of policies and measures aimed at economic restructuring and specialization in these countries that take into account their transport-related obstacles. Development of productive capacities is also a key element of this process.
71. He offered LLDCs to pursue strategies for export-led growth, which means looking beyond their immediate neighbors and diversifying their sources into a broader range of higher-valued added activities and destinations of imports and exports. He noted that greater engagement in regional and global trade, better management of transport and transit arrangements and sharing knowledge and experiences are critical.
72. Mr. Odbayar introduced the ITT-LLDCs and indicated that it is aimed at providing support for strategic interventions to enhance the development prospects of all LLDCs. In this context, the ITT will provide LLDCs with a platform for knowledge sharing, support for intra-LLDC collaboration and other South-South engagement as well as for global cooperation. He informed the meeting that the ITT will also provide an online portal for exchanging views and the best practices to LLDCs. The ITT will support LLDCs to tackle persisting and emerging challenges by providing evidence-based advisory services and organizing high-level expert group meetings and workshops. He encouraged the LLDCs that had not yet ratified the multi-lateral agreement on the establishment of the ITT to do so.

## Discussion

73. In the ensuing discussion, representatives of the following countries made some interventions and presentations – Chad, Ethiopia, Malawi, Mongolia, Swaziland, Niger, Tajikistan and Zambia. The representatives noted that their countries were incurring high transportation costs. They noted that they had transit transport infrastructure problems and that they were very far away from the nearest sea ports. The LLDC representatives highlighted some of the transit problems that they were experiencing including lack of border control papers in French in the French speaking LLDCs, lack of transparency and limited use of ICTs. In order to unlock their trade potential, the representatives stressed that infrastructure development is important in both the LLDCs and the transit countries; increased use of ICTs at the border crossings was important.
74. With regard to the Trade Facilitation Agreement (TFA), participants noted that they need technical and financial assistance to support them in the implementation of the agreement. They agreed that it was important to implement the agreement as soon as possible. They encouraged each other to undertake the needs assessment to establish how much they need for implementing the agreement. They also encouraged each other to be in contact with transit countries to put in place transit measures that they will be legally bound to do by the TFA.
75. They noted that Aid for Trade will be important and should be maintained and increased in order to support the implementation of the TFA. Some representatives noted the trade facilitation initiatives that they were implementing including single window, one stop border post and others. Participants noted that some of the challenges of implementing the trade facilitation initiatives was belonging to two regional groupings such as SADC and COMESA, where the RECs were not at the same status of implementing trade facilitation initiatives.
76. Most of the LLDC representatives noted that their economies were dependent on a few primary commodities for exports either agricultural or minerals. Most of the representatives noted that they did not do much value addition to their exports. As a way forward the participants agreed to the need to diversify their economies, establish local industries that could process their products. Some countries noted that they had developed and were implementing a national diversification strategy.
77. On the ITT-LLDC, participants sought clarification on how the ITT-LLDC could be linked to the local think tanks in the LLDCs. The Interim Director explained that the ITT was also interested in creating linkages with the national think tanks. He indicated that they had already developed very good links with think tanks in the US, and Japan. The meeting stressed the need to ratify the agreement on the ITT. It was agreed that more information will be shared on how the LLDCs that had not yet done so could ratify the agreement. Participants needed clarification on whether South Sudan had formally become a LLDC. This was confirmed by the Director of OHRLLS. Participants also called for disaggregated analysis for use to support the negotiation process for the outcome document of the Second United Nations Conference on the LLDCs.

# The WTO Agreement on Trade Facilitation and its Implications on the LLDCs

78. In this session presentations were made by Mr. Raul Torres, Counsellor, Development Division, WTO; Mr. Sandagdorj Erdenebileg, Chief, Policy Development, Coordination, Monitoring and Reporting Service, OHRLLS; Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP; and Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD. The session was moderated by Mr. Od Och, Permanent Representative of Mongolia to the United Nations in New York.
79. In his presentation Mr. Raul Torres, Counsellor, Development Division, WTO, highlighted the current structure of the TFA post legal review that includes a preamble, section I on trade facilitation disciplines (Articles 1-11), Customs Cooperation (Article 12); Section II: Special and Differential Treatment; Section III: Institutional Arrangements and Final Provisions and an Annex 1 on Donor technical assistance notification format. He noted that under Section I, articles 1 to 5 related to GATT article X; article 6 to 10 related to GATT article VIII and article 11 related to GATT article V. He indicated that there were three forms of nature and scope of the obligations – binding, best endeavour and a combination.
80. He explained the provisions under Article 11 on Freedom of Transit. Most of the provisions were in binding language: (i) Any regulations and formalities shall not be maintained if circumstances/objectives no longer exist; and constitute a disguised restriction on trade; (ii) Traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses); (iii) Prohibition on voluntary restraints on traffic in transit; (iv) Non-discrimination principle expanded and strengthened; (v) Separate infrastructure for traffic in transit encouraged; (vi) Formalities, documents and controls shall not be more cumbersome than necessary; (vii) No charges, delays or restrictions once goods cleared for transit; (viii) No application of technical barriers to trade (TBT) measures to transit goods; (ix) Advance filing and processing of transit documentation to be allowed and provided; (x) Promptly terminate transit operation once exit point is reached; (xi) Guarantees: Limited to ensuring requirements are fulfilled, Discharged without delay, Allow multiple transaction or renewal, Publish information used to set guarantees, Convoys or escorts only in high risk cases; (xii) Endeavour to cooperate to enhance transit; and (xiii) Endeavour to appoint national transit coordinator.
81. The presenter explained that other trade facilitation provisions in the agreement that are of interest to LLDCs include Expedited Shipments: imposes on members to expedite the release of air cargo; Single Window: submission of documentation for import/export should be to a single electronic point; Authorized operators: lower documentation and inspections, rapid release, deferred payments, etc; Risk Management: focus on high-risk consignments to expedite release and clearance of low-risk goods; and Border Agency Cooperation: ensure cooperation and coordination between authorities and agencies responsible for border controls to facilitate trade. The TFA suggests the following for cooperation with other Members: Alignment of working days/hours and procedures/formalities; Joint controls and sharing of common facilities; and Establishment of one stop border post control.
82. Section II of the TFA on Special and Differential Treatment (SDT) is guided by the following general principles: The extent and the timing of implementation will be related to the implementation capacities;

technical assistance and capacity building should be provided to help implementation; Implementation will not be required until capacity has been acquired; Each developing member determines its capacity; Each developing member decides on the categorization of provisions; All provisions binding on all members and will be eventually implemented.

83. There are three categories of provisions: Category A contains provisions that a developing country Member or a LDC Member designates for implementation upon entry into force of the TFA or in the case of a LDC Member within one year after entry into force. Notifications by developing countries on the measures they will put in category A are due by 31 July 2014. Category B contains provisions that a developing country Member or a LDC Member designates for implementation on a date after a transitional period of time following the entry into force of the TFA. Category C contains provisions that a developing country Member or a LDC Member designates for implementation on a date after a transitional period of time following the entry into force of the TFA and requiring the acquisition of implementation capacity through the provision of assistance and support for capacity building.
84. The presenter explained the Early Warning Mechanism where if a Member experiences difficulties in implementing by the definitive dates it established, it should notify the Committee. The developing countries should notify no later than 120 days before the expiration date and LDCs no later than 90 days before the expiration date. The Member State should notify new dates and indicate reasons for delay. Automatic extension will be granted if it is the first request and for less than 1.5 years (developing) or 3 years (LDCs). Subsequent extensions will be submitted to the Committee.
85. Donor Members agree to facilitate the provision of assistance and support for capacity building to developing country and LDC Members on mutually agreed terms and either bilaterally or through the appropriate international organizations. For transparency purposes, Donor Members assisting developing and LDC Members will inform the Committee, at entry into force and annually thereafter, the technical assistance and capacity building that was given. This includes amounts, agencies involved, description of assistance and procedures. With regards to availability of resources for technical assistance, the presenter was hopeful that development partners will come up with resources that could be used.
86. The presenter noted that the Preparatory Committee will function as a normal WTO Committee. The immediate tasks of the Committee include: To perform a legal review to the French and Spanish texts (the English text was concluded), which has to be done by 31 July 2014; Prepare a draft protocol of amendment to include the TFA in Annex 1A of the WTO Agreement; and to receive notifications of category A commitments.
87. The presenter indicated that the ratification process included: (i) drafting of the draft Protocol of Amendment; (ii) the General Council to adopt the Protocol before 31 July 2014; (iii) Members to go through their internal treaty ratification process and notify acceptance of the protocol to WTO. (iv) The protocol will be open for acceptance until 31 July 2015; (v) The agreement will enter into force once 2/3 of the WTO Members ratify it.
88. The presenter concluded his presentation by highlighting why the TFA was important for the LLDCs. The main objective of the TFA is to reduce trade transaction costs. He showed that the LLDCs had the highest trade transaction costs so they would benefit most. The TFA measures could potentially reduce trade transaction costs between 13-15.5% for developing countries.

89. In his presentation Mr. Sandagdorj Erdenebileg, Chief of Policy Development, Coordination, Monitoring and Reporting Services, OHRLLS enumerated a number of potential benefits that LLDCs could reap once this Agreement goes into force. These benefits include but not limited to: the speeding up of border crossing procedures; making trade easier, faster and cheaper; provision of clarity, efficiency and transparency; and reduction in bureaucracy and corruption. Implementation of the TFA will provide opportunity to join global value chains; promote the application of information and technology and best practices; contribute to an improvement in the movement of goods in transit as it ensures that a non-discrimination principle is strengthened with Most Favored Nation and National Treatment to all transit goods; and finally, LLDCs will receive international support to build capacity for the implementation of the trade facilitation measures.
90. He indicated the definition of goods in transit included (i) Goods (...) shall be deemed to be in transit across the territory of a contracting party when the passage across such territory (...) is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. (ii) There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit (...), No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport. And (iii) (...) such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt.
91. He indicated that the definition of transit of the WTO TFA is different from that of the Convention on the Law of the Sea. In the TFA, the definition also relates to the LLDCs who could be also transit country for some countries.
92. He highlighted some of the articles of the TFA that were relevant to the LLDCs. Article 6 – Disciplines on fees and charges imposed on or in connection with importation and exportation had the following provisions: Traffic in transit shall not be conditioned upon collection of any fees or charges; fees should be limited to the size of fees and charges to the approximate cost of services rendered; Information on fees and charges shall be published promptly; An adequate time period shall be accorded between the publication of new or amended fees and charges and their entry into force. And Each Member shall periodically review its fees and charges with a view to reducing their number and diversity.
93. Article 8 on border agency cooperation had the following provisions: Members shall cooperate on mutually agreed terms to coordinate procedures at border crossings to facilitate cross-border trade, alignment of working days and hours; alignment of procedures and formalities; development and sharing of common facilities; joint controls and one stop border posts.
94. Provisions of Article 10 – Formalities connected with importation and exportation and transit aims at harmonizing, simplifying and reducing transit formalities and documentation. The provisions include: Accept paper or electronic copies of export or import documents, Establish or maintain a single window, Use relevant international standards as a basis for importation, exportation or transit formalities and procedures and the Trade Facilitation Committee shall develop procedures for the sharing of information and best practices on the implementation of international standards.
95. The presenter emphasized that Article 13 on institutional arrangements had provisions that Each Member shall establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of provisions of the Agreement.



On Article 11 that deals with the Freedom of Transit, the presenter noted that the Article states that first any regulations and formalities shall not (i) Be maintained if circumstances/objectives no longer exist; and (ii) Constitute a disguised restriction on trade. Second, traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses).

96. The presenter noted the following provision of assistance for capacity building – Donor Members agree to facilitate the provision of assistance and support for capacity building to developing country and LDC Members on mutually agreed terms and either bilaterally or through the appropriate international organizations to implement the provisions of the Agreement. He also noted the following principles – take account of the overall developmental framework of recipient countries and regions; include, where relevant and appropriate, activities to address regional and sub-regional challenges and promote regional and sub-regional integration; ensure that ongoing trade facilitation reform activities of the private sector are factored into assistance activities.
97. Finally, the presenter said that this agreement holds enormous benefits for the LLDCs, however, it is important that the following takes place. There is a need to encourage ratification of the agreement by WTO members, and that LLDCs need to assess their technical assistance and capacity building support needs and priorities to implement the agreement. A decision on the work programme on small economies was taken in Bali in 2013 and this could be of relevance to some of the LLDCs. In addition, it is important for the WTO to launch a dedicated Work Programme for the LLDCs to assist LLDCs address their special needs on trade facilitation, Aid for Trade, services, electronic commerce and WTO accessions. He also indicated that as the Vienna conference would take place, it is important to have text on the need for the LLDCs to be supported on trade issues.
98. In his presentation, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP looked at mainly two topics, namely, review of regional state of play in trade facilitation, especially the LLDCs, and ESCAP's support for trade facilitation. He noted that ESCAP and the World Bank have jointly developed a bilateral trade cost database to provide a systematic and standardized way to evaluate trade costs in developing countries. The bilateral comprehensive trade costs capture all additional costs involved in trading goods bilaterally relative to those involved in trading goods domestically, including: International shipping and logistics costs; Tariff and non-tariff costs, including indirect and direct costs associated with trade procedures and regulations; Costs from differences in language, culture, and currencies.
99. The presenter noted that in a graph of the intra and extra regional trade costs 2006-2011 the best performer of the LLDCs is Kazakhstan, especially in terms of trade costs with China, whilst the worst performer is Bhutan, its trade costs are ten times and five times more than those of the Republic of Korea, China and USA, respectively. This can be explained by the fact that Kazakhstan neighbours China whilst any trade between Bhutan and another country has to be through India which inevitably add the total costs. He indicated that closer examination of the trade costs show that Maritime Connectivity, business regulatory environmental and availability of ICT services were the major sources of high trade costs.
100. The presenter also showed survey results of the trade facilitation and paperless trade from 29 Asian countries including 9 LLDCs. The countries got a score whenever a trade facilitation measure is fully or partially implemented. The maximum possible score is 100. No country can achieve this mainly because no country can fully implement cross-border paperless trade. Anyway, Singapore is ranked the top among these countries. The best performer of LLDC is Azerbaijan (with score of about 50), followed by Lao PDR and Bhutan is the worst performer (with score of about 24). The respondents were also asked to identify the key challenges for implementing trade facilitation measures in their countries. In particular, they were asked

to rank three key challenges out of five, namely: (1) Lack of coordination between government agencies; (2) Lack of political will; (3) No clearly designated lead agency; (4) Financial constraints; (5) Limited human resource capacity. Half of the LLDCs in the region such as Afghanistan, Bhutan, Lao PDR and Mongolia identified “financial constraints” as the most challenging factor. On the other hand, “lack of coordination between government agencies” and “limited human resources” have been identified by the respondents as the key challenging factors.

101. Mr. Ratnayake indicated that the third angle to look at trade facilitation in the region, especially relevant to LLDCs, is a recent study carried out by ESCAP. The study examined the Asian transit agreements in the context of WTO negotiations. ESCAP found that little attention has generally been given to transit facilitation matters in preferential trade agreements; Transit issues have been addressed through a variety of separate bilateral/regional trade, transport, and/or transit specific treaties and instruments – rather than through a more integrated approach. When compared to the text of bilateral/regional agreements, the WTO Bali text typically enhances the freedom of transit of WTO members, with specific provisions on guarantees and institutional aspects. Agreement text is important, but actual implementation is more important and challenging.
102. The presenter highlighted some of the initiatives that ESCAP is undertaking to improve trade facilitation in the region. In concluding his remarks, he stressed the following points: (i) Trade facilitation is essential for improving trade competitiveness and enabling participation in production networks and there was a lot of room for improvement in Asia-Pacific LLDCs; (ii) WTO TFA implementation provides a great opportunity to engage in trade facilitation reform; (iii) Need for a “whole of supply chain” approach to trade facilitation including a comprehensive assessment/analysis of import-export procedures needed and monitoring; (iv) moving from paper to electronic exchange of documents will not be an option for much longer, so plan accordingly and (vi) participation in regional/subregional initiatives can make a difference.
103. In his presentation, Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division of Technology and Logistics, UNCTAD highlighted that the trade issues for the LLDCs include; Clear rules and regulations for bringing goods to market; Transport and transit; Import/Export; Border procedures, including other than Customs; Moving from “LLDC victim” status to partnership focus; Focus on Economies of scale for transit partners; LLDCs provides additional volume for sea ports; Infrastructure and services in transit countries; Land-linking opportunities; Sensitivity to issues in transit countries; Public – e.g. smuggling, infrastructure costs; Private – e.g. competition; Securing public interests; Public revenue protection and public health/security; Protecting infrastructure; Economies of scale reduce costs of country’s own trade; Port services; Logistics services; and Infrastructure costs. He noted that transit traffic generates services and economic activities including public services, repairs and workshops, gas stations, rest and parking places, small trade along transit corridors like restaurants and warehouses.
104. The presenter noted that the TFA had impacts on infrastructure; means of transport; goods; operation; and services. The provisions of the TFA on infrastructure include Art. 11.5: physical separate infrastructure – and opportunity for donor assistance for infrastructure; and Art. 8: Border Agency Cooperation – an opportunity for joint border stations. Provisions for means of transport include Art. 11.3 and GATT V: Freedom of Transit; Art. 11.8: WTO Agreement on Technical Barriers to Trade; Art. 11.5: Customs Convoys/Escorts. Provisions on goods include Art. 7–11 provides guidance for goods clearance; Art. 11.1-5 Freedom of Transit (Bilateral/ Regional/International); Art 11.6-11 Customs Transit provisions (e.g. WCO) including use of IT systems such as ASYCUDA; Art 11.12 General; 11.13 Transit coordinator. Provisions for operation include: Art. 1-5 Provides information and transparency Art. 8: Alignment of operational procedure – Opening hours, Joint operations,



Joint controls, Opportunity for technical assistance and capacity building; Art. 11.8: Risk of technical barriers; Art. 7: Concept of authorized operator. Provisions on services include Art. 11.2: that only addresses administrative fees and changes and transport charges are not covered by this article and Art. 13: National Trade Facilitation Committee.

105. The presenter noted that some individuals in both LLDCs and transit countries stand to lose in particular licensed operators, and customs brokers and officials. He pointed out that both LLDCs and transit countries need technical assistance and capacity building. He highlighted that Trade Facilitation issues go beyond the WTO TFA. Partnership both public and private was important in National Trade Facilitation Committees. He advised that there is need to consider carefully obligation nature, notification and technical assistance and capacity building needs. He encouraged the LLDCs to seek assistance for example from international organizations. He also noted that there was need to address the spaghetti bowl syndrome of regional integration.
106. The presenter suggested the following recommendations for post APoA: WTO LLDC and transit country focus; WTO TFA implementation assistance; LLDC and Transit Country collaboration focus; Inclusion of trade facilitation in national development plans; Framework for bilateral collaboration E.g. Border cooperation; Regional cooperation / integration E.g. Regional Transit systems and guarantees; International standards implementation support; Focus on transport corridor approach; Develop a conveyor belt approach for transit; LLDC and transit country technical assistance and capacity building focus; Support implementation of technology and IT systems and improved facilitation and transparency.

## **Discussion**

107. In the ensuing discussions, some LLDC representatives indicated that they were preparing to submit notification on the measures that they will put in category A in implementing the TFA. They noted that the TFA would be very beneficial to their countries if it is fully implemented.
108. On the issue of Members that do not ratify the agreement, the WTO representative noted that the TFA will not be binding on any member that has not ratified.
109. Participants sought clarification on whether the TFA applies to goods that travel through fixed infrastructure. The representative of WTO explained that the TFA applies to all goods in transit regardless of the means of transport including transport, gas, electricity and ICT. Participants also sought clarification on why the WTO representative had optimism on the availability of support for technical assistance and capacity building. In response he indicated that the trends in ODA had now reached their pre-crisis level and trade facilitation related assistance was increasing.
110. Participants appreciated the work that ESCAP was undertaking on trade facilitation and requested that it should share with the other regions. Participants also stressed that the LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. Participants were also advised not to get too locked down with the political process of the TFA but instead to continue to work on trade facilitation initiatives using regional trade agreements.
111. Participants also discussed the outcome of the thematic preconference events. They stressed that the future programme for the LLDCs should be broader and aim to address the challenges of the LLDCs in a more holistic manner.

112. The representative of the Asian Development Bank highlighted that on infrastructure development it is essential (a) to coordinate (otherwise, investments are wasted – both ADB and UNDP have invested in border crossing point renovations on one side of a border, not taking into account the views of the neighboring country, which sought to limit the number of border crossing points it staffed and maintained: the result being that the renovated border crossing points remain closed to traffic), (b) to do what's necessary, not always what's ideal, and (c) to avoid any duplicate capacity on both sides of the same border crossing point. He noted that on technical assistance, the LLDCs must conduct trade facilitation needs assessments and share the results with development partners. He encouraged the LLDCs to use existing resources such as UNECE Trade Facilitation Implementation guide, and ITC Business Guide. He underscored the importance of interagency cooperation and dialogue with private sector. It was also important for the development partners to be well coordinated.

# The WTO Agreement on Trade Facilitation and its Implications on the LLDCs: Focus on the Private Sector

113. In this session, presentations were made by the following: Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC; Mrs. Lee Ju Song, Executive Director, ICC Asia; Ms. Olive Z. Kigongo, President, National Chamber of Commerce and Industry, Uganda; and Mr. Irmuun Demberel, Senior Officer of Invest Mongolia Agency. The session was moderated by Mr. Tsogtbaatar Damdin, Former Minister for Environment of Mongolia.
114. In his presentation Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC, indicated that export competitiveness depends on international trade procedures. Managing cross-border operations involved costs including to: collect, produce, transmit and process information and documents, comply with border agencies requirements and to organize logistics from manufacturers premises to clients grounds. This resulted in logistics costs that represent up to 15% of product value and 63% of logistics costs consist of transport costs including border-crossing costs. He indicated that if the borders are not efficient it all leads to more costs to the business owners both direct and indirect costs.
115. The presenter noted that SMEs were particularly vulnerable to the costs because on a relative basis, SMEs dedicate more human resources to export than large business, intermediate financing required to cover working capital needs is very expensive, SMEs are often classified as “High risk” operators by border agencies and they rarely can join “Authorized Economic Operator” scheme because SMEs cannot afford large logistics provider services who could speed up the border crossing process. He also noted that LLDCs’ trade costs are 60% higher than LDCs average, double the world average.
116. Dr. Saeed indicated that trade facilitation is transparency and efficiency in international trade supply chain through: Simplification, Standardization, Harmonization and Modernization; An ongoing and multi-agency function better achieved through collaboration between public and private sector and has the potential to reduce costs and address inefficiencies. He pointed out that the OECD study showed that the WTO TFA has the potential to save costs, improve administration efficiencies and governance structures.
117. The presenter noted that the obligation arising out of the TFA are equally applicable to developing countries, whether LLDCs or otherwise. The Trade Facilitation Agreement provides for unique special and differential treatment. The extent of obligations would be decided by the countries themselves. The timing is also of the choice of the developing countries and the obligations are linked with implementation capacity. But they are based on countries’ development status, not on land-locked characteristics. Special treatment only provided for developing countries as well as for least-developed countries.
118. He noted that 2 provisions were more important to the LLDCs than to other countries and these are Freedom of transit – Art. 11, and Border agency cooperation – Art. 8. He also noted that the following articles were also relevant as they relate to transit. Publication – Art.1, Consultation before entry into force – Art.2, Penalties discipline – Art.6, Trade Facilitation measures for Authorized Operator – Art.7, Transit formalities

and documentation – Art.10.1, Acceptance of copies – Art.10.2, Use of International Standards – Art.10.3 and Single Window – Art.10.4.

119. The presenter concluded by highlighting the following points: (i) Trade-related costs must be reduced in particular in LLDCs where costs are significantly higher than in the rest of the world; (ii) Trade facilitation has the essential elements to reduce costs by addressing border inefficiencies, helps achieving this goal and LLDCs should seize this opportunity to improve their country and their private sector competitiveness; (iii) Freedom of Transit (Art.11) and border agency cooperation (Art.8) are 2 provision which would specifically support LLDC in achieving their objectives of reducing trade costs; (iv) Trade Facilitation and SMEs involvement in value chains are closely linked and SMEs are particularly vulnerable to cumbersome cross-border processes. (v) Trade facilitation is most effectively pursued when stakeholders work in coordination – Government, SMEs, TSIs, TNCs, and development partners.
120. In her presentation, Mrs. Lee Ju Song, Regional Director of ICC Asia, indicated that the implementation of the WTO Trade facilitation Agreement will empower the LLDCs. It will bring benefits to 3 main sectors: (i) government itself, (ii) customs administration, and (iii) the business community in both the LLDCs and their trading partners. In order to bring about real benefits, there must be consistent efforts to engage all the stakeholders. The invaluable input and role to be played by the private sector should not be ignored. She stressed that international organizations that are actively engaged in the promotion of international trade and trade facilitation such as the ICC need to be closely engaged in the implementation of the trade facilitation agreement. The private sector is well placed to provide invaluable feedback on the type of infrastructure required to make things work.
121. She indicated that the implementation of the TFA will provide LLDCs with opportunity to strengthen their partnership with the private sector in their common objective of bringing their countries to the next level of advancement. She expressed ICC's confidence in expediting the implementation process by working with WCO, WTO, UN and LLDCs as ICC has an excellent track record in the area of facilitation. To bring certainty that LLDCs can be expected to successfully internationalize their custom procedures, and to expedite the process, we should capitalize on the success of existing Trade Facilitation Systems: they can help fast track the progress. She stressed that we should do what is do-able and implement what is already there and is working for both customs and business, and not to wait until the Agreement has been ratified by a two thirds majority.
122. She said that ICC strongly believes that its global network of members in over 130 countries can effectively contribute to the creation of national trade facilitation committees which can make an effective contribution to the deliberation and help strengthen Chamber-Customs-Partnership in creating a business friendly environment. The ICC World Chambers Federation have been working with WCO since 1963 in the successful operation and management of the ATA Carnet System, which is the international trade facilitation system providing duty-free temporary admission of goods provided they are totally re-exported. She pointed that this is a Must have powerful marketing tool which LLDCs must have to help their businesses to successfully build an export market and to ensure their smooth participation at international trade fairs.
123. She indicated that currently the System is in operation in 74 countries and the number of countries joining the system is on the rise. ICC is working with Nepal, Vietnam, Indonesia, Bangladesh, Brazil, Saudi Arabia, and Qatar on the early implementation of the System to make them an attractive destination for trade, investment, the arts, sports and culture as well as to increase the safety of their customs as the System guarantees full payment of Custom duties/ taxes/ should the goods fail to be totally re-exported. She also

pointed that another area where ICC WCF can be of help is the area of trade documentation and the use of technology to provide speedy trade documentation services in a secured environment and at the same time provide an independent tier of check in the security of the supply chain.

124. The ICC has set up an international standard for the issuance of Certificate of Origin (CO) by Chamber. CO is an important Trade facilitation document as it provides vital data for: Customs Administration, Banks for LIC clearance and Businesses for their Tracking of their Shipment. COs are usually accepted by Customs Admin because they are issued by Chamber which are regarded as competent trusted 3rd party with neutrality and integrity.
125. ICC has also set up an international CO chain based on its International CO Standards and a website for Customs Admin to check on the authenticity of the CO issued. She said that many of ICC members are also issuing CO electronically to provide Speedy Service in a secured environment.
126. In maintaining trust and integrity of the supply chain, ICC WCF recommends that Customs build upon existing public-private partnerships with private sector organizations such as chambers of commerce, in aiding accessibility of SMEs to benefit from RTA/PTAs. ICC also encourages that RTA/PTAs use, or adapt existing mechanisms (e.g. business certification systems, registration programmes) which can support both the public and private sector needs, to reinforce security and ensure compliance, as part of an implementation strategy.
127. ICC, therefore, is looking forward to work with WCO, WTO and other stakeholders in their common objective of bringing greater trade facilitation to the expanding international business community.
128. In her presentation Ms. Olive Z. Kigongo, President of the National Chamber of Commerce and Industry of Uganda highlighted the importance of the SMEs to the LLDCs. She emphasized that the SMEs have to be actively involved in the implementation of the TFA. She highlighted the progress achieved in the East African Community (Uganda, Kenya, Tanzania, Rwanda and Burundi). She noted that the EAC member states have adopted a destination model of clearance of goods where assessment and collection of revenue is done at the first point of entry. This allows free circulation of goods in the single market with variations to accommodate goods exported from one partner state to another. Customs administrations at destination states will retain control over assessment of taxes.
129. The presenter noted that Asycuda World (Automated System for Customs Data) system was being used in the region. The EAC was constructing One Stop Border Posts (OSBP) e.g. at Mutukula, Katuna and Busia. As a result the clearance of goods at the border posts will be shortened from days to just hours following a boost of \$15million for border post infrastructural development provided by Trade Mark East Africa.
130. The presenter noted that the Uganda Revenue Authority introduced the Electronic Cargo Tracking System to improve efficiency and reduce the cost of doing Business. The Government of Uganda is taking the steps necessary to launching a one stop electronic trade clearance system – Single window – a computerized scheme that saves time and money. A High Level Task Force has been constituted to agree on national governance. In 2010, the Uganda Revenue Authority set out to pilot the Authorised Economic Operator (AEO), a World Customs Organization (WCO) framework whose major objective is trade facilitation, promotion of supply chain security and ultimately enabling voluntary compliance to customs. The presenter noted the transport infrastructure development that was being undertaken in the region.

131. The presenter noted the Sanitary and Phytosanitary Agreement for development and periodic review of standards, guidelines and recommendations with respect to all aspects of sanitary and phytosanitary measures. To facilitate market access and promote intra Africa trade it is critical that border trade policies, including SPS measures be harmonized in line with international standards and guidelines in the interest of improving the movement of goods and services in the region. A council of Ministers signed a protocol to this effect and is expected to be ratified by all the states by 30th June 2014.
132. She highlighted the status of the EAC – European Community Economic Partnership Agreement negotiations, the customs capacity building programme that was launched in May 2013 and the finalization of the Study on the development of a legally binding mechanism on Elimination of Non-Tariff Barriers.
133. Ms. Kigongo concluded her presentation by highlighting the challenges facing the private sector that include; poor infrastructure and utilities, financing cost, low levels of entrepreneurial and managerial skills, poor governance and lack of market information.
134. In his presentation, Mr. Irmuun Demberel, Director of Division of Invest Mongolia Agency highlighted that Mongolia was open for business. The country had a stable democracy, an open investment environment, had natural resources, open to undertake diversification and for investment in megaprojects.
135. The presenter provided statistics on the economy of Mongolia. He noted that Mongolia was one of the fastest growing economies globally. Its growth was in double digit and the country had managed to reduce poverty from 39% in 2011 to 27% in 2013. He highlighted the large natural and mineral resources that the country was endowed with including gold, copper, coal, iron ore, lead, zinc and uranium. He also noted that the country had a strong agricultural sector and had the potential for renewable energy sources. He highlighted the railway and infrastructure development plans that the country was implementing.
136. The presenter highlighted the reforms that the country had and was undertaking. He noted the recently approved laws to include: the Investment law (Oct 2013); Investment Fund Law (Oct 2013) and the Law on Securities (May 2013). He highlighted that FDI was regaining in the first half of 2014 and that there were more new FDI companies. He also provided a summary of the feedback received on the effectiveness of the Investment Law.

## **Discussion**

137. In the ensuing discussion participants asked how Mongolia as a landlocked country could attract FDI from other countries compared to its big neighbours Russia and China. The presenter noted that they have good relations with their neighbours and that the neighbours provided good market for them. Participants also asked if Mongolia had an approach to encourage SMEs to configure sectorally. The ICC was asked if it had training manuals that would build the trading capacity of the SMEs in order for them to understand the language involved in trade and trade facilitation. The meeting was informed that the ICC was involved in capacity building. Participants were interested in knowing if the private sector in Uganda was involved in the trade negotiations. In response the presenter noted that they were involved through their national Governments.
138. Participants noted that the process of customs improvement has been slow in particular in the LLDCs. They stressed that training is very important for the customs officers. Transport costs were also very high for the LLDCs. Regional integration is important for reducing transport costs and to facilitate cross border trade. The representative of ITC indicated that they are working with stakeholders in different countries in order

to reduce the costs for the SMEs. The ITC is helping the SMEs on TFA through awareness raising and informing them on what they can benefit from the TFA. The next level involves working with governments and their stakeholders to develop relevant policies. In Central Africa trade integration has been pursued and single windows were established.

139. The meeting noted that legal reforms are important in order to attract investors and well developed infrastructure. They underscored the need for most LLDCs to receive quality investment. Participants expressed concern that the LLDCs might be taxing the SMEs and instead giving incentives to the large investors. They cautioned that governments should try to avoid doing that.



# Legal Framework on Transit Trade and Transport: Multilateral Conventions, Regional, Sub-Regional and Bilateral

140. In this session presentations were made by Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation; Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat; World Bank; Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD; Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa; Mr. Erdenetsogt Odbayar, Interim Director, International Think Tank for LLDCs; and Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank and by Members States. The session was moderated by Mr. Damdin Tsogtbaatar, Former Minister for Environment of Mongolia.
141. In his presentation Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation introduced the World Customs Organization and its goals and activities as well as the role of the WCO in implementing the WTO Agreement on Trade Facilitation. The WCO represents 179 Customs Administrations across the globe that collectively process approximately 98% of world trade. He highlighted 3 main strengths of WCO as a Standard setting / Capability and responsibility for global standard setting for Customs/, Cooperation Network of accredited experts from Customs Administrations and Cooperation with other international organizations and other agencies and capacity building technical assistance delivery.
142. Mr. Changsheng Li introduced WCO's cooperation with the WTO and WCO's recent contribution to the WTO. The WCO and the WTO have a long standing history of cooperation, including WCO management of two important WTO agreements, on Customs Valuation and on Rules of Origin. He defined WCO's recent contribution to the WTO as following: supported the development of the WTO TFA Self- Assessment Guide; Hosted a well-attended training session on the Self-Assessment Guide for Customs administrations; Actively participated in WTO's needs-assessments missions.
143. He highlighted how the WCO has enhanced cooperation with other international organizations including other Annex D Organizations. For example: The WCO and UNCTAD signed a Memorandum of Understanding in April 2013 that further advances the WCO's performance measurement approach to reform and modernization. The WCO and UNCTAD agreed to develop an "ASYCUDA World software Performance Indicators" application to assist WCO Members with their operational capacity. He presented that WCO activities cover a wide range of customs matters, including economic competitiveness, compliance and enforcement, revenue collection and organizational development. Also the WCO has developed a number of instruments and tools, which respond to Members' needs as regards TFA implementation. The WCO is continuing to develop and fine-tune an inter-active guidance tool designed to help customs to implement the TFA.
144. He introduced WCO Implementation Guidance for the TFA which is launched on its website. The Guidance presents the relevance of WCO instruments and tools such as the Revised Kyoto Convention for TFA implementation. WCO tools for Article 7.7 (Authorized Operators), Revised Kyoto Convention,



SAFE Framework of Standards, AEO Implementation Guidance, AEO Compendium, Model AEO Appeal Procedures, AEO Benefits: Contribution from the WCO Private Sector Consultative Group, The Authorized Economic Operator and the Small and Medium Enterprise (FAQ), Mutual Recognition Arrangement/ Agreement Guidelines and AEO Template.

145. Mr. Li also highlighted Article 11 on Freedom of Transit which regulates Fees and Charges, Strengthened non-discrimination, Transit Procedures and Controls, Guarantees, Cooperation and coordination. He indicated that for capacity building and technical assistance, the WCO will provide Members with practical assistance to implement the ATF through its network of Customs experts as the WCO Database has more than 400 accredited experts from Members and the Project Map Database supports donor and project coordination. Also, the WCO has extensive experience in managing projects with donors along results-based management principles.
146. Mr. Changsheng Li expressed that the WCO has enjoyed support from various governments and development agencies to fund its various technical assistance and capacity building programmes and projects. Currently, the WCO is managing a number of projects that operate under the modality and that benefit from funding from SIDA, Finland, DFID, US State Department and World Bank.
147. In her presentation Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat, talked about regional economic cooperation under the framework of the Greater Tumen Initiative. She introduced that the Greater Tumen Initiative (GTI), originally known as the Tumen River Area Development Programme, is a unique intergovernmental economic cooperation mechanism, supported by the United Nations Development Programme (UNDP), with four members: China, Mongolia, Republic of Korea and Russia. Its vision is to build a great partnership for common prosperity between neighbors. Its mission is to: Increase mutual benefits and common understanding; Strengthen economic and technical cooperation; and Attain sustainable development.
148. She indicated the priorities of GTI cooperation to include Transport, Tourism, Trade and Investment, Energy, Environment. Priority projects and activities include Capacity building, Research and studies, Policy advisory and Knowledge-sharing. Ms. Weina indicated that GTI has close cooperation with UN Agencies such as UNDP, UNIDO, UNWTO, GEF and UN/ESCAP, International organizations and Development banks, member countries, bilateral donor countries, local governments, academic institutions as well as private sectors.
149. She identified GTI's major achievements to include: Enhanced institutional capacity and normalization of programme operations; Increased member countries' confidence, ownership and (political and financial) commitment; Successful implementation of a number of priority projects; Improved policy environment for economic development and enhanced mutual understanding among neighbors; Enlarged funding base and expanded partnerships and Enhanced participation of North East Asian local governments (e.g. LCC).
150. Post GTI – after 2016 a consensus has been reached to transform current GTI into an independent legal entity by 2016; the transition roadmap is to be agreed upon this year. Strategic Issues will also be considered during the transition (e.g. additional priority sectors, geographical coverage, funding capacity, political level, rebranding, etc.). Engagement of Japan and DPRK in GTI. GTI members have unanimously encouraged both countries to engage in GTI cooperation.
151. She introduced the case of the Transport Corridor Study which has development objectives to foster development of a reliable, cost-effective and efficient integrated transport network in the Greater Tumen

Region through planning and facilitating the activation and development of international transport corridors in the region and create conditions for unblocking of Greater Tumen Region corridors and establishment on this basis of an international transport network for sea-land transit transport. Its purpose is to serve as a stepping stone in the regional cooperative activities in the transport sector of the Greater Tumen Region.

152. Ms. Weina presented a Trade Facilitation Study. Its objectives are to identify the existing unjustified administrative barriers hampering trade between GTI countries, and suggest measures needed for the elimination of such barriers and simplification of trade procedures. This case is expecting outputs such as Survey of Technical Trade Barriers in the Greater Tumen Region and GTI Trade Facilitation Strategy Paper. The third case introduced is Multi-Destination Tourism (MDT) which has goal to develop MDT, respond to regional and international Market-driven demand, reinforce and promote intercultural exchange, strengthen cross border travel between Mongolia (landlocked), Russia, China and DPRK as well as adjacent territories of Russia, DPRK and Tottori Prefecture, support local sustainable economic development and job creation, and reinforce Ecotourism Development. She explained Regional Cooperation for LLDCs to include the following: Physical connectivity by strengthening cooperation in transportation; Economic connectivity by initiating cooperation in trade facilitation, agriculture, energy and environmental; People connectivity by developing tourist industry; Policy connectivity by carrying out the policy dialogue; Capital connectivity by developing partnership.
153. The presentation of Ms. Virginia Tanase of the World Bank from the research work that they have undertaken on Quantitative Analysis of Road Transport Agreements was presented on her behalf by Ms. Gladys Mutangadura. The study noted that bilateral agreements are still the predominant tool for road transport transit facilitation, even in high regional integration areas. The multilateral legal instruments set just the framework and minimal standards that are acceptable to all. The bi-lateral agreements are needed to implement local provisions like common procedures and opening hours of border posts. In this study over 70 bilateral agreements on road freight transport were analyzed. The study noted that some of the bilateral agreements were quite old and often poorly enforced and at same time may lack modern provisions thereby perpetuating unsustainable practices. Restrictive bilateral agreements can introduce market distortions and increase costs.
154. The study concluded that over-elaborate bilateral treaties could even be counterproductive for they introduce rigidities in implementation, deviate from international best practices, or could be defending vested interest. In such situations, bilateral agreements reduce efficiency and increase the cost of international road transport services. The study suggested that Member States be supported to adopt a more comprehensive approach in formulating bilateral agreements. In order to maximize benefits for countries, the study recommends that countries should start negotiation only when all stakeholders have agreed on the mandate- this will ensure support in implementation. Include core elements in any bilateral road transport agreement. Emphasize qualitative over quantitative and multilateral over bilateral regulation. Harmonize and simplify technical requirements. Set harmonized and transparent rules for cross-cutting issues. Nurture effective institutional and implementation arrangements. Conform with major international obligations. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed
155. In his presentation, Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD indicated that when developing bilateral agreements, they should be based on existing international agreements. He highlighted the international agreements relevant to transport and trade facilitation including the International Convention on the Harmonization of Frontier Control of Goods (1982), Customs Convention on Containers (1972), Convention on the International

Transport of Goods Under Cover of TIR Carnets (the TIR Convention, 1975) and Contract for the International Carriage of Goods by Road (1956).

156. He emphasized that all the conventions are very important because they set minimum standards that countries have to abide by. He encouraged all countries to ratify the conventions, effectively implement them by integrating them in the local law. He emphasized that proper application of the conventions with the neighbours was very important.
157. In his presentation, Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa indicated that the Northern Corridor is a multi-modal corridor encompassing road, rail, pipeline and inland waterways transport. It is the busiest and most important transport route in East and Central Africa, providing gateway linking Kenya's maritime Port of Mombasa and the landlocked economies of Uganda, Rwanda, Burundi and South Sudan. It also serves the Eastern part of DR Congo, Northern Tanzania and Southern Ethiopia.
158. The Northern Corridor Transit and Transport Coordination Authority (NCTTCA), whose Secretariat is based in Mombasa, Kenya; was established in 1985 to coordinate and oversee the implementation of the Northern Corridor Transit and Transport Agreement (NCTTA) provisions, ratified by Member States in 1986 which are Kenya, Rwanda, Burundi, Uganda. The DR Congo joined the Organization in 1987 and recently in December 2012, the South Sudan acceded to the NCTTA. The NCTT Agreement's main objectives includes: to facilitate and enhance the seamless movement of trade and traffic across the region; guarantee the freedom of transit, no discrimination, increased use of ICT, simplification of customs and procedures; stimulating economic and social development in the contracting parties; transforming the Corridor into a development corridor and implement strategies for offering safe, fast, competitive transport and ensuring environmental sustainability.
159. The presenter noted the major challenges of implementing the agreement that include: lack of implementation by member States of various protocols on trade and transport facilitation, low level of awareness of laws, regulations and agreements/conventions; lack of facilitation mindset; high costs of doing business for example 37% of total logistics costs in Landlocked Member States are attributable to road transport costs; high costs of transport and delays for example delays on the northern corridor is estimated to cause a loss of an estimated \$800 per day per truck; numerous non-tariff barriers and associated administrative costs along the transit chain; limited capacity to package bankable projects.
160. Some recent initiatives and best practices include: Development of Infrastructure Master Plan developed in 2010(22 OSBP, 8200km Roads, Port, Railways, Pipeline,..); Strategic Plan 2012-2016 towards a seamless and smart transport corridor outlining the key strategic areas; Institutionalization of Joint Borders Committees to streamline transit nodes operations; Revenues Authorities Documentation and Data Exchange; Joint Verifications by Agencies at set time on daily basis; Electronic Single Windows underway to integrate Operators Systems at country level; Electronic Cargo Tracking Systems (Kenya, Uganda and Rwanda); Migration to ASYCUDA World underway by Customs Authorities; 24hr operations at the Port; Axle load Control; removal of Roads blocks in Kenya and Reduction of Weigh bridges from 7 to 4 towards 2.
161. In concluding his presentation, the presenter noted that enforcement of Multilateral Legal Framework rely on domestication in national laws and compliance by stakeholders and users. He stressed that advocacy and strategic partnership was important at national regional and international levels. He noted

that capacity building and sustaining the willingness of regional organizations to harmonize their policies and regulations; i.e. Tripartite (COMESA, EAC, SADC) and Corridor Authorities was very important.

162. Mr. E. Odbayar pointed out that the reason why International Think Tank for LLDCs is organizing this session together with OHRLLS is that they are currently working on a research paper the legal framework on transit trade and transport. He pointed out that structural problems should be addressed and there is a risk of isolation of LLDCs if the problems are not. He indicated that the work of Think Tank is trying to be demand driven and that they will try to produce a useful study. Also Mr. E. Odbayar explained on what the Think Tank is currently working on. He pointed out that for them it is also important to summarize the priorities of LLDCs. He told that the study will be based on literature review and cross-country analyzes.
163. In her presentation, Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank highlighted a project whose main idea is to zoom in on a very small but critical area of the LLDCs trade experience, which is free trade agreements. She explained that the project consists of the first part which will look at the trade tools that are available for LLDCs and the successes and reasons why they do not work for the LLDCs. The second part is the particular development needs of LLDCs and how the free trade agreements could be made to meet the needs of the LLDCs. In general, the aim of the study is to examine more the existing tools of FTA for LLDCs and to generate new ideas. Important is also to create the domestic support network and public-private negotiations.

## Discussion

164. In the ensuing discussion participants wanted to find out how effective the international conventions were in LLDCs particularly where the neighbours were not part of the agreement/convention. It is implicit in the international conventions that neighbouring countries should be part of the agreement. The situation of LLDCs to move from landlocked to land-linked requires that the neighbours be part of it in order to yield optimal results. They also wanted to know how the regional agreement related to the transit pipeline in the Northern Corridor. The representative of the Northern Corridor indicated that the protocol covered the transit pipeline in terms of issues of security, market and delivery. The pipeline is now being extended and the protocol covers that.
165. The participants also wanted to know whether the TFA will lift tariffs in particular for the LLDCs. The WTO representative indicated that the TFA was not designed to do that. It was explained that the LLDCs do not have any special treatment except those that are LDCs who might get some market access preferences like General System Preferences. It was explained that goods that were in transit they will not be charged and when they reach the destination the goods will receive clearance based on the GSP preference for that country. It was emphasized that in further trade negotiations it was important for the LLDCs to consider seeking special treatment.
166. Participants noted that in their countries they had SMEs or companies that exported perishable agricultural products such as fruits and vegetables. In such cases there was need to support the LLDCs with resources to invest in infrastructure development and maintenance. There was need for provisions for faster customs clearance of perishable goods. Where the LLDC is not able or capable to implement the agreement, the

country had to submit category B (country needs some time to develop its capacity before they implement) or C (only after they receive technical assistance that's when they can implement the TFA provisions).

167. With regard to the research work that the ITT would like to implement, participants noted that the member states wanted to provide inputs to the terms of reference. Participants noted that the ITT should avail all relevant information on their website from all relevant sources. The Interim Director explained that the ITT would take time to collect all the necessary information or links on LLDCs from the different international organizations and will announce and publish the enhanced website in September 2014.
168. Participants noted that it was important to really undertake some actions on the ground to implement the TFA and the other legal instruments. They asked if there were some LLDCs that had already prepared some action plans to implement the TFA. Participants requested if the international organizations could support the LLDCs to develop their action plans on the implementation of the TFA. In response UNCTAD indicated that they were ready to provide support and would circulate their website.

# Suggestions Made by the Meeting

169. The following suggestions were made.

## 170. **Trade and Trade Facilitation**

- i. The LLDCs are encouraged to quickly ratify the WTO Trade Facilitation Agreement.
- ii. The LLDCs should undertake their technical assistance and capacity building needs assessment to establish how much they need for implementing the agreement. International organizations should provide support to LLDCs to help them assess their TFA needs, and in implementing some trade facilitation measures.
- iii. The international community should support the LLDCs and transit countries to establish IT systems and make improvements in facilitation and transparency.
- iv. Strengthen the LLDC Group's participation in Geneva through: a special recognition of the Group in the WTO, with the launch of a Work Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities. They should also be active in the World Economic Forum and other relevant international fora. Regional customs coordination is of great value for the LLDCs and LLDCs are encouraged to use the WCO instruments and tools in implementing the WTO TFA.
- v. The LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. The LLDCs and transit neighbours should undertake transport and trade facilitation reforms jointly in a collaborative manner. They are encouraged to harmonize customs procedures and practices.
- vi. Enhance regional integration which is important for reducing transport costs and to facilitate cross border trade and use the corridor approach to foster the implementation of the TFA.
- vii. The LLDCs should enhance productive capacities, value addition, diversification and reduction of dependency on commodities. They also need to integrate trade and trade facilitation into their larger national development policy and planning efforts.
- viii. The LLDCs should share knowledge and experiences on trade facilitation. They are encouraged to take advantage of trade facilitation tools developed under the UN Centre for Trade Facilitation and Electronic Business (UNCEFACT) such as Single Window Implementation Toolkit in the process of implementing the TFA. The work that ESCAP is undertaking on trade facilitation for the LLDCs should be shared with other regions.
- ix. Expand the scope of the APoA to include services, environmental issues, regional value chains and aid for trade.

## 171. **International Think Tank on LLDCs**

- i. The International Think Tank for the LLDCs should work closely with OHRLLS.
- ii. The LLDCs that have not yet done so are invited to ratify the multilateral agreement on establishing the LLDC International Think Tank. More information on how to ratify the agreement should be shared with the LLDCs that have not yet ratified.
- iii. The International Think Tank for the LLDCs should be linked to the local think tanks in the LLDCs.
- iv. The International Think Tank for the LLDCs should avail all relevant information on development issues of the LLDCs on their website from all relevant sources.
- v. The International Think Tank for the LLDCs is invited to solicit if necessary inputs from the LLDCs on the terms of reference for future studies.

## 172. **Legal Framework**

- i. LLDCs should be supported to adopt a more comprehensive approach in formulating bilateral agreements.
- ii. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed.
- iii. All countries should ratify the relevant conventions on transit transport and trade facilitation and effectively implement them by integrating them in their domestic law.
- iv. The LLDCs and their neighbours should properly apply the conventions.
- v. The international community should provide support to create awareness on the relevant agreements/ conventions, build the capacity of the LLDCs to enter into international agreements and share best and effective practices across regions.

# Closing Session

173. Closing statements were made by H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia and Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.
174. In his closing statement Minister Luvsanvandan Bold congratulated the participants from LLDCs, development partners, transit countries and United Nations and other international organizations for their effective and constructive discussions on the “WTO Trade Facilitation Agreement: Implications on the LLDCs” and contribution to the success of the workshop. He noted that the workshop was vibrant and very constructive. He noted that the discussions had revealed that the landlocked developing countries have not only common problems, similar challenges but most importantly, the same interests and vision and thus the output from Ulaanbaatar Workshop would be of good use in the ongoing discussions to overcome special vulnerabilities of these countries.
175. He called upon the LLDCs to strengthen their common voice to have a broader visibility for the sake of LLDCs’ sustainable development and economic growth for the next decade. He expressed his hope that the issues on trade facilitation, transit transportation, infrastructure, environment, climate change, international and regional integration and other key issues will be the focus areas during the Second UN Conference on LLDCs and reflected in the post 2015 Development agenda. He encouraged the group members including Zambia, Paraguay, Ethiopia, Kyrgyzstan and Bhutan to join the Multilateral Agreement on Establishment of International Think Tank for Landlocked Developing Countries.
176. In his closing statement, Mr. Gyan Chandra Acharya, Under-Secretary-General indicated that discussions in the workshop in the last two days were very intense, showing the very strong commitment and dedicated contribution to the causes of LLDCs of all the participants. He noted that the participation of the large number of LLDCs in this event was significant and the forward looking approach as well as holistic method towards addressing the challenges and aspirations of LLDCs is critical in taking the work forward to the next phase.
177. He noted that the meeting had come up with concrete follow up actions on the trade facilitation agreement, and its implementation, and how best it can really help LLDCs. He also noted that deliberations on the private sector development stressed the need to develop the capacity of small and medium size enterprises in the LLDCs. He also noted that similarly the workshop also discussed the legal framework, which is a very important requirement in any collaboration with transit countries and provided suggestions. Furthermore, he pointed out that the participants looked at regional trade integration issues that would contribute to the promotion of the interests of LLDCs as well as how advocacy and strategic partnership on the issues of the LLDCs at the national, regional and international level should be taken forward. He noted that these were all important topics that are key issues for the Second UN Conference on LLDCs in Vienna.



178. Mr. Acharya stressed that by working together and highlighting the concerns as well as the aspirations of LLDCs as a most vulnerable group among the international community is one way in which to promote the interests of the LLDCs at the global level. Linking LLDCs' priorities with the Post 2015 Development Agenda is important for achieving the objectives of the LLDCs with a strong global partnership. This is indispensable for the enhancement as well as the promotion of the interests of the LLDCs. Nothing will happen without a strong national leadership and strong national strategy. It helps strengthen the transit access collaboration with the neighbors and also help promote regional integration and international partnership.
179. He concluded his remarks by reminding the participants about the first session of Preparatory Committee meeting to be held on 12 and 13 June in New York. He encouraged delegates to attend and to take forward the main points from the Ulaanbaatar meeting to make sure that they are clearly reflected in the process of the outcome document for the Second UN Conference.

## Annex 2. List of Participants

Monday, 2 June 2014

08:00 – 09:30

### Registration

09:30 – 10:00

### Opening Ceremony

Moderator: Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia

- i. H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia
- ii. H. E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia, Chair of the Global cCoordination Bureau of the Group of LLDCs
- iii. Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.
- iv. Mr. Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP
- v. Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia

10:00 – 11:00

### Session 1.

#### The development challenges of LLDCs and Their Participation in International Trade

Moderator: Ms. Ochir Enkhtsetseg, Ambassador, Ministry of Foreign Affairs of Mongolia

H.E. Ambassador Juan Esteban Aguirre Martinez, Permanent Representative of Paraguay to the United Nations in Geneva, and LLDC Group Coordinator on Trade and Development

Ms. Heidi Schroderus-Fox, Director, OHRLLS

Mr. Saurabh Sinha, Senior Economist, UNDP

Mr. E. Odbayar, Interim Director, International Think Tank for LLDCs

LLDC Member States

Followed by interactive discussions

11:00 – 11:10

### Coffee Break

11:10 – 13:00

### Session 1 *continued*

13:00 – 14:30

### Lunch Break

14:30 – 15:30

### Session 2. Introduction of the WTO Agreement on Trade Facilitation and its implications on the LLDCs

Moderator: Mr. Od Och, Permanent Representative of Mongolia to the United Nations in New York

Mr. Raul Torres, Counsellor, Development Division,

Mr. Sandagdorj Erdenebileg, Chief, Policy Development, Coordination, Monitoring and Reporting Service, OHRLLS

r. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP

Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD

Member States

Followed by interactive discussions

15:30 – 15:40

### Coffee Break

15:40 – 18:00

### Session 2 *Continued*

18:30

### Dinner/Reception and Traditional Performance Hosted by the Government of Mongolia

## Annex 2. List of Participants

Tuesday, 3 June 2014

09:30 – 11:00

### **Session 2** *continued*

#### **Implications of the WTO Agreement on Trade Facilitation on the LLDCs**

Moderator: Mr. Damdin Tsogtbaatar, Former Minister for Environment of Mongolia.

Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC

Mrs. Lee Ju Song, Regional Director, ICC Asia

Ms. Olive Z. Kigongo, President, National Chamber of Commerce and Industry, Uganda  
National Chamber of Commerce and Industry

Mr. Irmuun Demberel, Director of Division for Promotion and Consultancy Services, Invest Mongolia Agency

Followed by interactive discussions

11:00 – 11:10

### **Coffee Break**

11:10 – 13:00

### **Session 3.**

#### **Legal Framework on Transit Trade and Transport: Multilateral Conventions, Regional, Sub-Regional and Bilateral Agreements**

Moderator: Mr. Damdin Tsogtbaatar, Former Minister for Environment of Mongolia.

Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation,

Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat

World Bank

Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD

Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa

Mr. E. Odbayar, Interim Director, International Think Tank for LLDCs

Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank

Members States

Followed by interactive discussions

13:00 – 14:30

### **Lunch Break**

14:30 – 15:30

### **Preparation of Draft Report**

15:30 – 15:40

### **Coffee Break**

15:40 – 17:30

### **Session 4.**

#### **Presentation and Adoption of the Draft Report Meeting**

Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia

Followed by interactive discussions

17:30 – 18:00

### **Closing Remarks**

Moderator: Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia

H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia.

Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

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Report on  
Assessment of the WTO Agreement on  
Trade Facilitation: Implications for the LLDCs  
Background Report Prepared for the Workshop



# Assessment of the WTO Agreement on Trade Facilitation: Implications for the LLDCs

Background Report prepared for the High-Level International Workshop on “The WTO Agreement on Trade Facilitation: Implications for LLDCs”, jointly organized by the Government of Mongolia, the International Think Tank for the LLDCs and the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) and hosted by the Government of Mongolia, in Ulaanbaatar on 2 and 3 June 2014<sup>1</sup>.

<sup>1</sup>The report was prepared by a Consultant Ms. Angela Strachan. Views expressed therein do not necessarily reflect the views of the organisers of the workshop.

# Preface

## **Trade Facilitation Agreement Stalled<sup>2</sup> as WTO Members Prove Unable to Resolve Differences**

The 31 July 2014 midnight deadline for adopting the Protocol of Amendment for the WTO's Trade Facilitation Agreement (TFA) passed without a resolution, as members were unable to bridge a divide that had emerged in recent weeks over whether to link the protocol with progress toward a "permanent solution" on public food stockholding, according to various reports from the WTO and the International Centre for Trade and Sustainable Development (ICTSD) (see below). "The 31 July 2014 deadline was for adopting a "Protocol of Amendment," which would have incorporated the WTO's new Trade Facilitation Agreement, or TFA, into the global trade body's legal framework. The step is critical in order to allow WTO members to take the trade deal – agreed in Bali, Indonesia in December 2013 – back to their domestic legislatures for ratification, particularly given the end-July 2015 deadline to bring the deal into force.

The process of adopting this Protocol had stumbled after India said that it would not be able to allow the TFA to move forward unless it saw signs of movement toward a "permanent solution" on the issue of public food stockholding, another issue from the Bali 2013 meeting. The Bali deal had been hailed in December as a stepping stone in advancing the 13-year Doha negotiations, which were declared at an impasse in 2011. Along with the TFA and other Bali decisions, ministers had agreed to begin preparing a work programme that would outline a potential path forward for resolving the Doha Round." Those most likely to be affected by the current impasse include landlocked developing countries as work to advance the TFA will be held up until the WTO is able to proceed with the programme to conclude the Doha Round.

While talks continue at various levels to resolve the stalemate, some sources in Geneva have noted that a protracted delay in operationalising the TFA would almost certainly erode confidence in the multilateral trading system and undermine the hard won gains from Bali. Trade officials are of the view that there would be serious implications for the future of the WTO and with that, the prospect of the much anticipated trade facilitation and transit reforms, which were widely welcomed by landlocked developing countries.

There are also other practical downsides to the deadlock for LLDCs. Initiatives such as the new WTO Trade Facilitation Agreement Facility<sup>3</sup> which is intended to ensure that assistance is available and 'provided to all those that require it' in line with the tenets of the Agreement, will only become operational when WTO members adopt the Protocol of Amendment which would formally insert the TFA into the WTO's existing legal framework. In the absence of multilateral disciplines in trade facilitation, LLDCs would need to carefully consider what other arrangements could help them to achieve the market opening gains that are envisioned under the Trade Facilitation Agreement.

Source: ICTSD, 2014, Bridges Weekly, (Various Reports). See footnote

<sup>2</sup> ICTSD. Bridges Weekly, 31 July 2014. <http://www.ictsd.org/bridges-news/bridges/news/wto-trade-facilitation-deal-in-limbo-as-deadline-passes-without-resolution>. Bridges Weekly, 10 Sept 2014. <http://www.ictsd.org/bridges-news/bridges/news/wto-members-return-to-geneva-hoping-to-bridge-tfa-gap>.

Bridges Weekly, 18 Sept 2014. <http://www.ictsd.org/bridges-news/bridges/news/azev%C3%AAdo-warns-wto-members-of-precarious-situation-as-tfa-food-stockholding>

<sup>3</sup> WTO. Launched on 22 July 2014. [http://www.wto.org/english/news\\_e/news14\\_e/fac\\_22jul14\\_e.htm](http://www.wto.org/english/news_e/news14_e/fac_22jul14_e.htm)



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# Acronyms and Abbreviations

AfT	Aid for Trade	OECD	Organisation for Economic Cooperation and Development
APoA	Almaty Programme of Action	RFID	Radio Frequency Identification
APEC	Asia-Pacific Economic Cooperation	S&DT	Special and Differential Treatment
AU	African Union	TFA	Trade Facilitation Agreement
EAC	East African Community	TPO	Trade Promotion Organisation
ECOWAS	Economic Community of West African States	TRS	Time Release Study
EPA	Economic Partnership Agreement	TSI	Trade Support Institution
EU	European Union	UNCTAD	United Nations Conference on Trade and Development
ICT	Information Communications Technology	UNECA	United Nations Economic Commission for Africa
ICTSD	International Centre for Trade and Sustainable Development	UNECE	United Nations Economic Commission for Europe
ITC	International Trade Centre	UNESCAP	United Nations Economic and Social Commission of Asia and the Pacific
IRU	International Road Transport Union	UN-OHRLLS	United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
ITT-LLDCs	International Think Tank for Landlocked Developing Countries	WCO	World Customs Organisation
LDC	Least Developed Country	WTO	World Trade Organisation
LLDC	Landlocked Developing Country		
LPI	Logistics Performance Index		
MFN	Most Favoured Nation		

# Executive Summary

## Introduction

As the first significant legally binding Agreement among WTO members since its inception in 1995, the Trade Facilitation Agreement (TFA) holds the promise of reforming global trade by slashing red tape with the aim of making trade easier, faster and cheaper, as well as simplifying customs procedures among the World Trade Organisation's 160<sup>4</sup> member countries. If these measures were put in place, the world economy could grow by \$400 billion to reach \$1 trillion and trade costs could be reduced from 10% to 5%, according to the WTO. Exporters, especially those in landlocked developing countries (LLDCs), have long complained that obscure border procedures and unnecessary delays at borders add costs that are the equivalent of a substantial tariff and that these are in effect non-tariff barriers.

This report seeks to review the progress that has been achieved in international trade and trade facilitation, in particular in relation to the WTO TFA and the implications of this new Agreement for Landlocked Developing Countries (LLDCs). In addition to being an input into the preparations of the Ten Year review conference of the implementation of the Almaty Programme of Action, the report is intended to provide LLDCs with a better appreciation of the provisions of the Agreement, which it is hoped will be useful in helping them to take advantage of the TFA, especially the technical assistance and capacity building which would become available to them once the Agreement is ratified.

Plans to bring the multilateral Agreement into force with the adoption of the 'Protocol of Amendment' which would have incorporated the TFA into the WTO's legal framework, were still unrealised as at early October 2014, four months after the scheduled adoption date. Members have been unable to agree on whether to take forward last minute concerns which would seek to link the adoption of the Protocol (a legal requirement to enable WTO members to ratify the Agreement in their national legislatures), to a permanent solution on public food stockholding. Despite this delay, proponents of the Agreement including many in the LLDC group, remain hopeful that WTO members will resolve their disagreements in the coming months so that the broader goals of the TFA which was agreed by Ministers in Bali in 2013 – cutting trade costs, reducing poverty and promoting development – can be achieved in the long run.

<sup>4</sup> WTO: 160 members since June 2014 [www.wto.org](http://www.wto.org)



## The TFA – A framework to Advance Reforms, Boost Trade and Reduce Poverty

The WTO Trade Facilitation Agreement (TFA) offers a new framework for promoting comprehensive reforms to facilitate trade by cutting costs and delays, improving transparency and private sector involvement, and reinforcing transit rights, all of which are vital requirements for landlocked developing countries. As a group of countries that are highly dependent on efficient trade facilitation in neighbouring countries, the TFA is critical for LLDCs as it will create greater transparency and an enhanced rules-based system to border regimes. It will also be an important pillar of national development plans to increase trade which is widely acknowledged as essential to developing countries' efforts to reduce poverty and create a more attractive business environment for foreign investment.

When fully implemented, the Agreement will guarantee that all members of the WTO use standard trade facilitating customs and related border efficiency measures that have the potential to greatly reduce the costs related to trading and raise the values and volumes of global trade. The 'savings' would be substantial. According to the World Bank<sup>5</sup>, in 2013, LLDCs' trade costs were 60% more than the LDCs's average and more than double the world average. LLDCs spent \$3272 to export a standard 20 ft. container, 50% higher than the average cost for transit countries. The cost to import a 20 ft. container in an LLDC was \$4058, and 120% higher than the world average of \$1823.

According to UN-OHRLLS (2013)<sup>6</sup> on average LLDCs attain a level of development that is 20% lower than it would be if they were not landlocked. Data from the World Bank confirms that many LLDCs are losing out on opportunities to increase their export earnings because of prevailing barriers to trade. Border delays and poor logistics make it harder to access lucrative international markets, but reports from UNCTAD (2014)<sup>7</sup> also corroborate the view that other trade costs, such as quality of infrastructure and tariff and non-tariff measures, impact LLDCs' ability to trade efficiently, even with other LLDCs within the same region.

A recent study by the World Economic Forum (WEF) (2013)<sup>8</sup> presents convincing evidence to suggest that supply chain barriers to international trade are far more significant impediments to trade than tariffs. The WEF estimates that reducing supply chain barriers to trade could increase GDP up to six times more than removing tariffs. That is, if every country improved just two supply chain barriers, namely border administration and transport and communications and related services to even halfway to the world's best practices, global GDP would increase by US\$2.6 trillion (4.7%) and exports would rise by US\$ 1.6 trillion (14.5%).

### Implications of the TFA on the LLDCs

The WTO Trade Facilitation Agreement sets out commitments that promote clear rules and procedures, many of which are of particular interest to LLDCs. The three most important provisions for LLDCs are *Articles 11, 10, and 8*. The first one deal specifically with freedom of transit, the second sets out obligations in relation to trade procedures including transit, and the third requires WTO members to cooperate with other members with which they share a common border. Other TFA provisions of interest to the LLDCs include *Articles 1-5* which addresses Publication and Transparency, including the availability of information; *Article 2* which provides specific guidance on Consultations before Entry into Force; *Article 6*, which sets out Disciplines on Fees and Charges imposed on

5 World Bank Group. Doing Business 2014

6 UN-OHRLLS. 2013. The Development Economics of Landlockedness: Understanding the Development Costs of being Landlocked

7 UNCTAD. April 2014. TD/B/C.I./MEM.7/5. Trade facilitation rules as a trade enabler: Options and requirements

8 World Economic Forum. 2013. Enabling Trade, Valuing Growth\

or in Connection with Import and Export and *Article 7* which provides rules on Release and Clearance of Goods, including Trade Facilitation Measures for Authorised Operators. In the new Agreement, the obligations take three forms: Binding, Best Endeavour, or a Combination of both.

The TFA presents an opportunity for LLDCs to upgrade their systems, infrastructure and procedures as the Agreement encourages national trade facilitation improvements. Policymakers should therefore ensure that trade facilitation is included in national development plans given the cross cutting nature of trade facilitation. Using this approach, LLDCs will increase their ability to access resources tied to different funding windows, for example, assistance for general trade policy and regulations.

The WTO TFA is an innovative agreement as it will provide capacity building to developing countries to allow them to undertake the implementation of the agreement where necessary. The Agreement addresses concerns about the implementation costs and capacity building constraints in developing and least developed countries that would be required to implement these rules. The Agreement allows each LLDC to design its TFA implementation plan and choose a timetable of compliance in accordance with its needs, capabilities and confirmed funding and technical assistance from development partners. Further, guidance is provided to WTO members on the domestic institutional arrangements that should be established to maximise the resources to be made available by donors, as well as the structures and systems that should be adhered to at the WTO Secretariat itself to ensure that the process of accessing TFA implementation support is transparent and inclusive.

It is essential to note that the Agreement specifies a strict national approach to implementation and makes no provision to resolve the issues which are closest to LLDCs interests, such as regional economic corridors, which fall outside the purview of the WTO's multilateral disciplines. Despite this shortcoming, LLDCs will benefit from deepening their links and their involvement in fora supported by the development banks and bilateral agencies which fund these regional programmes. This will ensure that their interests are adequately reflected in the design of development plans for regional infrastructure improvements, regulatory reforms, technical assistance and capacity building.

Although the language of the TFA is legally binding in relation to some key aspects of freedom of transit, it has one important proviso. If an LLDC developing country neighbour denotes freedom of transit as a Category C obligation, it will only become justiciable and fully legal binding after the expiration of the transition date determined by that country and the delivery of suitable technical assistance by donors. Against this background, an optimal outcome for LLDCs would be that as many transit countries as possible register freedom of transit as a Category A obligation, as this would come into force immediately.

## Recommendations

Four groups of recommendations are suggested – legislative, institutional, aid for trade and resource mobilisation and policy.

### Legislative

1. Once the current impasse on public food stockholding is resolved, LLDCs and transit countries should seek to ratify the WTO Agreement on Trade Facilitation as quickly as possible.
2. LLDCs and their neighbours should seek to ratify the relevant international conventions on transit, transport and trade facilitation by drafting them into domestic law in a timely manner. It is also in LLDCs' interest to support reforms to regulate international road transport services in light of the evidence which underscores the importance of efficient transport and logistics services to promoting reliable supply chains.
3. Given that trade in intermediaries and inputs is more sensitive to trade facilitation than previously acknowledged, LLDCs should consider how they prioritise and reflect these supply side constraints in their national development plans in order to ensure a seamless cross reference to their TFA implementation plans and the related support offered by development partners.

### Institutional

1. An LLDC Trade Facilitation Working Group with visible, active engagement in Geneva discussions during the Agreement ratification process and the immediate follow-up thereafter, is critical to ensuring that the ongoing interests of the LLDCs are preserved.
2. The TFA presents an ideal opportunity and a measurable framework for bilateral cooperation, most obviously in areas of border collaboration such as one stop border posts and integrated border management programmes. UN and other international organisations, financial institutions and donors should provide technical support to the LLDCs to undertake institutional needs assessment that can help them to fully implement the TFA.

### Aid For Trade and Resource Mobilization

1. Increase allocation of Aid for Trade resources (Aft) to the LLDCs for soft and hard infrastructure improvements.
2. Mobilize resources for LLDCs' implementation of the TFA.

### Policy

1. Policymakers in LLDCs should ensure that trade facilitation is included in national development plans given the cross cutting nature of trade facilitation.
2. LLDCs could engage ITT-LLDCs as a center for excellence for analytical research and policy advice.



## SECTION 1

# Contextual Framework

## Introduction

This report assesses the progress that has been made in international trade and trade facilitation, especially in relation to the WTO Agreement on Trade Facilitation (TFA) and the potential impact of this new Agreement for Landlocked Developing Countries (LLDCs). The report aims to provide LLDCs with a better understanding of the provisions in the TFA. It is intended to provide them with the knowledge to better understand and preserve their interests, and develop a joint approach on trade facilitation discussions in the international fora. The report will also be an important input into the Almaty Programme of Action Ten year review conference.

## Background

The terms of reference from the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the International Think Tank for Landlocked Developing Countries (ITT-LLDC) was to examine the way in which landlockedness impedes full participation in international trade and minimizes LLDCs' comparative advantage by making it more costly and more challenging for them to compete effectively in overseas markets. Indeed, a recent study<sup>9</sup> by the UN-OHRLLS (2013) revealed that LLDCs' trade was just 61 per cent of the trade volume of coastal countries while transport costs for LLDCs were 45 per cent higher than a representative coastal economy in 2010. It is therefore not surprising that for LLDCs in particular, trade facilitation has become one of the most important trade policy instruments to achieve the gains from international trade.

The Almaty Programme of Action (APoA): Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries was adopted in 2003<sup>10</sup> as a response to the growing recognition by the international community of the special needs and challenges faced by the LLDCs. The Programme of Action emphasised five priority policy areas that landlocked and transit countries need to address to resolve the access problems of LLDCs: Transit policy and regulatory frameworks; Infrastructure development; International trade and trade facilitation; International support measures, and Implementation and review.

As one of the priority areas of the APoA, international trade and trade facilitation (streamlining customs and other border procedures) has taken on renewed focus, especially in light of the WTO Bali Ministerial Conference in December 2013, at which WTO members reached consensus on a Trade Facilitation Agreement, as part of the wider 'Bali package'. As the end of the first ten years of the APoA is drawing to a close, the General Assembly of the United Nations decided to hold a comprehensive Ten-Year Review Conference of the APoA in 2014. In preparation for the Conference, which will be the Second United Nations Conference on the LLDCs, this report provides a comprehensive appraisal of the implementation of the priority area on international trade and trade facilitation of the APoA.

9 UN-OHRLLS, 2013: The Development Economics of Landlockedness: *Understanding the Development Costs of Being Landlocked*

10 The Almaty Programme of Action was adopted at the International Ministerial Conference of Landlocked and Transit Developing Countries and International Financial and Development Institutions on Transit Transport in Almaty in August 2003. It was at this conference that the Almaty Declaration was adopted.

Negotiations on trade facilitation started at a global level in July 2004, under the WTO Round of trade negotiations, on the basis of modalities contained in Annex D “Modalities for Negotiations on Trade Facilitation” commonly referred to as the “July package”<sup>11</sup>. Under the mandate of the negotiations on trade facilitation, as set out in the July package, members were requested to clarify and further improve aspects of relevant articles of the GATT, namely those articles concerning freedom of transit (Article V), fees and formalities connected with importation and exportation (Article VIII), and publication and administration of trade regulations (Article X).

On 7 December 2013, at the WTO’s Bali Ministerial Conference, WTO members reached an agreement on the ‘Bali package’, a selection of issues from the broader Doha round negotiations that includes trade facilitation, agriculture and provisions for landlocked least developed countries and development in general. The trade facilitation decision is the most significant for global commerce, as it is a multilateral deal to simplify customs procedures by reducing costs and improving the speed and efficiency of trade, while also aiming to enhance technical assistance and support for capacity building in trade facilitation. Once ratified, it will be a legally binding Agreement, one of the biggest reforms of the WTO since its establishment in 1995.

The WTO Agreement on Trade Facilitation<sup>12</sup> has the potential to address many of the fundamental transit policy issues that affect LLDC exports and should bring concrete benefits to these countries in terms of easier and faster cross-border trade. The ability to facilitate more trade quickly, easily and cheaply would allow LLDCs to benefit more fully from market access and significantly improve their competitiveness and integration into world markets. Consequently, any enhanced trade facilitation is also potentially likely to lead to increased flows of foreign direct investment and enhanced economic development.

Available estimates suggest that reducing costs and other barriers to trade along the supply chain and especially at the border would have substantial impact on trade and economic growth, providing even larger gains than would be possible from removing all remaining tariffs. The OECD<sup>13</sup> has estimated that the potential trade cost reductions for LLDCs from the trade facilitation measures negotiated in the WTO would amount to 16.4 per cent of total trade costs.

Firstly, the provisions of the Agreement reinforce the principle of freedom of transit contemplated in Article V of the GATT. They also strengthen the principles of non-discrimination as it applies to goods in transit in matters concerning charges, transport measures, regulations and formalities. These provisions call for predictable, reduced and simplified fees and charges that do not constitute disguised restrictions to trade, limitation of inspections and controls in transit and quota-free transit, amongst others.

Secondly, the Agreement clarifies and simplifies fees and formalities associated with import, export and transit. These provisions ensure that any charges applied are calculated based on the actual cost of services rendered and that goods in transit are not subject to additional customs duties and technical standards, that certain trade facilitation measures are implemented to expedite the release and clearance of goods such as separate infrastructure for traffic in transit, simplified formalities and documentation, use of single windows for traders, greater use of risk management techniques and authorized trader schemes, while prohibiting measures that hinder the flow of goods such as the use of customs convoys and pre-shipment inspections.

11 WTO document WT/L/579

12 WTO Document WT/MIN(13)/W/8

13 Moïse, E. and S. Sorescu (2013), *Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries’ Trade*, OECD Trade Policy Paper No. 144, <http://dx.doi.org/10.1787/5k4bw6kg6ws2-en>.

Thirdly, the provisions also call for increasing transparency of regulations affecting goods in transit, including by increased use of modern ICT technology, better and easier access to information, prior publication, as well as ensuring increased co-operation and coordination.

The Trade Facilitation Agreement agreed in Bali, takes fully into account the principle of special and differential treatment for developing and least developed countries. Section II of the text sets out provisions for the extent and timing of implementing commitments, as directly related to the implementation capacities of the developing and least developed countries. Where there is a lack of capacity, implementation will not be required until sufficient implementation capacity has been acquired. Developing countries and LDCs will be able to link their commitments to the receipt of technical and capacity-building assistance.

This report reviews the progress that has been made in the area of international trade and trade facilitation, assesses the WTO negotiations and the WTO Agreement on Trade Facilitation and its consequences for the LLDCs and provides recommendations to improve their participation in international trade.

## SECTION 2

# International Trade, Trade Facilitation and Development Priorities

## Challenges and Problems Faced by Landlocked Developing Countries

The concept of geographical location as a determinant of economic development has been explored in more detail in recent times. The latest analysis by the UN-OHRLLS (2013) highlights the need for development partners to adopt a holistic strategy in addressing the development constraints faced by landlocked developing countries. In a study entitled *The Development Economics of Landlockedness: Understanding the development costs of being landlocked* (UN-OHRLLS, 2013), the impact of landlockedness on the development prospects of the LLDCs is analysed from the perspective of economic, institutional and social indicators. Arguing that landlockedness can affect economic as well as non-economic dimensions of development, and that these development effects can be transmitted through many channels that include international trade as well as quality of institutions, the UN-OHRLLS identified a number of characteristics that are common to LLDCs and that would need to be considered in devising broad-based strategies to address their disadvantages. These issues are explored later in this Section and will lay the foundation for the recommendations in the final Section.

Landlockedness is generally viewed as a major impediment to trade largely because of the following characteristics identified by the UN-OHRLLS in its study *The Development Economics of Landlockedness: Understanding the Development Costs of Being Landlocked*<sup>14</sup>: Lack of access to the sea, High trade transaction costs, Institutional bottlenecks, Limited regional integration, Infrastructural constraints, Dependency on transit countries, Remoteness from major markets, and Additional border crossings.

But perhaps the biggest challenge for the LLDCs, according to the UN-OHRLLS, is the cost and the difficulties they face in trying to trade with third countries, since they rely on getting their goods through a neighbouring country to a port, which often involves several border crossings. The UN-OHRLLS concludes that for this reason the impact on trade can be substantial because transport routes are more expensive and less efficient for LLDCs. This they say, adds to the cost of transport, thereby increasing trade costs and reducing the profitability of trade for exporters, importers and other actors in the trade chain.

The UN-OHRLLS report indicates that this issue has been the subject of research by Limao and Venables (2001); Rose (2002), Raballand (2003); Martinez-Zarzosa and Marquez-Ramos (2005); and Coulibaly and Fontagne (2006). The UN-OHRLLS study has built on this analysis to argue that if trade and economic integration is important for development, then landlockedness is likely to have a negative effect on development. According to the UN-OHRLLS, this is owing to the fact that trade for the LLDCs are typically more difficult and more expensive. In addition, the development effects of landlockedness extend beyond just a decrease in trade, expensive trade routes and high transaction costs. Geographic isolation means that a country is less exposed to new ideas from other countries and this is likely to have some effect on income, innovation, the adoption of new technology and the quality of a country's institutions according to UN-OHRLLS analysis.

14 UN-OHRLLS 2013, *The Development Economics of Landlockedness: Understanding the development costs of being landlocked*



Not only do trade costs impact LLDCs' trade with distant rich countries, the analysis indicates, but it also influences their trade with other neighbouring developing countries, including with other LLDCs. In some instances, some LLDCs have found it as difficult to trade with each other as they do with rich countries, largely owing to high trade costs arising from transport and trade facilitation issues such as logistics performance, customs procedures, border delays and bureaucracies, tariffs or non tariff measures and the quality of infrastructure (roads and rail), all of which contribute to high trade costs.

Even though LLDCs have common challenges as mentioned above, these challenges create specific features for each country depending on factors such as infrastructural development, geographical location, climate conditions that result in major differences among the members of the LLDC group.

As UNCTAD (2014) argues, effective trade costs are closely related to different trade and transport facilitation indicators.<sup>15</sup> For example Table 1 shows that in the case of Malawi, trade costs with Botswana which is in the same region as Malawi, started to fall at the beginning 2008 when compared to trade costs with the United Kingdom. However, the difference between trade costs with Botswana and United Kingdom remain insignificant, considering the distance between Malawi and Botswana and that between Malawi and the United Kingdom.

**Table 1. Malawi – Total Trade Costs with Botswana and the United Kingdom 2005-2011<sup>16</sup>**

Country	Partner	2005	2006	2007	2008	2009	2010	2011
Malawi	Botswana	180	180	175	142	149	164	157
	United Kingdom	163	165	174	171	168	175	–

Source: World Data Bank

The UN-OHRLLS indicates that the average LLDC achieves a level of development that is 20 % lower than what it would be if they were not landlocked. The fact that only about half of the development costs stem from trade channels is noteworthy, and confirms the view in some quarters that a significant proportion of development costs for LLDCs are the result of other factors, excluding trade. It also supports the argument for a wide-ranging approach to address the development needs of the LLDCs. This approach would look beyond the economic dimensions of international trade (distance to sea routes and lack of access to profitable third country markets etc.) to identify all the sources of development effects which reduce the LLDCs' ability to integrate with the rest of the world.

While a detailed discourse on the development economics of landlockedness is not the focus of this study, it is worth pointing out that some of the issues above, for example, institutional quality, are important sub-texts in the analysis for this report. Trade facilitation reform as envisaged in the WTO Trade Facilitation Agreement hinges heavily on effective institutional structures and coordinating mechanisms among and across customs authorities, border agencies, trade related agencies, transit and transport entities and private sector bodies. The absence of this important framework would imply a need for deeper and more sustained trade facilitation capacity building programmes and institutional development for the LLDCs.

15 UNCTAD. April 2014. TD/B/C.1/MEM.7/5. Trade Facilitation rules as a trade enabler: Options and requirements

16 'The Trade Costs Dataset provides estimates of bilateral trade costs in agriculture and manufactured goods for the 1995-2011 period. Symmetric bilateral trade costs are computed using the Inverse Gravity Framework (Nov 2009), which estimates trade costs for each country pair using bilateral trade and gross national output' (The World Bank UNESCAP Trade costs Database). The costs include international shipping and logistics costs, tariffs and non-tariff costs, including direct and indirect costs associated with trade procedures and regulations and costs from differences in languages, cultures and currencies.

The TFA envisaged the requirement for precisely this kind of support and proposes several mechanisms to guide LLDCs in this area. For example, Article 12 of the TFA sets out the terms and requirements for WTO Members to share information in order to ensure effective customs control, while respecting the confidentiality of the information they exchange. Article 23 of the Agreement provides guidelines on Institutional Arrangements. This Article stipulates a requirement for the WTO to establish a Committee on Trade Facilitation which will provide oversight on implementation of the TFA. At country level, WTO members are required to set up coordination and cooperation mechanisms in the form of national trade and transport facilitation committees. These committees should comprise broad representation from traders, customs and border agencies, transport, transit and logistics entities, as well as other government agencies. This is a critical aspect of the TFA implementation because the achievement of meaningful and successful trade facilitation and the gains that come with it is dependent on effective information sharing and authentic collaboration among countries and their trade and border agencies.

**Table 2. Landlocked Developing Countries by Region**

Europe (4)	Latin America (2)	Asia (10)	Africa (16)	
Armenia	Bolivia	Afghanistan	Botswana	Niger
Azerbaijan	Paraguay	Bhutan	Burkina Faso	Rwanda
Republic of Moldova		Kazakhstan	Burundi	Swaziland
The Former Yugoslav Republic of Macedonia		Kyrgyzstan	Central African Republic	South Sudan
		Lao People's Democratic Republic	Chad	Uganda
		Mongolia	Ethiopia	Zambia
		Nepal	Lesotho	Zimbabwe
		Tajikistan	Malawi	
		Turkmenistan	Mali	
		Uzbekistan		

Source: UN-OHRLLS Website

## Macroeconomic Performance in the LLDCs

According to the UN-OHRLLS report entitled *The Development Economics of Landlockedness*, LLDCs are performing significantly below the levels achieved by coastal and transit developing countries. This is notwithstanding the fact that they have experienced good performances in some indicators between the 1980s up to 2012. The UN-OHRLLS<sup>17</sup> study shows that LLDCs have the lowest GDP per capita when compared to the other groups and that although the difference with transit developing countries is quite substantial it has been decreasing over time. The UN-OHRLLS study also points out that the proportion of per capita GDP of LLDCs to transit developing economies has risen from 37% in 1980 to 55% in 2010.

## Trade and Structural Diversification

According to the UN-OHRLLS study referenced earlier, while international trade flows in LLDCs are not always smaller than in other groups when examined in proportion to GDP, their export structures are usually more narrow

17 UN-OHRLLS, 2013: *The Development Economics of Landlockedness: Understanding the Development Costs of Being Landlocked*.

and less diversified since they are highly reliant on the export of raw agricultural and mining commodities. UN-OHRLLS' research shows that primary commodities account for 80% of exports from 10 African countries. Table 3 shows that in 2012 a number of LLDCs, such as Armenia, Bolivia, Kazakhstan, Burundi, Mali, Niger, and Rwanda, relied on ores and minerals and/or agriculture for exports. It also shows that manufacturing forms a significant portion of exports for LLDCs such as Botswana, Kyrgyz Republic, Macedonia FYR, Moldova and Uganda signifying the varying levels of manufacturing within the LLDC group. Tourism is also of significant importance to some countries such as Ethiopia, Nepal, Rwanda and Uganda. Nevertheless, the overall picture from Table 3 is that of a lack of export diversification among the LLDCs. This lack of diversification is associated with a relatively small share of manufactured exports as a percentage of merchandise exports in most LLDCs. This export dependence on a few commodities, combined with trade openness, contributed to LLDCs being negatively affected by the global economic and financial crisis.

**Table 3. LLDCs Agricultural Raw Materials Export, Manufactures Exports, Ores and Metals Exports (% of Merchandise Exports) and International Tourism, Receipts (% of Total Exports) – 2012**

Country	Agriculture	Ores and Metals	Manufacture	Tourism
Afghanistan	0.24		17.00	3.16
Armenia	0.16	42.82	22.11	20.09
Azerbaijan	0.08	0.53	2.40	7.18
Bhutan	-	-	-	12.90
Bolivia	0.54	24.59	5.33	4.77
Botswana	0.21	8.639	88.39	0.48
Burkina Faso	-	-	-	-
Burundi	4.34	13.73	12.90	1.19
Ethiopia	7.99	0.63	8.77	33.03
Kazakhstan	0.13	13.01	12.92	1.71
Kyrgyz Republic	5.03	9.95	38.52	23.80
Laos PDR	-	-	-	16.19
Lesotho	-	-	-	4.42
Macedonia, FYR	0.64	6.25	71.78	5.47
Malawi	-	-	-	2.73
Mali	51.99	3.35	23.56	-
Moldova	0.76	3.35	37.22	10.63
Mongolia	-	-	-	8.98
Nepal	-	-	-	19.65
Niger	3.11	56.21	2.98	-
Paraguay	2.16	0.88	8.81	2.09
Rwanda	5.00	33.62	10.16	33.17
Serbia	-	-	-	6.96
Tajikistan	-	-	-	3.67
Uganda	6.14	1.12	34.18	22.55

Source: World Data Bank, Note: LLDCs that are not included do not have data.

Following a sharp decline in 2009, merchandise exports from LLDCs grew by 31% in 2010 and 36% in 2011 and reached a record high of \$224 billion. The largest gains were achieved by exporters of fuel and mineral. Imports by the LLDCs grew by 23% in 2011. This growth however masks the fact that although the terms of trade for LLDCs have generally improved since 2003, a number of LLDCs for example Armenia, Kyrgyz Republic, Paraguay, Malawi and Zimbabwe have experienced deterioration in their trade.

In its report on the Development Economics of Landlockedness, UN-OHRLLS notes that LLDCs' share in world exports doubled from 2003 to 2011 to reach 1.2 %. But it is worth noting that more than half of the group's exports were destined to a few markets. According to the report, on average 62 % of exports from LLDCs are destined for just three markets compared with 48 % for transit countries. There is therefore the need to address limited export product diversification in LLDCs alongside their limited export market diversification. Attempts by some LLDCs like Rwanda, to develop competitive services sectors are to be lauded. Rwanda has managed to develop gorilla tourism as an instrument for reducing poverty through the involvement of local communities. Rwanda's tourism industry receipts rose from US\$31 million in 2000 to US\$337 million in 2013 and the number of arrivals almost doubled from 494,000 in 2006 to 815,000 in 2012. Export of services, such as tourism, business process outsourcing and financial services is one way in which LLDCs could mitigate their geographic disadvantages by diversifying their exports and connecting to global value chains. Tourism provides a significant portion of export earnings for LLDCs such as Ethiopia, Nepal, Rwanda and Uganda. On the other hand countries such as Botswana, Kyrgyz Republic, Macedonia, Moldova and Uganda, which are doing well in the export of manufactures, and those relying on the export of ores and minerals, could diversify their manufacturing base by participating in global value chains (GVCs).

## Trade Facilitation and LLDCs

As discussed above, international trade is more complex and more expensive in LLDCs than in any other group and the costs to export and import from/to LLDCs are on average more than twice the costs to export and import from/to transit developing countries. For LLDCs more so than any other group, trade facilitation therefore has to address the full range of behind-the-border measures that affect trade costs, not just streamlining customs procedures. Improving trade facilitation performance can boost trade, and support export diversification. For this reason, given the inherent structural weaknesses of LLDCs, adopting trade policy which incorporates the narrow approach of trade facilitation – streamlining border procedures- with broad trade facilitation which looks at the full range of trade cost reducing measures, is essential.

There is a growing body of evidence which shows that broad trade facilitation not only increases existing trade flows, but can also promote the development of new flows that is i.e., export diversification<sup>18</sup>. Research by Dennis and Shepherd (2011) reveals that improved trade facilitation can help promote export diversification in developing countries. Evidence shows that 10 per cent reduction in the costs of international transport and domestic exporting costs (documentation, inland transport, and port and customs charges) are associated with export diversification gains of 4 and 3 per cent, respectively, in a sample of 118 developing countries. Customs costs play a particularly important role in these results, as so other trade related agencies. Lower market entry costs can also promote diversification, but the effect is weaker (1 per cent). The study also showed that trade facilitation has stronger effects on diversification in poorer countries, many of which are LLDCs.

In a recent paper<sup>19</sup> UNCTAD argues that the main impact of trade facilitation on international trade is that manufacturers can purchase and sell abroad more easily, more reliable and at lower costs. As customs duties

18 Allen Denis, Ben Shepherd. Jan 2011: Trade Facilitation and Export Diversification, *The World Economy, Volume 34, Issue 1*

19 UNCTAD. April 2014. TD/B/C.1/MEM.7/5. Trade Facilitation rules as a trade enabler: Options and requirements

have continued to decline and trade in manufactured and intermediate goods has become increasingly sensitive to issues such as reliability and speed, trade facilitation measures have gained in importance. As Zhuawu (2013) argues, participation in GVCs has become increasingly important for developing countries, particularly because of the increased significance of the role played by the private sector to spur growth and development.<sup>20</sup> As such, GVCs provide LLDCs with opportunities to boost their declining share of merchandise trade, particularly if they succeed in participating meaningfully in GVCs. Meaningful participation, according to Zhuawu, can be achieved when developing countries, including LLDCs, use their positions in supply chains to move up the supply chain through value added processing.<sup>21</sup>

According to the World Bank's *Doing Business 2013: Smarter Regulations for Small and Medium-sized Businesses*, the cost of importing and exporting in LLDCs is almost two times that of transit countries. The LLDCs spent an average of \$3040 to export a standard 20ft container whereas in transit countries, traders were required to spend just \$1268. Similarly the cost of importing a 20ft container in LLDCs was \$3643, compared to only \$1567 in transit countries. These costs are growing faster in LLDCs than in the other groups. Research suggests that delays to export are also significantly longer in LLDCs than in other groups. Table 4 shows that the average transit time for exports for LLDCs fell from 48 days in 2006 to 42 days in 2013 compared to the average transit time for exports for transit countries which fell from 30 days to 23 days over the same period.

The high costs are attributed to long delays at border crossings, lengthy customs procedures and poor infrastructure for goods in transit. Despite the fact that several LLDCs have implemented measures to improve trade facilitation, still 8 out of 10 countries for which trading across borders is most problematic are LLDCs. Renewed efforts are required to guarantee faster and cheaper trade across borders including through further harmonising customs, border and transit procedures and formalities.

**Table 4. Ease of Trading Across Borders**

	No. of Documents Required for Exports		Transit Time for Exports (Days)		Cost To Export USD (\$) Per Container	
	2006	2013	2006	2013	2006	2013
Average LLDCs	9	8	48	42	2207	3040
Average transit countries	8	8	30	23	1004	1268
	No. of Documents Required for Imports		Transit Time for Imports (Days)		Cost To Export USD (\$) Per Container	
	2006	2013	2006	2013	2006	2013
Average LLDCs	11	10	57	48	2688	3643
Average transit countries	10	8	38	27	1282	1567

Source: World Bank Doing Business database

20 Zhuawu, C. 2014. Aid for Trade and Value Chains in Small and Vulnerable Economies and Least Developed Countries', in Razaque, M.A. and te Velde, D.W (2013), *Assessing Aid for Trade, Effectiveness, Current Issues and Future Directions*, London, Commonwealth Secretariat and ODI, p.234-256.

21 Ibid.

Trade facilitation has emerged as the most important trade policy tool for LLDCs to achieve the gains anticipated from international trade. According to the WTO, the Trade Facilitation Agreement could reduce<sup>22</sup> the global costs of moving goods from around 10% of trade value to 5%. The OECD estimates that trade costs for LLDCs could be lowered by as much as 16.4 % through the adoption of multilateral disciplines in trade facilitation.

Under the Agreement, trade facilitation measures required to expedite the release and clearance of goods, such as dedicated infrastructure for traffic in transit, advance filing and processing of declarations and single electronic windows, will be mandatory and measures that obstruct the free flow of goods in transit and additional controls such as convoys while in transit will be prohibited. Provisions to make the regulations related to goods in transit more transparent and rules to promote better coordination and cooperation amongst customs and border agencies are also detailed in the new Agreement.

The Agreement has the potential to deliver concrete benefits to the LLDCs through easier and more transparent customs and border procedures, reduced transit and transaction costs, improved predictability and expedited movement, release and clearance of goods. For this reason, LLDCs have a vested interest in actively participating in the WTO discussions which aim to bring the Agreement into force. Although seven LLDCs are yet to accede to the WTO, it is clear that the majority of the 32-member LLDC group are aware of the value of WTO membership. In 2013, Lao People's Democratic Republic and Tajikistan joined the WTO. Several other countries including Afghanistan, Ethiopia, Kazakhstan, Azerbaijan, Uzbekistan and Bhutan are at various stages of the accession process.

## **Aid for Trade Facilitation and Landlocked Developing Countries**

The evolution in patterns of trade has in recent years led to the emergence of GVCs that have given rise to markets for intermediate products and thus an increase in the exports of value-added products. This development of markets for intermediate goods and services offer new export opportunities for firms to expand their business opportunities in foreign markets. Participation in GVCs is now considered essential by most developing countries including LLDCs. However LLDCs face obstacles to participate meaningfully in GVCs, because of their landlockedness.

In a recent publication, *Aid for Trade and Value Chains in Transport and Logistics*<sup>23</sup> the OECD and WTO presents a strong case for the direct and indirect linkages between the transport and logistics sector and important development outcomes. Many of these – increased exports, export diversification, increased economic growth and employment as well as poverty alleviation – are major goals for LLDCs. LLDCs are more reliant than coastal countries on international transport and logistics links because of the long distances to external markets and transit, developing transport and logistics markets and integrating these efforts with those of their neighbours should be high priority. Despite this, many LLDCs seem to fall behind in this area. Moreover, as argued by Soobramanien and Zhuawu (2013), the lack of adequate and quality infrastructure is a barrier to trade while investment in infrastructure that reduces trade costs will promote competitiveness and facilitate trade.<sup>24</sup>

22 WTO, Feb 2013: Pascal Lamy. 'A trade facilitation deal could give a trillion dollar boost to world economy' [http://www.wto.org/english/news\\_e/sppl\\_e/sppl265\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl265_e.htm)

23 OECD/WTO, 2013: *Aid for Trade and Value Chains in Transport and Logistics Transport*

24 Soobramanien, TY & Zhuawu C, 2014: Investing in Infrastructure for Trade Development, *Commonwealth Trade Hot Topics*, Issue 105, Commonwealth Secretariat.

To address these shortcomings, some aid for trade advocates suggest that donors – multilateral and bilateral – partner country governments and the private sector, should consider joining forces to address the serious trade and transport infrastructure constraints in LLDCs which prevent them from realising significant development outcomes. Cross border infrastructure links like trade corridors from which LLDCs stand to gain significantly, could be ideal initiatives to kick-start such collaboration.

But other issues would also need to be tackled for LLDCs to benefit from aid for trade and value chains in transport and logistics. These include customs and other border procedures, private services regulation, red tape and governance. Customs administrators and their counterparts in neighbouring countries would need to build up even closer levels of collaboration and cooperation. Data on the disbursement of aid for trade in trade facilitation show that disbursed funds do not meet commitments. This significantly affects the ability of LLDCs to overcome their trade facilitation shortcomings and meaningfully participate in GVCs. Table 5 shows a general decline in aid for trade disbursement to LLDCs in 2012 in the sectors of transport and storage, production sectors and trade facilitation, after having experienced yearly increases between 2009 and 2011. Moreover, in most instances, the disbursed aid for trade has been less than the amount committed, showing that the amount disbursed is below the development requirement for LLDCs.

**Table 5. Total LLDCs Aid for Trade, Disbursement, Current Prices (USD Millions) – 2009-2012<sup>25</sup>**

Sector	2009		2010		2011		2012	
	Disburse-ments	Commit-ments	Disburse-ments	Commit-ments	Disburse-ments	Commit-ments	Disburse-ments	Commit-ments
<b>Transport &amp; Storage</b>	941	1100	759	1271	849	701	792	980
<b>Production Sectors</b>	1160	1481	1576	1993	1554	1382	1336	1340
<b>Trade Facilitation</b>	8	13	7	12	15	13	9	7

Source: OECD Stat

A policy to promote private sector development and integration of transport and logistics firms is particularly important for LLDCs as it would make transit much easier and improve their ease of doing business. Bureaucracy and red tape are still critical challenges for LLDCs based on the data from the World Bank's Doing Business project. Although performance improvements are evident in many areas of the transport and logistics value chain, red tape still remains a serious issue facing importers and exporters in LLDCs. Reductions in documentary formalities have been small in recent years, while costs have actually increased on average for the LLDCs. These countries have scope to further reduce delays and improve supply chain performance by eliminating problems with red tape.

<sup>25</sup>The data is for Afghanistan, Armenia, Azerbaijan, Belarus, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyz Republic, Laos PDR, Lesotho, Malawi, Mali, Moldova, Mongolia, Nepal, Niger, Paraguay, Rwanda, Serbia, South Sudan, Swaziland, Tajikistan, Uganda, and Uzbekistan and excludes Macedonia FYR



A cross-cutting aid for trade strategy which carefully takes account of soft and hard infrastructure needs, and anchors these requirements in line with the support provided under the TFA, would yield substantial economic development dividends to LLDCs. It would help to promote more efficient customs and border procedures to enable goods to move across borders faster and cheaper and guarantee legal certainty between trading partners.

It is also in the interest of the LLDCs and transit countries to ratify and implement relevant international conventions and agreements on transit transport and border crossings as this will greatly assist in reducing transit delays and costs. According to the UNECE, although there are 50 United Nations conventions on international transport and trade facilitation, only 7 are applicable to LLDCs (see table 6 below). LLDCs can make better use of these legal instruments which simplify, harmonise and standardize transit operations to enhance their trade potential.

**Table 6. Ratification of Relevant International Conventions by LLDCs and Transit Countries**

<b>Convention</b>	<b>No. of Landlocked Developing countries</b>	<b>No. of Transit Countries</b>
Convention on Road Traffic (1968)	13	12
Convention on Road Signs and Signals (1968)	8	9
Customs Convention on the International Transport of Goods under Cover of TIR Carnets (1975)	11	5
Customs Convention on the Temporary Importation of Commercial Road Vehicles (1956)	5	3
Customs Convention on Containers (1972)	6	3
International Convention on the Harmonisation of Frontier Controls of Goods (1982)	11	3
Convention on the Contract for the International Carriage of Goods by Road (1956)	10	2

Source: UNECE. [www.unece.org/trans/conventn/legalinst.html](http://www.unece.org/trans/conventn/legalinst.html), ITC. Trade Treaties Map <http://www.intracen.org/itc/market-info-tools/trade-treaties-map/>



## Section 2: **Key Messages**

1. Geographic isolation limits LLDCs, full participation in international trade. A comprehensive approach to the needs of the LLDCs which acknowledges their challenges but does not just respond to their development problems with only trade promotion and trade facilitation tools. In practical terms and in the context of implementing the TFA, this implies taking a closer look at the quality of institutions charged with implementation of the TFA to ensure that they have the capacity to adapt and adopt the technological innovations that will be necessary to carry through the breadth of reforms envisaged under the Agreement.
2. The TFA envisaged the requirement for precisely this kind of support and contains several mechanisms to guide LLDCs in this area. Article 12 of the TFA sets out the terms and requirements for WTO Members to share information in order to ensure effective customs control and Section III, Article 23 of the Agreement stipulates a requirement for countries to establish TFA coordination and cooperation mechanisms through cross-sectoral National Trade and Transport Facilitation Committees. LLDCs will need to ensure that these Committees receive the cooperation and political support required to discharge their responsibilities, as their effectiveness will be a critical factor in ensuring that LLDCs are able to implement the TFA successfully.
3. Aid for trade can play an important role in assisting LLDCs to implement the TFA and overcome several challenges particularly in terms of building the necessary infrastructure to ensure adequate and quality roads, railways, and airports, as well as improved customs efficiency. These are vital requirements for LLDCs if they are to reduce their trade costs and gainfully benefit from trade.

## SECTION 3

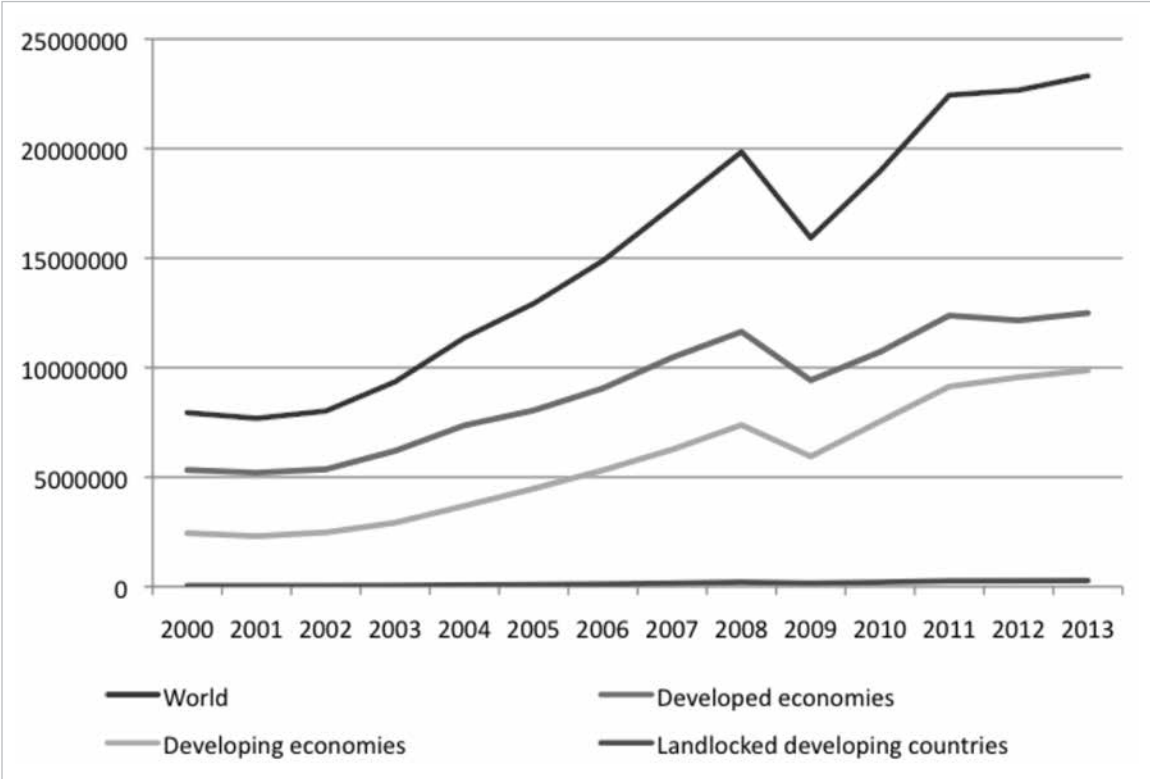
# Assessment of Trade Trends in LLDCs Since the APoA was Adopted

### Review of the Trade Performance of the LLDCs

As discussed in Section 2, the landlocked nature of LLDCs and the resultant high trade costs, have an effect on the trade performance of these countries. However, despite these challenges, the World Bank 2013 report which assesses the gains made by LLDCs since the adoption of the Almaty Programme of Action, shows that the trade performance of LLDCs has improved as compared with other groups of countries, including their transit neighbours.

Generally, the share of LLDCs to world trade despite its improvement has been far below that of both developed and developing countries over the past decade. Figure 1 shows that the total trade in goods and services exports for LLDCs has been way below that of developed and developing countries in the past 14 years. The same has been the case with LLDCs' total import of goods and services presented in Figure 2.

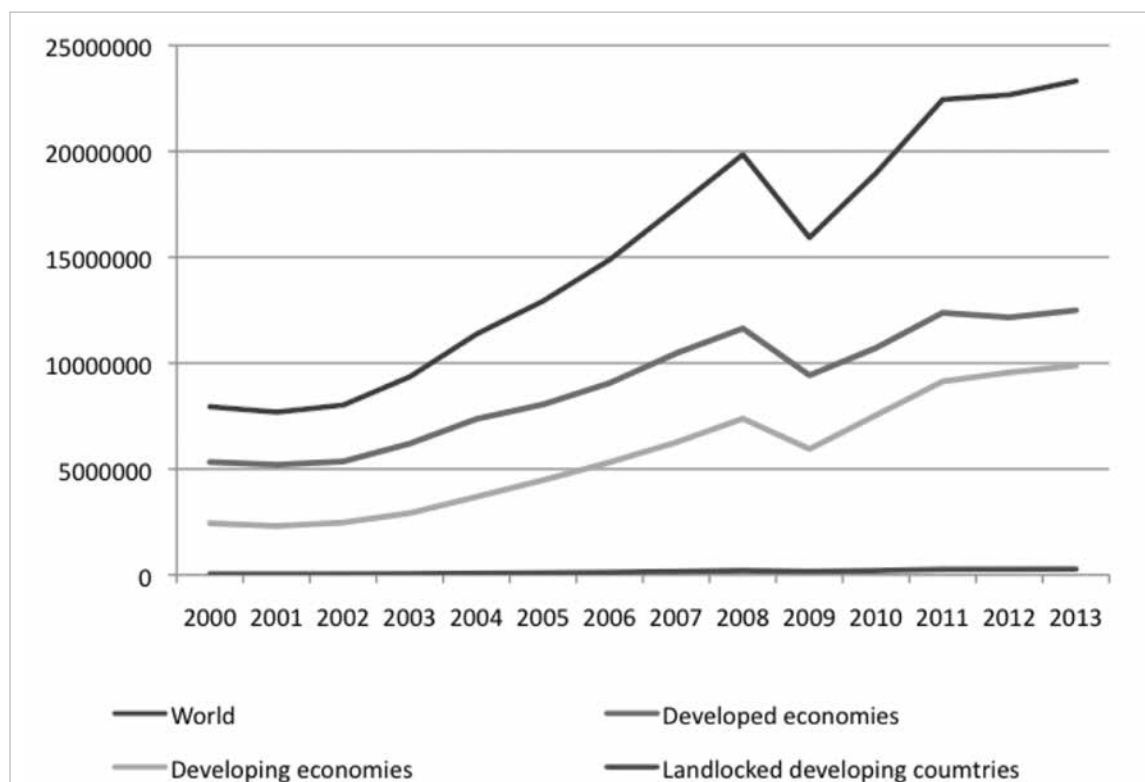
**Figure 1. LLDCs Exports – Total trade in Goods and Services, US Dollars at Current Price and Current Exchange Rates in Millions – Period 2000-2013**



Source: UNCTAD Stats

26 World Bank 2013; Arvis, Jean-Francois, Tanase Virginia – Improving Trade And Transport For Landlocked Developing Countries

**Figure 2. LLDCs Imports – Total trade in Goods and Services, US Dollars at Current Price and Current Exchange Rates in Millions – Period 2000-2013**



Source: UNCTAD Stats

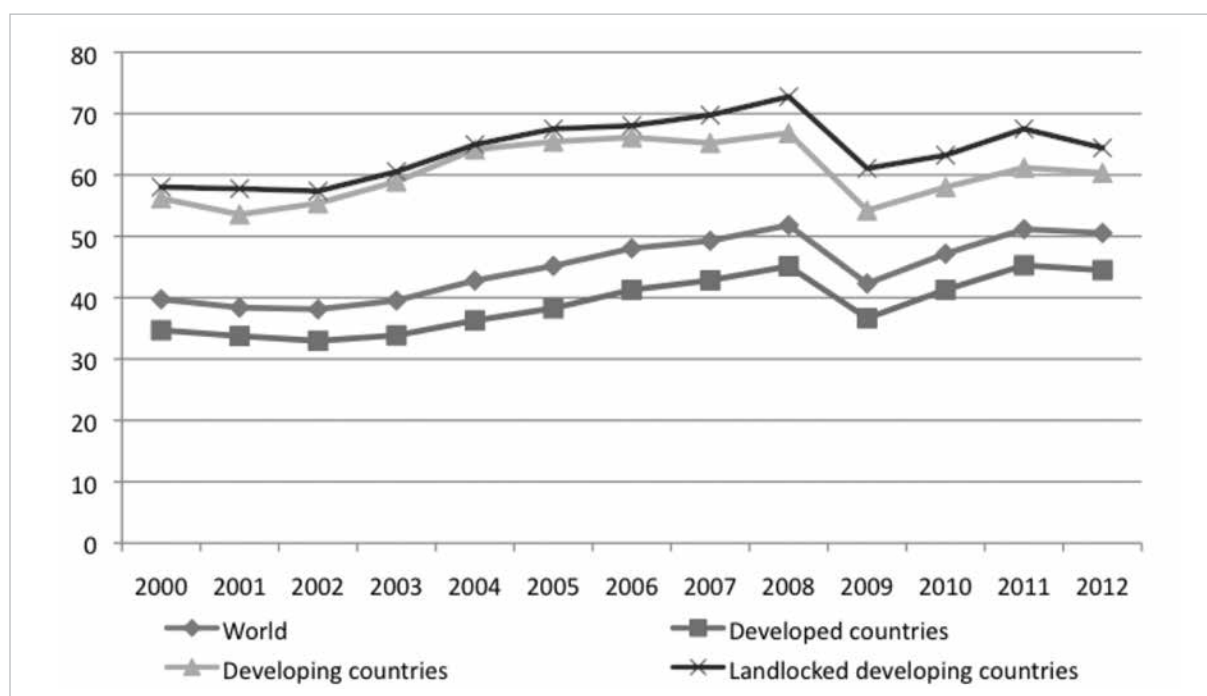
Most LLDCs have experienced improved trade performance. However, the picture is somewhat different when one assesses individual country trade performance. The tables also show that individually, some LLDCs have experienced improved performance in their merchandise and services exports. The World Bank report reveals that the value of trade of LLDCs has increased almost six times, at an average growth rate of 18.8 per cent per year between 2000 and 2011. This is comparable to the increase in the value of total trade of transit countries which stood at 18.6 per cent for the same period.

The improvement in trade performance may help explain the increase in GDP per capita. According to the 2013 World Bank report – *Improving Trade and Transport for Landlocked Developing Countries*, since 2000, the average per capita income of 31<sup>27</sup> LLDCs has grown by almost 3.8 per cent per annum, led by the Central Asian countries of Kazakhstan and Turkmenistan which significantly exceeded the global average of 1.5 per cent.

Figure 3 reveals that when measured in terms of trade openness, the trend among the LLDCs and developing countries has been an increase in the trade openness index compared to the world and developed countries, with the LLDCs scoring the highest annual percentage increases.

27 Excludes South Sudan which has recently been added to the LLDC group.

**Figure 3. Trade Openness, Annual Percentage of Gross Domestic Product – Total Trade in Goods**



Source: UNCTAD Stats

Generally there has been an increase in trade openness in terms of both exports and imports when countries are examined on an individual basis. Table 8 shows that most LLDCs have experienced increased trade openness for both imports and exports over the observed period between 2009 and 2013. This may help to explain the improved trade performance by these countries as more goods and services enter and leave their borders.

**Table 8. Trade Openness, Annual % of Gross Domestic Product – Total Trade in Goods**

Country	2009		2010		2011		2012		2013	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Afghanistan	35	77	37	64	33	59	29	68	-	-
Armenia	16	45	22	48	25	48	26	50	26	49
Azerbaijan	52	22	54	20	56	24	54	26	50	27
Belarus	50	62	54	66	79	81	83	78	62	64
Bhutan	45	54	37	59	41	71	39	65	33	38
Bolivia	31	30	35	31	38	37	45	36	42	37
Botswana	35	53	36	46	46	53	44	60	53	54
Burkina Faso	13	23	21	28	27	34	31	36	-	-
Burundi	7	29	9	29	10	33	10	41	-	-
Central African Republic	10	22	11	25	12	22	12	22	-	-
Chad	43	51	45	52	47	48	46	53	-	-
Ethiopia	12	32	18	38	19	39	14	34	13	32
Kazakhstan	41	34	44	30	48	27	45	30	40	28

**Table 8. Trade Openness, Annual % of Gross Domestic Product – Total Trade in Goods (cont'd)**

Country	2009		2010		2011		2012		2013	
Kyrgyz Republic	55	78	52	81	55	82	49	100	50	100
Laos PDR	26	29	33	34	30	34	32	37	-	-
Lesotho	45	117	42	110	49	104	43	111	39	97
Malawi	21	35	18	37	22	39	25	45	-	-
Mali	24	31	26	40	26	36	33	39	-	-
Mongolia	50	57	55	62	62	7	52	78	42	64
Nepal	12	40	10	36	10	35	11	38	12	41
Niger	20	47	22	49	21	48	-	-	-	-
Paraguay	52	45	56	52	51	49	48	46	47	42
Rwanda	11	29	11	29	14	35	14	35	15	34
Serbia	32	54	39	61	40	62	43	66	48	64
South Sudan	-	-	-	-	-	-	-	-	-	-
Swaziland	59	74	53	67	54	69	56	69	60	68
Tajikistan	24	61	16	60	18	65	22	69	19	67
Uganda	20	32	20	36	24	41	23	36	23	33
Uzbekistan	5	28	33	23	33	23	24	17	27	25

Source: UNCTAD Stat

The World Bank's Logistics Performance Index<sup>28</sup> (LPI),<sup>29</sup> indicates that there have been positive changes with regards to logistics performance among the LLDCs but according to the report, there is still no convergence between LLDCs and their transit neighbours. LLDCs have higher trade costs compared to their transit coastal neighbours as shown in table 9.

**Table 9: Logistics Performance Index by Income Group 2007-2012**

Income Group	2007	2010	2012	Change	Growth (%)
High income – OECD	3.73	3.73	3.69	-0.04	-1
High income – non OECD	3.25	3.24	3.24	0.01	0
Upper middle income	2.66	2.80	2.83	0.17	6
Lower middle income	2.47	2.59	2.61	0.14	6
Low income	2.26	2.43	2.43	0.17	8
Landlocked developing countries:	2.18	2.45	2.46	0.28	13
Transit coastal countries	2.65	2.79	2.84	0.19	7
<b>World</b>	<b>2.74</b>	<b>2.87</b>	<b>2.86</b>	<b>0.12</b>	<b>4</b>

Source: World Bank

28 World Bank: Logistics Performance Index is the weighted average of the country scores of six key measures- efficiency of clearance process, quality of transport related infrastructure, ease of arranging shipments, competence and quality of logistics services, ability to track and trace consignments and timeliness of shipments reaching their intended destination.

29 World Bank, 2014: Connecting to Compete 2014 – Trade Logistics in the Global Economy: The Logistics Performance Index and its Indicators

Detailed information on some aspects of the LPI is provided in Table 10. For Sub-Saharan Africa, logistics competence would appear to be the leading cause of the gap between coastal, transit and LLDCs in 2012. The gap in infrastructure and customs components in 2012 amounts to around 1 per cent.

**Table 10: LPI in Regions with Poorly Performing Landlocked Countries**

	Sub-Saharan Africa				Central Asia		South Asia			
	Landlocked		Coastal		Landlocked		Landlocked		Coastal	
Background data	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012
Overall LPI	2.23	2.44	2.40	2.49	2.14	2.58	1.84	2.27	2.64	2.69
Selected LPI components										
Logistics competence	2.21	2.35	2.38	2.46	2.11	2.52	1.84	2.22	2.69	2.71
Infrastructure	1.92	2.26	2.20	2.28	1.98	2.43	1.61	2.04	2.42	2.45
Customs	2.08	2.29	2.27	2.30	1.99	2.56	1.69	2.24	2.34	2.49

Source: World Bank

Interestingly, the study *Improving Trade and Transport for Landlocked Developing Countries* (World Bank, 2013) notes that the differences in size and endowments of the economies is not sufficient to explain the variances in volume of trade or diversification of trade patterns. The report suggests that distance and supply side constraints and inefficiencies, especially in supply chains also play a role. In a later analysis, the authors of the study (Arvis; Tanase, 2013) posit the view that traders in LLDCs have to deal with bad infrastructure and long distances to markets, but that these two factors do not fully account for the higher trade costs experienced by LLDCs. Other factors they suggest, add to this problem, namely the unreliability of supply chains, including a lack of proper implementation of a transit system, procedural complexity, and an efficient market for services such as trucking. The priorities to address these inefficiencies in the supply chain of LLDCs include transit and trade facilitation at regional and national levels, trucking reforms, and enhanced cross border cooperation on corridors.

The work of development partners like the World Bank, which itself has amassed a critical body of evidence on trade facilitation and transport and transit route problems and solutions, is critical for those LLDCs looking to develop sustainable trade facilitation, transit and transport facilitation strategies. With the availability of the latest research, LLDCs and their partners are now able to deepen their understanding of the entire transit system and the way in which this drives the smooth running of regional trade corridors – in particular their infrastructure, legal protocols, institutions and procedures. Some of the latest insights (Arvis et al, 2010)<sup>30</sup> allow for a more fullsome analysis of the access problems of the LLDCs. It updates the work of earlier research (Limao, Sachs)<sup>31</sup> which suggested that additional transport costs were due to long distances LLDCs were required to cover through transit to get to international markets. New performance indicators now look more closely at supply chain efficiency through the lens of costs, delays and reliability. Research now measures the delays in transit corridors

30 Arvis, Jean-Francois, 2010: The Costs of Being Landlocked, Logistics Costs and Supply Chain Reliability

31 Limao, N. and Venables, A.J. *Infrastructure, Geographical Disadvantage, Transport Costs and Trade*. World Bank Economic Review 15: 451–479, 2001

in terms of time lost in ports to clear goods at points of entry and exit, as well as the borders in between. Technical agencies like the World Customs Organisation have also developed very practical tools<sup>32</sup> (see Annex1) which can be used to measure performance on many of the TFA indicators, provision by provision.

The low reliability of supply chains in LLDCs is now estimated to represent more than 10% of the value of the goods being transported.<sup>33</sup> These are costs which are carried forward through the trade transaction chain by traders and other actors. This reflects the need to strengthen capacity in LLDCs to effectively participate and integrate in value chains. An inability to quickly address these new demands in international trade and trade facilitation will undoubtedly contribute to the continued marginalisation of the LLDCs.

As LLDCs seek to implement the TFA, these are nuances which deserve consideration not just to fulfil commitments and obligations under a multilateral agenda, but as well to enhance the broader economic performance of their own countries and the efficiency of trade corridors which provide critical access to export markets.

The WTO TFA which will be analysed in the next Section presents an avenue for LLDCs to bring thoughtful analysis into their requests for technical assistance and capacity building. But even with the existing assessment in these two sections, LLDCs can already begin to identify the elements of the Agreement which have the potential to yield the greatest improvements to their trade position.

## Supply Chains and Trade: Implications for the LLDCs

Understanding supply chain dynamics and its contribution of effective trade facilitation is currently a preoccupation of not just the LLDCs and development partners. Companies conduct thorough analyses to determine the most profitable geographies to locate their operations. Global businesses which channel hundreds of millions in foreign direct investment to developing countries are demanding detailed facts and figures on this subject. In a recent study on supply chains and trade entitled *Enabling Trade, Valuing Growth*, the World Economic Forum, Bain and Company and the World Bank, have concluded that supply chain barriers to international trade are far more significant impediments to trade than tariffs. They calculate that reducing supply chain barriers to trade could increase GDP up to six times more than removing tariffs. By their account if every country improved just two supply chain barriers, namely border administration and transport and communications and related services to even halfway to the world's best practices, global GDP would increase by US\$2.6 trillion (4.7%) and exports by US\$ 1.6 trillion (14.5%). These statistics are worth noting for the following reason: completely eliminating tariffs would only increase global GDP by US\$0.4 trillion (0.7%) and exports by US\$1.1 trillion (10.1%). Policymakers in LLDCs charged with promoting international trade and trade facilitation will take note of these developments to review their regulations with a view to ensuring that they support the new enabling trade facilitation environment expected by local and foreign investors.

World Economic Forum. 2013. *Enabling Trade, Valuing Growth*

32 WCO: WCO Implementing the WTO Trade Facilitation Agreement Implementation Guidance

33 World Bank. June 2013. Improving Trade and Transport for Landlocked Developing Countries: World Bank contributions to implementing the Almaty Programme of Action. *A Report preparing the ten-year comprehensive review.*

## Section 3: **Key Messages**

1. Evidence that the differences in size and endowments of the economies is not sufficient to explain the variances in volume of trade or diversification of trade patterns between LLDCs, transit countries and coastal countries, has implications for how LLDCs implement the TFA. It now appears that distance and supply side constraints and inefficiencies, especially in supply chains also play a role. The priorities to address these inefficiencies in the supply chain of LLDCs, will include transit and trade facilitation at regional and national levels, transport reforms, and enhanced cross border cooperation on corridors.
2. According to the WEF, supply chain barriers to international trade are far more significant impediments to trade than tariffs. They calculate that reducing supply chain barriers to trade could increase GDP up to six times more than removing tariffs. The report reveals that if every country improved just two supply chain barriers, namely border administration and transport and communications and related services to even halfway to the world's best practices, global GDP would increase by US\$2.6 trillion (4.7%) and exports by US\$ 1.6 trillion (14.5%). This is encouraging news for those LLDCs that have already embarked on efforts to improve their trade facilitation environment and overhaul their regulatory framework.



## SECTION 4

# The WTO Agreement on Trade Facilitation: A Trade Policy Tool to Improve the Competitiveness of the LLLDCs

## Introduction

This Section provides a brief overview of the benefits that would accrue to the LLDCs from adopting the TFA. It then sets out the historical context and background to the Agreement. The Section ends with a detailed analysis of the key provisions in the TFA that will govern the rules of cross border trade among LLDCs and their trading partners, once the TFA comes into force. Two short case studies which demonstrate LLDC 'good practice' in TFA implementation are also cited.

The TFA is potentially a major source of trade gains for the LLDCs. There is extensive evidence referenced in earlier sections of this report which demonstrate clearly that improvements in trade facilitation infrastructure and procedures can increase trade, promote export diversification, and boost real incomes. LLDCs depend not just on their own trade facilitation performance, but also on the performance of those countries their goods must cross on their way to major international gateways, such as ports ("transit countries"). The GATT already specifically deals with freedom of transit, but its disciplines are minimal, and practice on the ground is often quite different from what legal texts would suggest. The TFA is therefore potentially a major development from the point of view of LLDCs: it provides an opportunity for them to upgrade their own performance on trade facilitation, as well as encouraging similar steps to be taken in transit countries. The net result could be a significant economic win for LLDCs, subject, of course, to the mobilization of sufficient technical and financial resources both in LLDCs and in transit countries to ensure that the gains are in fact realized.

## Background to the Agreement

In December 2013, when Ministers concluded the Trade facilitation negotiation in Bali, it marked a significant milestone at the end of a ten year journey where very little progress had been achieved on the long-running Doha round of global trade talks. Thus, the conclusion of the Trade Facilitation Agreement, the first multilateral trade agreement to be successfully negotiated in 18 years, and the first to be concluded by the WTO, is a landmark for the organisation and the membership.

The progress in the Doha trade talks and the conclusion of an Agreement on Trade Facilitation is of interest not just to the negotiators who concluded the 'deal', but to the private sector in landlocked developing countries<sup>34</sup> whose very existence relies on a transparent, predictable rules based trading system which sets clear rules and addresses the causes and seeks to eliminate bureaucratic red tape. The emergence of an Agreement is especially good news for small and medium sized enterprises in LLDCs and developing countries that have long complained about the vast array of red tape which they have to contend with in efforts to move their goods across borders.

<sup>34</sup> Source: WTO

Estimates from UNCTAD are that the average customs transactions involve 20-30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the re-keying of 60-70 percent of all data at least once. The evidence shows that with the lowering of tariffs, the cost of complying with customs formalities in many cases now far exceeds the cost of duties to be paid. The Asia-Pacific Economic Cooperation (APEC) has estimated that trade facilitation programmes would result in gains to APEC of about 0.26 per cent of real GDP, almost twice the expected gains from tariff reductions, and that the savings in import prices would be between 1-2 per cent of import prices for developing countries in the region. Research<sup>35</sup> suggests that it is in fact not tariff barriers, but red tape, which prevents SMEs from taking advantage of overseas market opportunities as the costs of regularly shipping large quantities to foreign markets are too high to make the effort viable. Given that SMEs account for up to 60 percent of GDP creation in many economies, including in the LLDCs, according to the International Trade Centre, trade facilitation measures which take account of their business needs is critical.

LLDCs have a particular interest in international rules to address inefficiencies in areas such as customs and transit as these are impediments to their integration into the global economy and in some cases, severely impair export competitiveness or inflow of foreign direct investment. It is for this reason that exporters from LLDCs have increasingly been active in calls to eliminate administrative barriers to trade and transit in particular those in other developing countries.

## **WTO Rules to Address Trade Facilitation**

Issues related to trade facilitation have always been dealt with in the WTO, which has promulgated a range of provisions intended to enhance transparency and set minimum standards for trade procedures. Chief among these provisions are Articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT) which deal with freedom of transit for goods, fees and formalities connected with importing and exporting, and the publication and administration of trade regulations.

## **The Mandate and the Negotiations**

Trade facilitation was added to WTO's agenda in December 1996 when the Singapore Ministerial Conference directed the Goods Council "to undertake exploratory and analytical work ... on the simplification of trade procedures in order to assess the scope for WTO rules in this area". This mandate was renewed on August 1, 2004 when the General Council decided by explicit consensus to commence negotiations on the basis of the modalities agreed by WTO members. These modalities established the basis for the work plan adopted at the first meeting of the Negotiating Group on 15 November 2004. Since this date, detailed negotiations have been taking place regularly. As a result, the negotiating text has been streamlined, clarified and improved until the final text was agreed by consensus at the 9th Ministerial Conference in Bali in December 2013.

According to paragraph 1 of the Modalities, the negotiations were to clarify and improve relevant aspects of Article V (Freedom of Transit), Article VIII (Fees and Formalities associated with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations) of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit. Negotiations dealt with the provision of technical assistance and support for capacity building in this area. The negotiations also aimed at provisions for effective cooperation between customs or other appropriate authorities on trade facilitation and customs compliance issues.

<sup>35</sup> Source: International Trade Centre (ITC)

At its first meeting, the Negotiating Group agreed to invite the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), UNCTAD, the World Customs Organisation (WCO) and the World Bank to attend on an ad-hoc basis.

Three distinct areas were established in the organisation of the negotiations. Section I deals with the technical aspects of the deal and explains in detail the improvements which are required to ensure that the agreement is efficient and effective. Section II provides the basis for special and differential treatment and for technical assistance and capacity building for the implementation of the agreement. Specific deadlines and timetable are provided in some instances. Section III advises on the institutional arrangements that will govern the Agreement.

Some multilateral institutions like the World Bank and the WCO provided written submissions outlining where assistance could be provided to developing country members. The OECD which participated in the negotiation as an observer, estimated based on its research that the measures which could provide biggest impact in reducing costs include: Harmonisation of documents; Streamlining of customs procedures (such as pre-arrival clearance) and Predictability in customs regulations such as advanced rulings on what tariffs apply to specific products or clear rules of procedure and availability of trade-related information).

## **Overview of the WTO Agreement on Trade Facilitation<sup>36</sup>**

The Trade Facilitation Agreement contains five distinct components – Preamble, Section 1, Section 11, Section III and Annex 1.

1. The Preamble introduces the Agreement and gives a brief background and context
2. Section I contains the substantive provisions for expediting the movement, release and clearance of goods. It clarifies and improves the relevant articles (V, VIII and X) of the General Agreement on Tariffs and Trade (GATT) 1994. This is elaborated in 13 Trade Facilitation disciplines (Articles 1-11); Customs Cooperation (Article 12); and Institutional Arrangements (Article 13).
3. Section II deals almost exclusively with Special and Differential Treatment and focuses almost entirely on the flexibility arrangements for developing and least developed countries. These are aimed at helping them to implement the provisions of the Agreement and are explained in detail in Articles 14-22.
4. Section III provides clarifications and guidance on the institutional arrangements that will govern implementation of the TFA within the WTO and at country level (Article 23).
5. Annex 1 provides a Format for notification under Article 10.1 (Information on Assistance to be submitted to the Committee). It is intended to provide developed country members with a 'template' to report on their assistance and support for any capacity building provided to WTO members, including LLDCs, in the previous twelve months.

36 Nora Neufeld –Presentation: Implementing the WTO Trade Facilitation Agreement, May 2014

## The Agreement on Trade Facilitation: Section 1

### GATT X

- Article 1: Publication and Availability of Information
- Article 2: Opportunity to Comment, Information before Entry into Force and Consultation
- Article 3: Advance Rulings
- Article 4: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency

### GATT VIII

- Article 6: Disciplines on Fees and Charges imposed on or in connection with import and export
- Article 7: Release and Clearance of Goods
- Article 8: Border agency Cooperation
- Article 9: Movement of Goods under Customs Control Intended for Import
- Article 10: Formalities Connected with Importation and Exportation and Transit

### GATT V

- Article 11: Freedom of Transit
- Article 12: Customs Cooperation

## The Mandate

The Negotiating Mandate for the TFA in the July 2004 Package provides the framework for the TFA as follows: “Negotiations shall aim to clarify and improve relevant aspects of Articles V, VIII and X of GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit” (...) “The negotiations shall further aim at provision for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues (...)”

## Nature and Scope of Obligations

In the new Agreement, Trade Facilitation obligations take three forms: Binding, Best Endeavour, or a Combination of both.

For example, Article 1.1 (Publication) says ‘Each member **shall** promptly publish the following information...’ which reflects the fact that on ratification of the Agreement, all members will be required to publish specific information.

On the other hand, Article 10.3 (Use of International Standards) advised that ‘Members **are encouraged** to use relevant international standards’.

Article 1.2 (Information through the Internet) states that “1. ‘Each member **shall** make available the following through the internet ... “3. ‘Members **are encouraged** to make available further trade related information...’

## Freedom of Transit

Article 11: Freedom of Transit is of specific relevance to the LLDCs. It prescribes a number of rules to protect their interests:

1. Any regulations and formalities shall not:
  - a. Be maintained if circumstances/objectives no longer exist.
  - b. Constitute a disguised restriction on trade
2. Traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses)
3. Prohibition on voluntary restraints on traffic in transit
4. Non-discrimination principle expanded and strengthened
5. Separate infrastructure for traffic in transit encouraged
6. Formalities, documents and controls shall not be more cumbersome than necessary
7. No charges, delays or restrictions once goods cleared for transit
8. No application of technical barriers to trade (TBT) measures to transit goods
9. Advance filing and processing of transit documentation to be allowed and provided
10. Promptly terminate transit operation once exit point is reached
11. Guarantees:
  - a. Limited to ensuring requirements are fulfilled
  - b. Discharged without delay
  - c. Allow multiple transaction or renewal
  - d. Publish information used to set guarantees
  - e. Convoys or escorts only in high risk cases
12. Endeavour to cooperate to enhance transit
13. Endeavour to appoint national transit coordinator

Other Trade Facilitation provisions of interest to the LLDCs include:

- Expedited Shipments: procedures to expedite the release of air cargo
- Single Window: submission of documentation for import/export to a single electronic point.
- Authorized operators: lower documentation and inspections, rapid release, deferred payments, etc.
- Risk Management: focus on high-risk consignments to expedite release and clearance of low-risk goods
- Border Agency Cooperation: Suggests the following for cooperation with other Members with respect to:
  - Alignment of working days/hours and procedures/formalities
  - Joint controls and sharing of common facilities
  - Establishment of one stop border post (OSPBs) controls

The Trade Facilitation Agreement also builds on the existing legal GATT framework, for example,

- Enquiry Points draws on the foundations of the Agreement on Sanitary and Phytosanitary Measures
- Advance Rulings on the Agreement on Rules of Origin
- Appeal Rights on the Agreements on Customs Valuation, Import Licensing and Pre-Shipment Inspection (Release of goods upon Guarantee on the Agreement on Customs Valuation)
- Use of International Standards on the Agreement on Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade.

## Section II: Special and Differential Treatment

Section II of the Agreement on Trade Facilitation has been described by some as ‘innovative’ and ‘ground-breaking’ as it introduces for the first time three new concepts in WTO Agreements:

1. Commitments and obligations are country-by-country as opposed to per groups of development as in previous negotiations
2. The TFA moves beyond traditional approaches by offering new dimension of flexibilities
3. The Agreement now introduces a link between the existence of implementation capacity and requirement to implement

### Negotiating Mandate

According to the text: S&DT should “exceed beyond the granting of traditional transition periods for implementing commitments. In particular, the extent and the timing of entering into commitments shall be related to the implementation capacities of developing least-developed Members.”

... In cases where required support and assistance ... is not forthcoming and where a developing or least-developed Member continues to lack the necessary capacity, implementation will not be required.

The mandate is reflected in the TFA Categories concept (Categories A, B and C) and their related treatment. It is also emphasised in the new levels of additional flexibilities.

### Category A

- 2.1.a Contains provisions that a developing country Member or a least developed country Member designates for implementation upon entry into force of this Agreement, or in the case of a least developed country Member within one year after entry into force

### Category B

- 2.1.b Contains provision that a developing country Member or a least developed country Member designates for implementation on a date after a transitional period of time following the entry into force of this Agreement

## Category C

- 2.1.c Contains provisions that a developing country Member or a least developed country Member designates for implementation on a date after a transitional period of time following the entry into force of this Agreement and requiring the acquisition of implementation capacity through the provision of assistance and support for the capacity building.

## Section III: Institutional Arrangements and Final Provisions

Section III describes the institutional arrangements which will govern the implementation of the TFA, both at the WTO and in each member country. WTO members will establish a Committee on Trade Facilitation which will be tasked with guiding members through the implementation of the Agreement. Each member is expected to establish and maintain a National Trade Facilitation Committee to facilitate both domestic and international coordination and implementation of the Agreement.

**Sections 5 and 6** provide further details on the development dimension of the Agreement and the special provisions which have reference for the LLDCs.

## Key Implications of the TFA For LLDCs

This section provides a brief overview of the key implications of the WTO's TFA for LLDCs. In addition, it considers the links between the TFA and Aid for Trade (AfT) in the LLDC context, again going beyond country-specific work to consider issues of transit. The section examines the two main groups of provisions in the TFA, focusing only on those that are of particular interest to LLDCs.

## Section I: Trade Facilitation Provisions

Section I of the Agreement contains a variety of obligations, both binding and otherwise, in relation to trade facilitation. They are all potentially of relevance to LLDCs to the extent that they promote broad-based improvements in trade facilitation at home and in transit countries. The three most important provisions for LLDCs are Articles 11, 10, and 8. The first one deal specifically with freedom of transit, the second sets out obligations in relation to trade procedures including transit, and the third requires WTO members to cooperate with other members with which they share a common border. Article 8 thus provides a basic requirement of cooperation between border agencies that is of particular relevance to LLDCs because of their reliance on transit countries, with which, by definition, they share a land border.

Other TFA provisions of interest to the LLDCs include *Articles 1-5* which addresses Publication and Transparency, including the availability of information; *Article 2* which provides specific guidance on Consultations before Entry into Force; *Article 6*, which sets out Disciplines on Fees and Charges imposed on or in Connection with Import and Export and *Article 7* which provides rules on Release and Clearance of Goods, including Trade Facilitation Measures for Authorised Operators.

While some provisions in Article 7 are binding, for example, *Article 7.1*, (Pre-arrival Processing), ‘Each member **shall adopt or maintain** procedures allowing for the submission of import documentation and other required information...’), others like Article 7.6 (Establishment and Publication of Average Release Times) Members **are encouraged** to measure and publish their average release time of goods periodically and in a consistent manner...), are best endeavours, that is, requiring LLDCs merely to make use of the time release study tool to measure their release performance and share good practices with other LLDCs.

## **Article 7.6: Establishment and Publication of Average Release Times**

**The use of the WCO Time Release Study to measure border performance in a Landlocked Least Developed Country:**

### **CASE STUDY: UGANDA**

A Time Release study (TRS)<sup>37</sup> is a special tool and method to assess the actual performance of customs activities and border procedures in a systematic and standardized way by measuring the time taken to release and/or clear<sup>38</sup> goods. Developed by the WCO to assist Customs administrations, other Government agencies (OGA) and business to measure effectiveness, identify bottlenecks and find an opportunity to effect improvements in border procedures and logistics, the TRS is referred to explicitly in the WTO Trade Facilitation Agreement (Article 7.6). It allows landlocked developing countries and landlocked LDCs to come up with objective and reliable data to establish and publish their average release times.

In 2008, with support from the WCO, Uganda Customs launched a TRS project in order to detect where problems existed in the clearance process and to identify possible solutions to correct them. The study measured the average time from the arrival of goods at the border to their delivery to the importer or, in the case of transit and exports, their dispatch to another country. The TRS provided Uganda with an opportunity to have a record of reliable and objective information on the time taken to release goods at various stages of Customs processes. A multi-stakeholder TRS task force chaired and coordinated by Uganda Customs and Revenue Authority was established comprising stakeholders from the Ministry of Agriculture, the Civil Aviation Authority, the Freight Forwarders Association, the Clearing and Forwarding Association and the Traders Association. The study was carried out at selected customs stations over a period of seven days. It measured the time from the arrival of the goods at the airport, or the inland or land border station, until they were released and physically removed from Customs control. The TRS also covered both automated and manual Customs procedures and various types of goods i) imports, exports and transit, ii) transactions by road and air, iii) both dry and wet cargo and iv) goods of commercial value, excluding baggage.

Using the results of that study, Uganda Customs was able to streamline interagency procedures at the border with different parties, and to ensure that facilitation measures were applied in an effective manner, the procedures associated with cross-agency co-operation and collaboration, including Customs-to-Business Partnerships and Customs to Customs Partnerships were reviewed and updated.

Source: UNECE. Trade Facilitation Implementation Guide: Case Studies –

37 “The WCO Guide to Measure the Time Required for the Release of Goods”

[http://www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Procedures%20and%20Facilitation/Time\\_Release%20\\_Study\\_ENG.pdf](http://www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Procedures%20and%20Facilitation/Time_Release%20_Study_ENG.pdf)

38 In the context of the WCO Revised Kyoto Convention (International Convention on the Simplification and Harmonization of Customs procedures (as amended)), “release of goods” means the action by the Customs to permit goods undergoing clearance to be placed at the disposal of the persons concerned, and “clearance” means the accomplishment of the Customs formalities necessary to allow goods to enter home use, to be exported or to be placed under another Customs procedure.



## Article 11: Freedom of Transit

Transit is a crucial issue for LLDCs, as their access to world markets depends on their ability to ship goods quickly, at reasonable cost, and reliably through third countries to international gateways. Article 11 imposes the obligation on transit countries not to maintain regulations or formalities in relation to transit that are more trade restrictive than reasonably necessary. This language is familiar from WTO jurisprudence on SPS and TBT measures. It has repeatedly been the subject of WTO disputes and Appellate Body rulings.

Without rehearsing that jurisprudence, which is still in a state of flux, it is fair to conclude that the obligation is potentially a serious one for transit countries, and that LLDCs could seek enforcement of through the Dispute Settlement Body. For example, many countries maintain requirements that operators with goods in transit carry multiple copies of the same document to produce to different agencies. Others do not require such treatment as a matter of law, but it happens *de facto* nevertheless due to lack of coordination among border agencies. Based on the language of Article 11, there is potentially the possibility for LLDCs to first attempt to arrive at a cooperative solution with transit partners, but if none is forthcoming, to bring the matter for settlement at the WTO. Professional legal advice would be required before drawing conclusions on particular cases, but at face value, Article 11 appears to be a legally binding, potentially justiciable obligation. It could be a major tool for LLDCs in their attempts to bring about better conditions for transit in third countries.

Another legally binding obligation is that members may not maintain documentation requirement and customs controls for transit that are more burdensome than necessary to identify the goods, and ensure fulfilment of transit requirements. Again, many LLDCs are all too familiar with overly burdensome requirements in neighbouring countries that effectively restrict their trade. This part of Article 11 potentially provides an additional very useful tool for them as they try to work with transit countries to facilitate their trade. A provision that may be of particular importance to African LLDCs is the requirement that once goods are permitted into a country for transit purposes, they must not be subject to customs charges or unnecessary delays or restrictions until they reach their point of exit. In many African countries, internal roadblocks cause unnecessary delays, both for shipments originating in the country concerned, and for shipments in transit. Full implementation of this part of Article 11—and again, it is expressed in legally binding terms—would be a significant win for LLDC traders.

Most of the other provisions in Article 11 are not expressed as strongly as the ones that have just been discussed. Best endeavours language is typical. Even though such obligations are generally considered not to be justiciable, they nonetheless provide a strong moral and political argument for LLDCs. It is to be hoped that the TFA will effectively come to frame the debate in terms of transit formalities, and that its mix of hard law and soft law obligations, backed up in appropriate cases by technical assistance and capacity building, can provide a solid platform from which LLDCs can work with their partners to improve transit conditions and boost trade. Using an example from Central Asia, the short case story from Azerbaijan shows how one LLDC is approaching implementation of Article 11.

## Article 9: Movement of Goods Under Customs Control Intended for Import

### CASE STUDY: AZERBAIJAN

A special section related to transit transportation has been established within the Single Automated Management System and Virtual Stocking System; also tables to keep records of goods and their movements have been created. Software has been developed and implemented in order to properly manage the tracking of goods and vehicles electronically, at borders and within the country, by means of GPS systems. Thanks to this software, all Customs authorities have been provided with GPS installations, regardless of the numbers involved. In order to ensure the security of transit transportation, a Target Centre has been established at the premises of the State Customs Committee, to provide surveillance of the movement of transportation 24/7. As a result of this implementation, the efficiency of the transit corridor has been increased.

Moreover, with regard to the special Customs procedure for Transit, participants in foreign economic activity have been offered the possibility of 'electronic Customs Service' advance declarations. This in turn provides an opportunity for Customs to gain advance information regarding goods and means of transport and also enables participants in foreign economic activity to obtain a unique code, thus facilitating the registration process.

Source: WCO

## Article 10: Import and Export Procedures and Transit

Article 10 sets out the TFA's obligations regarding import and export procedures and transit. Article 10.1 requires members to review their formalities regarding import, export, and transit with a view to minimizing their incidence and complexity. The obligation is subject to numerous caveats that allow members to take account of individual circumstances in designing their customs formalities, but the basic obligation of review is nonetheless there. Concretely, members must, based on the results of the review, ensure that import, export, and transit formalities:

- Are adopted and applied with a view to the rapid release and clearance of goods.
- Are adopted and applied in a way that aims at reducing compliance time and cost for operators.
- Are the least trade restrictive measures available, taking account of legitimate policy objectives.
- Are not maintained if no longer required.

From a transit point of view, perhaps the most interesting requirement is the "least trade restrictive" test in paragraph c. This is the same language used in Article 11, discussed above. Again, it is legally binding and potentially justiciable.

Although Article 10.1 comes with numerous caveats attached—as, indeed, does much of the TFA—it appears to be the strongest legal obligation in that Article. The other provisions are typically in "best endeavours" language, which is generally considered not to be legally binding. Nonetheless, the tone that the Article sets for the possible simplification of trade, and particularly transit procedures is encouraging from the point of view of LLDCs. Highlights of Article 10 best endeavours obligations include, for example, establishment of a Single Window. Again, the presence of such terms in the TFA will hopefully come to frame broader discussions on trade facilitation

and particularly transit issues, and will be a lever that LLDCs can use to promote simplification and harmonization of transit procedures.

## **Article 8: Border Agency Cooperation**

Clearly, the obligations set out in Articles 10-11, and elsewhere in the TFA, cannot be given full effect in the case of LLDCs without cooperation between border agencies at land border crossings. That is the subject of Article 8. It only imposes one legally binding obligation on WTO members: to ensure that their agencies responsible for border controls and procedures in relation to imports, exports, and transit cooperate with one another and coordinate their activities with a view to facilitating trade.

This provision is important from the point of view of LLDCs because they of course depend heavily on land border crossings—more so than coastal countries, which have direct access to sea lanes through their own international gateways. LLDCs' goods must necessarily pass through land crossings, where multiple border agencies from the exporting and importing/transit countries deal with the goods. This requirement can impose significant delays and create uncertainty for shippers due to the differences in procedures on each side of the border, and the need in some cases for repetition of procedures so that each country's agencies are satisfied that their requirements have been met.

Although the TFA goes in the right direction in terms of requiring cooperation between border agencies, it is short on details. Article 8.2 provides some examples, but the language is not legally binding. It suggests that countries may:

1. Align working days and hours.
2. Align procedures and formalities.
3. Develop and share common facilities.
4. Establish joint controls.
5. Establish one stop border post controls.

These suggestions are all useful and important ones from the point of view of LLDCs, and the group should work constructively with their neighbours (transit countries) to ensure that such structures (at a minimum) are put in place.

Although these guidelines are relatively minimal, they would still represent a significant improvement for many LLDCs, and are thus to be welcomed. However, they are not legally binding—and, as will be discussed below, their implementation may be delayed or made conditional on the receipt of external resources—so LLDCs as a group will need to work with other partners, including Development Banks, donors, and coordinating agencies, to develop an approach that encourages transit countries to take these steps forward.

In terms of establishing priorities, each LLDC is different, but the order in which the steps are listed in the TFA accords well with the recommendations of specialists working on existing transit projects, and essentially proceeds from the simplest steps to the most complex. Diagnostic exercises are therefore required for individual LLDCs and their transit partners to establish which steps are most pertinent for particular cases.

## Article 8: Border Agency Cooperation

### The Chirundu One Stop Border Post<sup>39</sup>

#### CASE STUDY: ZAMBIA and ZIMBABWE

The Chirundu border post between Zambia and Zimbabwe is the preferred entry point for commercial traffic into Zambia from South Africa and other commercial ports to the South, or to Central and Eastern Africa. It is also used by return traffic in the opposite direction. On a typical day, Chirundu was handling an average of 270 trucks a day, making it the busiest port in Zambia and one of the most utilised inland border points in the Eastern and Southern Africa region. It was characterised by congestion, duplicated efforts and delays in processing of goods and people with average transit times for trucks for north bound traffic ranging from 26 to 46 hours, while transit times for southbound traffic ranged from 6 hours to 17 hours. In addition to poor infrastructure, the border facility had over twenty Government agencies from both governments enforcing various pieces of legislation individually. The business community was legally compelled to comply with numerous pieces of legislation separately on both sides of the border and multiple overlapping bottlenecks at the main freight terminal into the country carried heavy costs. Most visible were the direct costs to shippers: in 1995, Standing Costs for freighters in Zambia were estimated at US\$224 per day. Together with other bureaucratic hold-ups, the typical two-day delay at the Chirundu border post added an average of US\$84 to the cost of shipping one ton of goods between Johannesburg and Lusaka. Such high costs reduced the competitiveness of Zambian businesses and resulted in higher prices to local consumers.

Though delays at the border averaged two days, far longer delays were not uncommon. The unpredictability of wait times at Chirundu badly hampered the ability of Zambian businesses to participate in modern supply chains, with their emphasis on just – in-time inventory management and short lead times. Unable to rely on timely deliveries across the Chirundu Border, businesses that depended on supply routes that used it were forced to keep large, costly buffer stocks to protect themselves from delivery disruptions, further undermining their competitiveness. Shippers and shipping agents unable to guarantee delivery on any kind of reasonable time – schedule found themselves facing little incentive to upgrade their technological capabilities and could not invest in the kinds of sophisticated barcode and RFID<sup>40</sup>-based track-and-trace information systems needed to guarantee to-the-minute deliveries as their shipments could take anywhere from a couple of days to over a week to clear the border. With the establishment of a One Stop Border Post (OSPB), many of these problems have started to be resolved, resulting in Chirundu being sited often as one of the best success stories of border agency cooperation in developing countries. Early and active engagement and involvement of all stakeholders was critical to ensuring ownership and smooth implementation of the Chirundu OSBP. In addition, leadership at local border agency level was important for efficient implementation of the multi-agency initiative.

Source: OECD, WTO June 2013. Aid for Trade in Action: <http://www.oecd.org/aidfortrade/47379298.pdf>

<sup>39</sup> Source: OECD, WTO June 2013. Aid for Trade in Action: <http://www.oecd.org/aidfortrade/47379298.pdf>

<sup>40</sup> RFID – Radio Frequency Identification

## Section II: Special and Differential Treatment

A major sticking point in negotiations for TFA was the need for special and differential treatment (S&DT), including technical assistance and capacity building. In essence, many developing countries had become convinced of the desirability of trade facilitation reforms. However, they were of the view that some of the measures under discussion were potentially intensive in technical and financial capacity, and did not want to take on legal obligations that they argued it might be beyond their capabilities to meet, notwithstanding their goodwill and efforts. The final result is that the TFA adopts a unique approach to S&DT compared with other WTO Agreements. Essentially, implementation is self-selected by countries on the basis of their own requirements and capabilities. In certain cases, implementation can be made subject to the provision of appropriate resources, either in terms of financing or technical assistance and capacity building. There is thus the potential for a “tailor-made” approach to S&DT, as compared with the transition periods and flexibilities accorded to classes of members (typically developing and least developed countries) in other WTO Agreements.

As a result of this approach to S&D, LLDCs are not identified as a group in the document. As observed in the analysis in sections 2 and 3 of this report, there is considerable evidence, for example from the Doing Business database or the Logistics Performance Index, showing that trade facilitation performance tends to be weaker in LLDCs than in coastal ones. A case could therefore be made for special assistance to be directed to the LLDCs as a group. Although the TFA does not take that approach, there is still considerable scope for LLDCs to obtain assistance by involving themselves in the unique S&DT provisions and procedures established by the TFA.

Under the TFA’s approach to S&DT, each developing country member—including LLDCs—can identify provisions as belonging to one of three categories:

- Category A: Those that are to be implemented upon entry into force of the TFA, or within one year of that date for LDCs.
- Category B: Those that are to be implemented following a transition period.
- Category C: Those that are to be implemented following a transition period, and which require the acquisition of implementation capacity through the provision of assistance and support for capacity building.

The transition periods required for implementation of Category B and C obligations are decided by developing countries themselves, and notified to the WTO. For Category C obligations, developing countries have scope to decide on the nature and extent of the assistance they require, and information sharing is to take place among donor countries, developing countries, and non-member organizations (including multilaterals, such as the United Nations and its agencies and the World Bank).

The current period is therefore a critical one for LLDCs. Given their obvious needs in terms of trade facilitation, LLDCs should be active in identifying obligations that fall into Categories B and C (Category A obligations should already have been decided upon). For Category C obligations, there is the possibility to make the delivery of assistance a genuinely demand driven process by working with donors and multilaterals to identify needs, and design programs to build capacity in specific areas.

It is important for multilateral and international organisations such as the World Bank, the regional development banks, and the World Customs Organization to provide technical expertise and financing for projects. Organisations that provide technical support to LLDCs on trade issues such as UNCTAD and the International Trade Center can play a useful technical role in supporting the LLDCs on how to designate Category C obligations.

## The TFA and Aid for Trade for LLDCs

Section II of the TFA sets up a unique platform for the delivery of technical and financial assistance in relation to trade facilitation. It thus represents a valuable opportunity for LLDCs in the context of broader efforts to use Aid for Trade (AfT) to promote trade facilitation. However, the TFA suffers from one important default from the point of view of LLDCs: even though it deals with issues like freedom of transit, it is fundamentally country-based. The TFA does not deal with groups of countries that form cohesive geographical entities like regions, and thus says nothing about the broader use of AfT to develop trade and transit corridors for the particular benefit of LLDCs.

The TFA is therefore potentially very useful for LLDCs in mobilizing some AfT resources. However it is not the only initiative open to LLDCs. Existing efforts to work at a corridor level need to be intensified. Examples of such an approach include the Greater Mekong Sub-region in Southeast Asia, and the Central Asian Regional Economic Corridor. These projects require the involvement of multiple stakeholders from a variety of countries and organizations.

The key message here is that although the TFA is now part of that equation – it does not provide the answer on its own.

Similarly, the TFA is fundamentally about rules and procedures, as well as documentation requirements. It does not deal with infrastructure development. But if freedom of transit is to bring the largest gains possible to LLDCs, it needs to be accompanied by the development of better transit infrastructure, including through regional economic corridors. As is always the case in trade facilitation, software improvements (regulatory reform) need to be accompanied by hardware improvements (more and better infrastructure). High profile programmes on hard infrastructure projects in Sub-Saharan Africa such as the Programme for Infrastructure Development in Africa (PIDA) will support trade and transport facilitation through the proposed financing of road and railway transport infrastructure projects at a cost of US\$24.4 billion. In South America, already 159 projects for the integration of regional infrastructure and valued at US\$52 billion are underway, and priority is being given to the build-out of regional fibre optics to boost connectivity and reduce costs.

## Section III: Institutional Arrangements

Institutional arrangements for the Agreement at international and national levels has been given more clarity in the legal review of the TFA text which was completed on July 15, 2014. There are now clearly defined roles for the WTO through the WTO Committee on Trade Facilitation which is encouraged to ‘maintain close contact with international partners such as the WCO [and others] with the objective of obtaining the best available advice for the implementation and administration of the Agreement and in order to ensure that unnecessary duplication is avoided’. National Trade Facilitation Committees will have responsibility to coordinate implementation of the Agreement with national and international partners.

While it is expected that the development banks and the donor community will be the primary actors with country partners in relation to TFA implementation issues, there is scope for the UN system and other international organisations including UN-OHRLS and the ITT-LLDCs to play a pivotal technical and coordinating role as the ‘voice’ of the LLDCs. It is important to be able to bring all stakeholders together to exchange experiences, identify

needs, and mobilize resources for, and on behalf of all LLDCs and working in concert with the WTO and the Committee on Trade Facilitation when it becomes operational.

In the following Section, the legal steps which are required before the TFA can come into force will be explained in more detail.

## Section 4: Key Messages

1. The TFA is potentially a major source of trade gains for the LLDCs. So championing the reforms proposed in the Agreement, especially those in Article 11 which mandates freedom of transit, Article 10 which sets out obligations in relation to trade procedures including transit, and Article 8 which requires WTO members to cooperate with other members with which they share a common border, is the right thing for LLDCs to do.
2. The current 'waiting' period is therefore a critical one for LLDCs. Given their obvious needs in terms of trade facilitation, LLDCs should be active in identifying obligations that fall into Categories B and C (Category A obligations should already have been decided upon). For Category C obligations, there is the possibility to make the delivery of assistance a genuinely demand driven process by working with donors and multilaterals to identify needs, and design programs to build capacity in specific areas.
3. Section II of the TFA represents a valuable opportunity for LLDCs in the context of wider efforts to use Aid for Trade (AFT) to promote trade facilitation. However, the TFA suffers from one important default from the point of view of LLDCs: even though it deals with issues like freedom of transit, it is fundamentally country-based. The TFA does not deal with groups of countries that form cohesive geographical entities like regions, and thus says nothing about the broader use of AFT to develop trade and transit corridors for the particular benefit of LLDCs.
4. Notwithstanding this shortcoming (noted above), there are other potential sources of funding for LLDCs. These are 'available' in the form of the large scale regional projects for soft and hard infrastructure LLDC projects in all regions. These sources should be explored. Together with available AFT funding and private sector input, crucial work could be pursued which could benefit a number of areas of need in both LLDCs and transit countries. For example, inclusive strategies to develop local services and business requirements for trade corridors and initiatives to promote women's involvement away from informal trade and into thriving formal businesses at border towns are potential possibilities.
5. Finally, the TFA does not take the approach of categorising flexibilities and transition periods for countries on the basis of classes of members, as is the case with other WTO Agreements. Instead, TFA implementation is based on self-selection by countries, subject to their own requirements and capabilities. Despite this, there is still considerable scope for LLDCs to obtain assistance by involving themselves in the unique S&DT provisions and procedures established by the TFA.



## SECTION 5

# Fulfilling The Trade Facilitation Agreement: Key Steps for Implementation

### Summary of Procedures for the Ratification of the TFA

1. The Agreement is annexed to the Draft Ministerial Decision<sup>41</sup>. The Decision effectively “freezes” the text and triggers the implementation path that WTO Members must undertake before the Agreement can come in to effect.
2. The first of these steps was the ‘legal review for rectifications of a purely formal character that do not affect the substance of the Agreement’<sup>42</sup>. The legal review was concluded by 31 July 2014, as recommended in the TFA implementation timetable.
3. The Bali Ministerial Declaration<sup>43</sup> requires the establishment of a Preparatory Committee on Trade Facilitation under the General Council which is open to all WTO Members. The Committee is currently tasked with the responsibility of handling all functions ‘as may be necessary to ensure the expeditious entry into force of the Agreement and to prepare for the efficient operation of the Agreement upon its entry into force.’

The role of the Preparatory Committee is three-fold:

- To carry out the legal review of the Trade Facilitation Agreement for ‘rectifications of a purely formal character that do not affect the substance of the Text’
- To receive ‘Category A’ Notifications from developing countries
- To draw up the protocol of amendment to insert the TFA into Annex 1A of the Marrakesh Agreement – the WTO’s existing legal framework.

The formal ratification process of the TFA requires the following next steps:

- The Preparatory Committee drafts the Protocol of Amendment
- The General Council adopts the protocol and opens it for acceptance. The annexes will include notified ‘Category A’ commitments. The deadline for this requirement was 31 July 2014.<sup>44</sup>
- WTO members will then go through their internal treaty ratification process and notify acceptance of the protocol to the WTO

41 World Trade Organization, Agreement on Trade Facilitation, Draft Ministerial Decision, 6 December 2013 (WT/MIN(13)/W/8). As stated in the Ministerial Decision the annexed Agreement is still subject to “legal review for rectifications of a purely formal character that do not affect the substance of the Agreement.” This legal review is set to conclude by 31 July 2014.

42 Ibid. Para 1

43 WT/MIN(13)/36 WT/L/911. Agreement on Trade Facilitation, Ministerial Decision of 7 December 2013, Para 2

44 As at September 23, 2014, WTO members had failed to meet this first deadline. This is attributed to India’s unwillingness to back the adoption of the TFA Protocol of Amendment without a permanent solution to its concerns on public food stockholding.



- The Protocol stays open for acceptance until 31 July 2015
- The Protocol will enter into force in accordance with Art X:3 of the WTO Agreement, once two-thirds of the WTO Members ratify it
- At this juncture, the Trade Facilitation Agreement enters into force with obligations for individual country as of the ratification.

As previously explained in **Section 4**, the Agreement on Trade Facilitation concluded by Ministers in December 2013 as part of the Bali Package<sup>45</sup>, contains unique special and differential treatment (S&DT) measures that link the requirement to implement with the capacity of developing and least developed countries (LDC) to do so. The Agreement provides even greater flexibility in implementation for LDCs than for developing countries. For the first time, the TFA also explicitly recognizes the need for donor Members to provide assistance and support for capacity building.

## Implementation of the Agreement

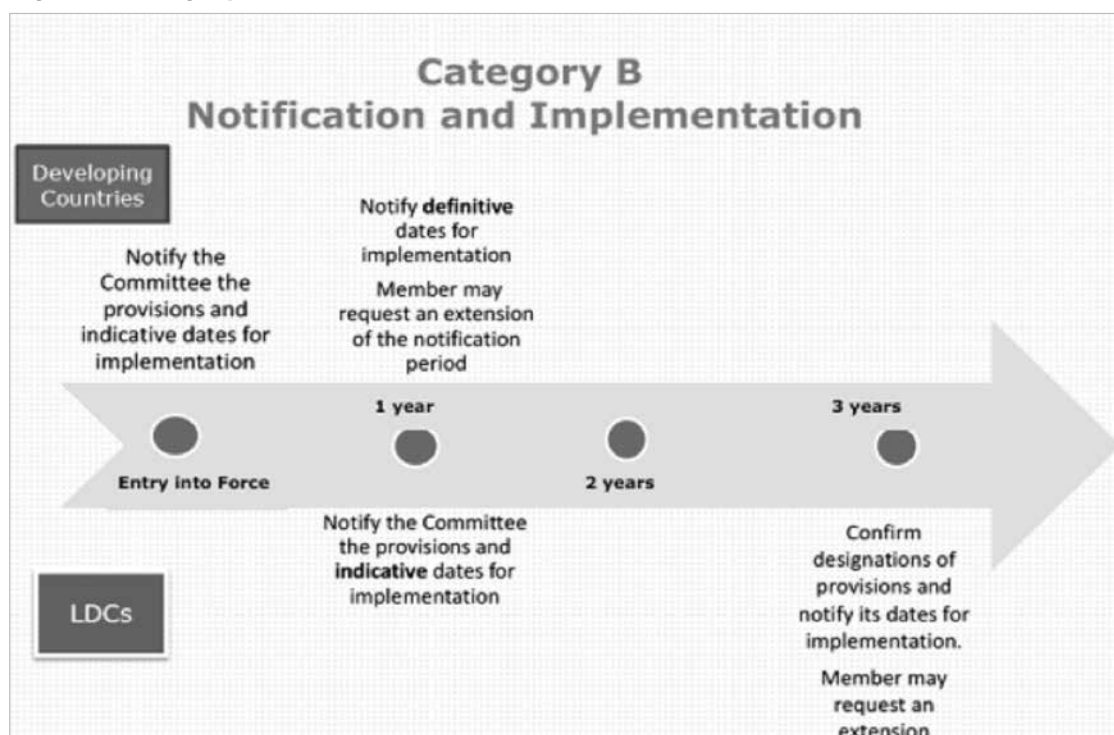
The Agreement will enter into force when it has been ratified by two thirds of the WTO membership. However as part of the new feature of the Agreement, the S&DT provisions allow each LDC to determine when they will implement each of the individual provisions, as well as those provisions for which they will require technical assistance and support for capacity building. To take advantage of these S&DT flexibilities, the 16 LLDCs that are LDC Members, must place each provision of the Agreement into one of three categories (A, B or C) as described below.

- **Category A:** provisions that a landlocked LDC Member designates for implementation within one year of the Agreement entering into force (LLDCs should already be working on this list)
- **Category B:** provisions that a landlocked LDC Member designates for implementation after a transitional period of time after entry into force of the Agreement
- **Category C:** provisions that a landlocked LDC Member designates for implementation after a transitional period of time and the provision of assistance and support for capacity building

Landlocked LDCs must notify WTO Members of these categorizations in keeping with specific timelines outlined in the Agreement. They must also provide indicative, and later definitive, dates for implementation for the provisions they have designated in categories B and C (Figures 4 and 5).

<sup>45</sup>The “Bali Package” – ‘a series of decisions aimed at streamlining trade, allowing developing countries more options for providing food security, boosting least-developed countries’ trade and helping development more generally’ – Source: WTO- <https://mc9.wto.org/>

**Figure 4: Category B Notification Schedule**



Source: WTO

## Additional Flexibilities for LDCs

The Agreement also provides additional flexibilities. These include:

- **Early Warning Mechanism:** This permits an LDC member to request an extension from the Trade Facilitation Committee if it experiences difficulties in implementing a provision in Category B or C by the date it had notified. The extension will be automatic if the additional time required does not exceed 3 years.
- **Expert Group:** Where a requested extension has been granted and a Member lacks capacity to implement, the TF Committee will establish an Expert Group to examine the issue and make a recommendation.
- **Shifting between Categories:** Members will be able to shift provisions between Categories B and C.
- **Grace Period:** Following the entry into force of the Agreement, LDCs will not be subject to the Dispute Settlement Understanding for a period of 6 years for Category A provisions and 8 years for Categories B and C.

## Developing Countries

For Landlocked Developing Countries which are not LDCs, the Agreement provides protection as follows:

- **Early Warning Mechanism:** whereby a Member can request an extension from the WTO Committee on Trade Facilitation if it experiences difficulties in implementing a provision in Category B or C by the date it had notified. The extension will be automatic if the additional time requested does not exceed 18 months.

- Expert Group: where a requested extension has not been granted and a Member lacks capacity to implement, the TF committee will establish an Expert Group to examine the issue and to make a recommendation.
- Shifting between Categories: Members may shift provisions between Categories B and C.
- Grace Period: Following entry into force of the Agreement, developing countries will not be subject to the Dispute Settlement Understanding for a period of 2 years for Category A provisions.

## Transparency Provisions

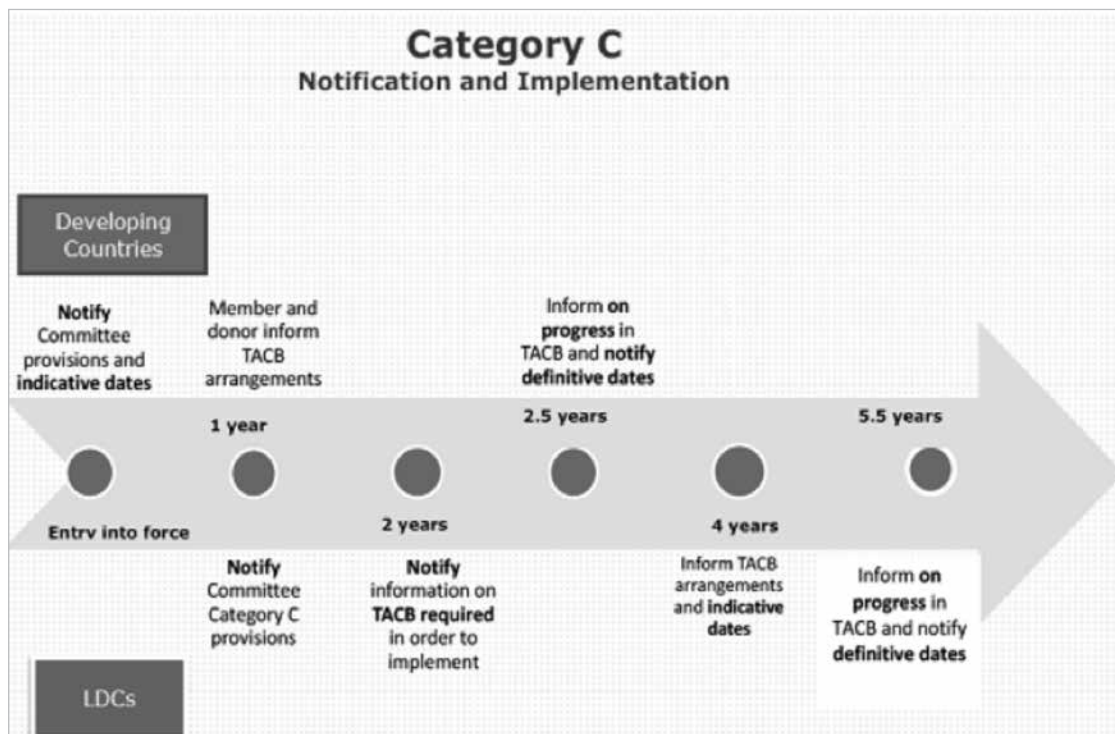
If Landlocked LDCs are experiencing problems with finding donors, the Agreement addresses this concern by prescribing a mechanism to match these LDCs with potential donors. Further, as a confidence building measure and to promote openness and transparency, the TFA instructs both parties – donors and landlocked developing countries and LDCs – to provide specific information to the WTO Committee on Trade Facilitation on capacity building provided and assistance received. Importantly, the Agreement also mandates donors to report on their assistance and support programmes to the Committee on an annual basis.

The information required from donors include:

- annual information on their assistance programs
- the contact points for their agencies responsible for providing assistance, and
- information on the process and mechanisms for requesting assistance and support.

Landlocked Developing Countries and LDCs for their part must provide information on contact points of the office(s) responsible for coordinating and prioritizing assistance and support for their country.

**Figure 4: Category B Notification Schedule**



Source: WTO

## **Implications of the S&DT Provisions for LLDCs**

The Agreement on Trade Facilitation does not explicitly refer to LLDCs in the drafting of the S&DT provisions. But by virtue of the fact that several Articles, in particular Article 11, provides explicit instructions for the treatment of transit trade, LLDCs are well placed to make a legitimate case for defined capacity building support from development partners. The current period is therefore a critical one for LLDCs. Given their obvious needs in terms of trade facilitation, LLDCs should be active in identifying obligations that fall into Categories B and C (Category A obligations should already have been decided upon). For Category C obligations, there is the possibility to make the delivery of assistance a genuinely demand driven process by working with donors and multilaterals to identify needs, and design programs to build capacity in specific areas.

It is also a key moment for UN and international organisations such as the World Bank, UNCTAD, International Trade Centre, the regional development banks, and the World Customs Organization, to support the LLDCs to identify their needs.

## **Implications of the Dispute Settlement Provisions for LLDCs**

As said earlier, although the LLDCs are not formally recognised as a grouping in the WTO, in negotiations they advance their interests as a group of like-minded countries.

During the trade facilitation negotiations, amongst the main issues of concern for LLDCs were transit countries' requirements that were often cumbersome, and onerous to fulfil. For instance the customs guarantee schemes imposed by some transit countries at the ports of entry to inter alia cover the risks of goods being illegally dumped in their markets; while such guarantee is genuinely necessary, the re-imbursment processes often take long and are costly.

In addition, the fees and charges imposed for handling of transit goods was another issue of concern for LLDCs; these are in some instances excessive, and not commensurate with the services rendered. The Trade Facilitation Agreement in Article 6: Disciplines on Fees and Charges imposed on or in Connection with Importation and Exportation, now provides instructions in this area. With regard to the settlement of disputes under the TFA, the Agreement explicitly provides for a grace period for developing and LDCs under Section II: Article 8. However, the need to develop the domestic legal framework that would enable implementation of the TFA obligations in these countries as well as the LLDCs remains a challenge that could prove costly both in terms of the institutional arrangements and human resource capacity.

Ultimately, fulfilment of the TFA obligations comes with the requirements for inter-institutional coordination, and harmonization of procedures which would require specific technical assistance and capacity building support for the LLDCs if they are to avoid disputes in the long run.

A strategic option would be for the harmonization and adoption of the requisite legal formalities (customs code, regionally integrated transit systems and identical rules applied to logistics service providers and international freight) to be undertaken at a regional level, which would encompass both LLDCs and the transit countries.

As a tactical move, the LLDCs would benefit greatly from providing even more leadership on transit issues by actively engaging with the rest of the WTO membership on the problem of how to implement the Trade Facilitation Agreement in a way which would accrue wide ranging benefits not just to themselves and their

transit neighbours, but to countries which make up their regional economic communities. This would ensure that the challenges faced by regional economic corridors are addressed holistically and expeditiously, whether it be through support from international donors or from the member countries themselves, through the pooling of resources.

## Section 5: **Key Messages**

1. LLDCs are not accorded S&D treatment in the drafting of the Agreement on Trade Facilitation, but because it provides explicit instructions for the treatment of transit trade, LLDCs are well placed to make a legitimate case for defined capacity building support from development partners.
2. The current period is therefore a critical one for LLDCs who should use this period until the ratification of the Agreement to draft their Category B and C schedules in readiness for consultations with donors and stakeholders.

## SECTION 6

# Recommendations and Conclusion

## Policy Discussions

The WTO Trade Facilitation Agreement represents a significant opportunity for LLDCs because:

- Their trade facilitation performance is generally worse than that of coastal countries, so they are the most in need of upgrading.
- The TFA promotes national trade facilitation improvements.
- The TFA deals explicitly with freedom of transit, and appears to impose at least some legally binding obligations on transit countries.
- The TFA's unique approach to S&DT makes it possible, at the present time, for each LLDC to design its own program of technical assistance and capacity building to assist it in implementing the TFA on a national level.

Although LLDCs as a group are never mentioned in the TFA, the Agreement holds particular promise for them because freedom of transit is a central issue. LLDCs are heavily dependent on the quality of trade facilitation performance in neighbouring countries, and could significantly benefit both from upgrading in these countries, as well as from specific measures designed to simplify transit procedures. In principle, the improvements set out in the TFA could result in a transit environment that is more efficient, in the sense that it moves LLDCs exports and imports more quickly, at lower cost, and more reliably than at present. There is thus the potential for LLDCs to realize significant trade gains from the implementation of the TFA.

It is important to note, however, that the TFA is by no means a panacea for LLDCs. In particular, it strictly follows a national approach—which is dictated by the nature of the WTO itself—does not deal with issues such as regional economic corridors. Forums other than the WTO will remain important for the design and implementation of these kinds of programs, as well as their financing. Much of this work has traditionally been led by the Development Banks, and international organisations such as the World Customs Organisation, along with selected donor country development agencies. There are, however, synergies to be exploited in bringing all stakeholders together to exchange experiences and facilitate knowledge transfer, as well as to pool resources and ideas for infrastructure development, regulatory reform, technical assistance and capacity. An organization like ITT-LLDCs can play a useful coordinating role in this regard. To support these endeavours, a networking platform for LLDCs which promotes and shares good practices on TFA implementation provisions of interest to LLDCs as well as other targeted information and guidelines should be developed.

In addition to coordination, there is need to foster monitoring and evaluation of trade facilitation issues that are of particular importance to LLDCs. For instance, it will be important for LLDCs to identify which TFA obligations their neighbours have put into Categories B and C, and when the relevant transition periods are set to expire. Although the language of the TFA is legally constraining in relation to some important aspects of freedom of transit, there is an important caveat: if a developing country neighbour specifies freedom of transit as a Category C obligation, it will not become fully legally binding and justiciable until the expiration of a transition period decided by that country, and the provision of appropriate assistance by others. A collaboration with the WCO and other international organisations like the World Bank could be useful in this respect since the WCO in particular

has recently developed a useful measurement tool which will help countries to track their performance against each Article and provision in the TFA. It will also be important to monitor the improvements or decreases in trade transaction costs related to the implementation of the TFA

## **Specific Recommendations**

The following are the specific recommendations for LLDCs, transit countries, UN system agencies and regional commissions, the WTO, donors including the World Bank and regional development banks, other international partners and the private sector.

The action plan for TFA implementation should seek to address the following issues in the short to medium term:

1. Landlocked developing countries and transit countries must ratify the Trade Facilitation Agreement as quickly as possible (once the current deadlock is resolved.)
2. Securing the resources (Aft) for and on behalf of the LLDCs for soft and hard infrastructure improvements and technical resources for regulatory reform.
3. Integration of LLDC customs and border procedures with transit countries and developing strategies to promote the facilitation of transit.

### **Landlocked Developing Countries should:**

1. Identify their needs and gaps in terms of TFA implementation.
2. Conduct sensitization of all stakeholders, including the private sector about the Agreement, including the expected roles and obligations of various implementing institutions/agencies at the national level.
3. Design and implement tailor- made capacity building programmes for all stakeholders, including for the private sector in order to ensure the effective implementation of the Agreement.
4. Take the lead in TFA consultations and needs assessment exercises that can inform how the LLDC programs are built.
5. LLDCs should endeavour to allocate adequate resources to enable preparedness of their national institutions involved in the implementation of the Agreement such as National Trade and Transport Facilitation Committees, Customs Administrations in their reform and modernization programs, transport and border agencies.
6. LLDCs could engage ITT-LLDCs as a center for excellence for analytical research and policy advice. Thus LLDCs that have not yet ratified the multilateral agreement on establishing the LLDC International Think Tank are invited to do so in order to utilize the ITT-LLDCs to its full extent.

### **Transit Countries should:**

1. Identify needs and gaps in terms of TFA implementation and improvements to transit corridors
2. Conduct joint stakeholder consultations with LLDCs about the Agreement including the expected roles and obligations of various implementing institutions/agencies along the regional corridor



## **LLDCs and Transit Countries with the Support of Donors and Development Banks should:**

1. Work together to build infrastructure, especially cross-border infrastructure such as trade corridors, and conduct regulatory reform aimed at reducing trade costs.
2. Mobilise resources to support continuing private sector engagement in the design and implementation of TFA response programmes.
3. Work together to build infrastructure, especially cross-border infrastructure such as trade corridors, and conduct regulatory reform aimed at reducing trade costs;

## **UN and International Organisations should:**

1. Create a platform/forum for exchange of information to enable peer to peer learning among LLDCs in the implementation of the Agreement.
2. Explore the establishment of a LLDC Trade Facilitation Working Group with active engagement in Geneva discussions during the Agreement ratification process and immediate follow-up thereafter.
3. Assist the LLDCs to implement the Trade Facilitation Agreement.
4. Conduct sensitization of all stakeholders about the Agreement including the expected roles and obligations of various implementing institutions/agencies at the National level and provide tools and guidance on LLDC specific needs to National Trade and Transport Facilitation bodies and customs and border agencies.
5. Explore the opportunities with the WTO for earmarked funding from the proposed WTO Trade Facilitation Funding Facility to address some of the LLDC requirement listed earlier, and the funding concerns of the LLDCs. The model of the Enhanced Integrated Fund, albeit a more modest one, could be useful as a template for an LLDC facility for TFA implementation.
6. ITT-LLDCs should provide LLDCs with a platform for knowledge sharing, support for intra-LLDC collaboration and other South-South engagement as well as for global cooperation. ITT should also provide an online portal for exchanging views and the best practices to LLDCs. The ITT should support LLDCs to tackle persisting and emerging challenges by providing evidence-based advisory services and organizing high-level expert group meetings and workshops.

## **Development Banks (World Bank, AfDB, ADB, IADB) should:**

1. Mobilize technical expertise to assist LLDCs to design their requests for support and as well for implementation and /or
2. Provide financial assistance to LLDCs to meet the obligations under the TFA.

Donors should:

1. Mobilise resources to fill the funding gaps for soft and hard infrastructure
2. Mobilize technical expertise to assist LLDCs with the implementation of the above
3. Provide financial assistance to LLDCs to meet the obligations under the TFA.



## **The UN System agencies (UNCTAD, UNIDO, UNDP, ITC etc.), WCO, UN Regional Commissions (ESCAP, ECE, ECA, ESCWA, ECLA C) should:**

1. Mobilize resources for implementation of the TFA, in concert with LLDCs, and according to the needs and priorities they identify.
2. Support this process with the provision of resources and technical expertise.
3. Design and implement tailor made Capacity Building Programmes for all stakeholders in order to ensure the effective implementation of the Agreement.
4. Share trade facilitation best practice performance measurement tools and methodologies such as the WCO Trade Facilitation Implementation Guide with the LLDCs.

## **Conclusion**

With the benefit of the evidence presented in the previous Sections, it is clear that the policy options for the LLDCs and how they approach implementation of the WTO Agreement on Trade Facilitation, should not just focus on garnering financial support to meet the obligations in Section 1. It is necessary to direct concerted efforts in attracting the policy advice and financial support needed to meet the wider gains of trade and transit facilitation. This should be done with the aim of improving their trade competitiveness and advancing the gains recorded by most LLDCs since the APoA was adopted a decade ago. In this respect, UN system organisations and international organisations including UN-OHRLLS and the ITT-LLDCs are well positioned to advocate this broader treatment of trade facilitation for LLDCs, especially in the context of aid for trade.

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## Annex 1

# Implementing the Trade Facilitation Agreement: An Example of Performance Measurements<sup>46</sup>

*Note: The World Customs Organisation has developed this analytical tool to measure TFA implementation. An excerpt of the tool is presented here as an example which could be useful in helping LLDCs to see how they could chart their progress in implementing elements of the TFA. The complete tool can be downloaded from WCO website.*

## Article 1: Publication and Availability of Information

### 1. Publication

**The WTO TFA asks Members to promptly publish information regarding Customs procedures, such as importation, exportation and transit procedures, applied rates of duties and taxes, and fees and charges, in a non-discriminatory and easily accessible manner.**

Each Member shall promptly publish the following information in a non-discriminatory and easily accessible manner in order to enable governments, traders and other interested parties to become acquainted with them:

- a. Importation, exportation and transit procedures (including port, airport, and other entry-point procedures) and required forms and documents;
  - b. Applied rates of duties and taxes of any kind imposed on or in connection with importation or exportation;
  - c. Fees and charges imposed by or for governmental agencies on or in connection with importation, exportation or transit;
  - d. Rules for the classification or valuation of products for customs purposes;
  - e. Laws, regulations and administrative rulings of general application relating to rules of origin;
  - f. Import, export or transit restrictions or prohibitions;
  - g. Penalty provisions against breaches of import, export or transit formalities;
  - h. Appeal procedures;
  - i. Agreements or parts thereof with any country or countries relating to importation, exportation or transit;
  - j. Procedures relating to the administration of tariff quotas.
- 1.2 Nothing in these provisions shall be construed as requiring the publication or provision of information other than in the language of the Member except as stated in paragraph 2.2.

<sup>46</sup> Source: WCO Implementing the WTO Trade Facilitation Agreement (TFA) Implementation Guidance

## Performance Indicators

### Yes/No Question

Do you publish Customs Laws regulations, procedures (including all associated regulatory documents), fee and charges imposed prior to implementation?

### Quantitative indicators

% of information stipulated in Article 1.1 of TFA publicly available

## 2. Information Available Through the Internet

**The WTO TFA requires Members to make available, and update, relevant information through the internet. The information concerned relates to importation, exportation and transit procedures, the forms and documents required, and contact information on enquiry points.**

- 2.1. Each Member shall make available, and update to the extent possible and as appropriate, the following through the internet:
  - a. A description<sup>47</sup> of its importation, exportation and transit procedures, including appeal procedures that informs governments, traders and other interested parties of the practical steps needed to import and export, and for transit;
  - b. The forms and documents required for importation into, exportation from, or transit through the territory of that Member;
  - c. Contact information on enquiry points.
- 2.2. Whenever practicable, the description referred to in subparagraph 2.1 a. shall also be made available in one of the official languages of the WTO.
- 2.3. Members are encouraged to make available further trade related information through the internet, including relevant trade-related legislation and other items referred to in paragraph 1.1.

## Performance Indicators

### Yes/No Question

Do you make available on the internet information on importation, exportation, transit and appeal procedures (including all associated regulatory documents), fees and charges?

### Quantitative indicators

- % of information stipulated in Article 1.1 of the TFA publicly available on the internet
- No. of visits to the Webpage

<sup>47</sup> Each Member has the discretion to state on its website the legal limitations of this description

### 3. Enquiry Points

**The WTO TFA requires Members to establish or maintain one or more enquiry points within their available resources. The enquiry points must answer enquiries and provide the forms and documents for importation, exportation and transit, within a reasonable time period.**

- 3.1. Each Member shall, within its available resources, establish or maintain one or more enquiry points to answer reasonable enquiries of governments, traders and other interested parties on matters covered by paragraph 1.1 as well as to provide the required forms and documents referred to in subparagraph 1.1 a.
- 3.2. Members of a customs union or involved in regional integration may establish or maintain common enquiry points at the regional level to satisfy the requirement of paragraph 3.1 for common procedures.
- 3.3. Members are encouraged not to require the payment of a fee for answering enquiries and providing required forms and documents. If any, Members shall limit the amount of its fees and charges to the approximate cost of services rendered.
- 3.4. The enquiry points shall answer enquiries and provide the forms and documents within a reasonable time period set by each Member, which may vary depending on the nature or complexity of the request.

### Performance Indicators

#### Yes/No Question

- Do you have one or more enquiry points to answer enquiries of interested parties?

#### Quantitative indicators

- Average times between receipt of enquires and issuance of answers
- No. of answers issued per year

### 4. Notification

**The WTO TFA requires Members to give notification of the official place(s) where information has been published. The URLs of websites publishing information must also be notified**

- 4.1. Each Member shall notify the Committee of:
  - a. The official place(s) where the items in subparagraphs 1.1 a. to j. have been published; and
  - b. The URLs of website(s) referred to in paragraph 2.1, as well as the contact information of the enquiry points referred to in paragraph 3.1

## **Article 5: Other Measurers to Enhance Impartiality, Non-Discrimination and Transparency**

### **1. Notification for Enhanced Controls or Inspections**

**Where a Member adopts or maintains a system of notifications for enhancing controls or inspections in respect of foods, beverages or feedstuffs, the Member should follow certain principles such as risk-based and uniform application.**

Where a Member adopts or maintains a system of issuing notifications or guidance to its concerned authorities for enhancing the level of controls or inspections at the border in respect of foods, beverages or feedstuffs covered under the notification or guidance for protecting human, animal, or plant life or health within its territory, the following disciplines shall apply to the manner of their issuance, termination or suspension:

- a. each Member may, as appropriate, issue the notification or guidance based on risk.
- b. each Member may issue the notification or guidance so that it applies uniformly only to those points of entry where the sanitary and phytosanitary conditions on which the notification or guidance are based apply.
- c. each Member shall promptly terminate or suspend the notification or guidance when circumstances giving rise to it no longer exist, or if changed circumstances can be addressed in a less trade restrictive manner.
- d. when a Member decides to terminate or suspend the notification or guidance, it shall, as appropriate, promptly publish the announcement of its termination or suspension in a non-discriminatory and easily accessible manner, or inform the exporting Member or the importer.

### **Performance Indicators**

#### **Yes/No Question**

- Do you have a system of issuing notifications or guidance for enhancing the level of controls at the border?

#### **Quantitative indicators**

- No. of notifications or guidance issued per year

### **2. Detention**

**The WTO TFA asks Members to inform the carrier or importer promptly when goods declared for importation are detained for inspection.**

A Member shall inform the carrier or importer promptly in case of detention of goods declared for importation, for inspection by Customs or any other competent authority.

### **Performance Indicators**

#### **Yes/No Question**

- Do you inform the carrier or importer of the detention of goods declared for importation?

## Quantitative indicators

- Average times between detentions and notifications

## 3. Test Procedures

**The WTO ATF allows Members to grant an opportunity for a second test where the first test shows an adverse finding. Members should consider the result of the second test in the release and clearance of goods.**

- 3.1. A Member may, upon request, grant an opportunity for a second test in case the first test result of a sample taken upon arrival of goods declared for importation shows an adverse finding.
- 3.2. A Member shall either publish, in a non-discriminatory and easily accessible manner, the name and address of any laboratory where the test can be carried out or provide this information to the importer when it is granted the opportunity under paragraph 3.1.
- 3.3. A Member shall consider the result of the second test in the release and clearance of goods, and, if appropriate, may accept the results of such test.

## Performance Indicators

### Yes/No Question

- Do you grant an opportunity for a second test?

### Quantitative indicators

- No. of second tests conducted per year

## Article 7: Release and Clearance of Goods

### 1. Pre-arrival Processing

**The ATF requires Members to adopt or maintain procedures allowing for the submission of import documentation prior to the arrival of goods. Members are also required, as appropriate, to allow electronic lodgement of such documents**

- 1.1. Each Member shall adopt or maintain procedures allowing for the submission of import documentation and other required information, including manifests, in order to begin processing prior to the arrival of goods with a view to expediting the release of goods upon arrival.
- 1.2. Members shall, as appropriate, provide for advance lodging of documents in electronic format for pre-arrival processing of such documents.

## Performance Indicators

### Yes/No Question

- Do you allow the submission of Customs import declarations prior to the arrival of goods?



## Quantitative indicators

- % of pre-arrival declarations relative to all Customs import declarations

## 2. Electronic Payment

**The TFA asks Members to adopt or maintain procedures that allow the electronic payment of duties and taxes collected by Customs. The RKC requires the application of information technology to support Customs operations.**

Each Member shall, to the extent practicable, adopt or maintain procedures allowing the option of electronic payment for duties, taxes, fees and charges collected by customs incurred upon importation and exportation.

## Performance Indicator

### Yes/No Question

- Do you have a system and procedures to allow the electronic payment of duties?

### Quantitative indicators

- % of electronic payment relative to the total amount of duties collected

## 3. Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges

**The TFA requests Members to adopt or maintain procedures allowing the release of goods prior to the final determination of customs duties, taxes, fees and charges. The TFA contains provision relating to guarantees to ensure the payment of customs duties, taxes, fees and charges.**

- 3.1. Each Member shall adopt or maintain procedures allowing the release of goods prior to the final determination of customs duties, taxes, fees and charges, if such a determination is not done prior to, or upon arrival, or as rapidly as possible after arrival and provided that all other regulatory requirements have been met.
- 3.2. As a condition for such release, a Member may require:
  - a. payment of customs duties, taxes, fees and charges determined prior to or upon arrival of goods and a guarantee for any amount not yet determined in the form of a surety, a deposit or another appropriate instrument provided for in its laws and regulations; or
  - b. a guarantee in the form of a surety, a deposit or other appropriate instrument provided for in its laws and regulations.
- 3.3. Such guarantee shall not be greater than the amount the Member requires to ensure payment of customs duties, taxes, fees and charges ultimately due for the goods covered by the guarantee.
- 3.4. In cases where an offence requiring imposition of monetary penalties or fines has been detected, a guarantee may be required for the penalties and fines that may be imposed.
- 3.5. The guarantee as set out in paragraphs 3.2 and 3.4 shall be discharged when it is no longer required.
- 3.6. Nothing in these provisions shall affect the right of a Member to examine, detain, seize or confiscate or deal with the goods in any manner not otherwise inconsistent with the Member's WTO rights and obligations

## Performance Indicators

### Yes/No Question

- Do you adopt or maintain procedures allowing the release of goods prior to the payment of duties?

### Quantitative indicators

- % of Customs import declarations permitted for release of goods prior to the payment of duties, relative to all Customs import declarations

## 4. Risk Management

### **The TFA obliges Members, to the extent possible, to adopt or maintain a risk management system for Customs control**

- 4.1. Each Member shall, to the extent possible, adopt or maintain a risk management system for customs control.
- 4.2. Each Member shall design and apply risk management in a manner as to avoid arbitrary or unjustifiable discrimination, or disguised restrictions to international trade.
- 4.3. Each Member shall concentrate customs control and, to the extent possible other relevant border controls, on high risk consignments and expedite the release of low risk consignments.

Each Member may also select, on a random basis, consignments for such controls as part of its risk management.

- 4.4. Each Member shall base risk management on assessment of risk through appropriate selectivity criteria. Such selectivity criteria may include, *inter alia*, HS code, nature and description of the goods, country of origin, country from which the goods were shipped, value of the goods, compliance record of traders, and type of means of transport.

## Performance Indicators

### Yes/No Question

- Do you adopt or maintain a risk management system for Customs control?

### Quantitative indicators

- % of Customs import declarations directed for documentary examination
- % of Customs import declarations directed for physical inspections

## 5. Post-Clearance Audit

### **The TFA obliges Members, to the extent possible, to adopt or maintain post-clearance audits to expedite the release of goods and ensure compliance with relevant provisions.**

- 5.1. With a view to expediting the release of goods, each Member shall adopt or maintain post-clearance audit to ensure compliance with customs and other related laws and regulations.
- 5.2. Each Member shall select a person or a consignment for post-clearance audit in a risk-based manner, which may include appropriate selectivity criteria. Each Member shall conduct post-clearance audits in a transparent

manner. Where the person is involved in the audit process and conclusive results have been achieved the Member shall, without delay, notify the person whose record is audited of the results, the person's rights and obligations and the reasons for the results.

5.3. Members acknowledge that the information obtained in post-clearance audit may be used in further administrative or judicial proceedings.

5.4. Members shall, wherever practicable, use the result of post-clearance audit in applying risk management.

## Performance Indicators

### Yes/No Question

- Do you have a post-clearance audit system?

### Quantitative indicators

- No. of post-clearance audits conducted per year

## 6. Establishment and Publication of Average Release Times

**The TFA encourages Members to measure and publish their average release times. The WCO Time Release Study (TRS) is referred to explicitly in the TFA. The TRS is a unique tool and method for measuring the actual performance of Customs activities as they directly relate to trade facilitation at the border.**

6.1. Members are encouraged to measure and publish their average release time of goods periodically and in a consistent manner, using tools such as, *inter alia*, the WCO Time Release Study.<sup>48</sup>

6.2. Members are encouraged to share with the Committee their experiences in measuring average release times, including methodologies used, bottlenecks identified, and any resulting effects on efficiency.

## Performance Indicators

### Yes/No Question

- Do you conduct a Time Release Study (TRS)?

### Quantitative indicators

- Average Customs clearance time for import/export/transit

## 7. Trade Facilitation Measures for Authorised Operators

Article 7.7 (Trade Facilitation Measures for Authorized Operators) of the TFA sets out very specific trade facilitation measures to be provided for 'Authorized Operators' who meet specified criteria, which may include: appropriate record of compliance with customs and other related laws and regulations; system of managing records for necessary internal control; financial solvency; and supply chain security.

7.1. Each Member shall provide additional trade facilitation measures related to import, export or transit formalities and procedures, pursuant to paragraph 7.3, to operators who meet specified criteria, hereinafter

<sup>48</sup> Each Member may determine the scope and methodology of such average release time measurement in accordance with its needs and capacity

called authorized operators. Alternatively, a Member may offer such facilitation measures through customs procedures generally available to all operators and not be required to establish a separate scheme.

- 7.2. The specified criteria shall be related to compliance, or the risk of non-compliance, with requirements specified in a Member's laws, regulations or procedures. The specified criteria, which shall be published, may include:
- a. an appropriate record of compliance with customs and other related laws and regulations;
  - b. a system of managing records to allow for necessary internal controls;
  - c. financial solvency, including, where appropriate, provision of a sufficient security/guarantee; and
  - d. supply chain security

The specified criteria to qualify as an operator shall not:

- a. be designed or applied so as to afford or create arbitrary or unjustifiable discrimination between operators where the same conditions prevail; and
- b. to the extent possible, restrict the participation of small and medium-sized enterprises.

7.3. The trade facilitation measures provided pursuant to paragraph 7.1 shall include at least 3 of the following measures:<sup>49</sup>

- a. low documentary and data requirements as appropriate;
- b. low rate of physical inspections and examinations as appropriate;
- c. rapid release time as appropriate;
- d. deferred payment of duties, taxes, fees and charges;
- e. use of comprehensive guarantees or reduced guarantees;
- f. a single customs declaration for all imports or exports in a given period; and
- g. clearance of goods at the premises of the authorized operator or another place authorized by customs.

7.4. Members are encouraged to develop authorized operator schemes on the basis of international standards, where such standards exist, except when such standards would be an inappropriate or ineffective means for the fulfilment of the legitimate objectives pursued.

7.5. In order to enhance the facilitation measures provided to operators, Members shall afford to other Members the possibility to negotiate mutual recognition of authorized operator schemes.

7.6. Members shall exchange relevant information within the Committee about authorized operator schemes in force.

<sup>49</sup> A measure listed in sub-paragraphs a.-g. will be deemed to be provided to authorized operators if it is generally available to all operators

## 8. Expedited Shipments

The TFA requires Members to establish facilitative procedures to allow expedited release of at least goods entered through air cargo facilities. Facilitative measures include minimizing the documentation required, releasing expedited shipments as rapidly as possible, providing for a *de minimis* shipment value or dutiable amount for which Customs duties and taxes will not be collected.

1. Each Member shall adopt or maintain procedures allowing for expedited release of at least those goods entered through air cargo facilities to persons that apply for such treatment, while maintaining customs control.<sup>50</sup> If a Member employs criteria<sup>51</sup> limiting who may apply, the Member may, in published criteria, require that the applicant shall, as conditions for qualifying for the application of the treatment described in paragraphs 8.2 a. – d. to its expedited shipments:
  - a. provide adequate infrastructure and payment of customs expenses related to processing of expedited shipments, in cases where the applicant fulfils the Member's requirements for such processing to be performed at a dedicated facility;
  - b. submit in advance of the arrival of an expedited shipment the information necessary for release;
  - c. be assessed fees limited in amount to the approximate cost of services rendered in providing the treatment described in paragraph 8.2 a. – d.;
  - d. maintain a high degree of control over expedited shipments through the use of internal security, logistics, and tracking technology from pick-up to delivery;
  - e. provide expedited shipment from pick-up to delivery;
  - f. assume liability for payment of all customs duties, taxes, and fees and charges to the customs authority for the goods;
  - g. have a good record of compliance with customs and other related laws and regulations;
  - h. comply with other conditions directly related to the effective enforcement of the Member's laws, regulations and procedural requirements, that specifically relate to providing the treatment described in paragraph 8.2.

### 8.2. Subject to paragraphs 8.1 and 8.3, Members shall:

- a. minimise the documentation required for the release of expedited shipments in accordance with Article 10.1, and to the extent possible, provide for release based on a single submission of information on certain shipments;
- b. provide for expedited shipments to be released under normal circumstances as rapidly as possible after arrival, provided the information required for release has been submitted;
- c. endeavour to apply the treatment in sub-paragraphs 8.2 a. and b. to shipments of any weight or value recognizing that a Member is permitted to require additional entry procedures, including declarations and supporting documentation and payment of duties and taxes, and to limit such treatment based on the wtype of good, provided the treatment is not limited to low value goods, such as documents; and

<sup>50</sup> In cases where a Member has an existing procedure that provides the treatment in paragraph 8.2, this provision would not require that Member to introduce separate expedited release procedures.

<sup>51</sup> Such application criteria, if any, shall be in addition to the Member's requirements for operating with respect to all goods or shipments entered through air cargo facilities.

- d. provide, to the extent possible, for a *de minimis* shipment value or dutiable amount for which customs duties and taxes will not be collected, aside from certain prescribed goods. Internal taxes, such as value added taxes and excise taxes, applied to imports consistently with Article III of the GATT 1994 are not subject to this provision.
- 8.3. Nothing in paragraphs 8.1 and 8.2 shall affect the right of a Member to examine, detain, seize, confiscate or refuse entry to goods, or to carry out post-clearance audits, including in connection with the use of risk management systems. Further, nothing in paragraphs 8.1 and 8.2 shall prevent a Member from requiring, as a condition for release, the submission of additional information and the fulfilment of non-automatic licensing requirements.

## Performance Indicators

### Yes/No Question

- Do you adopt or maintain procedures allowing for expedited release of goods under Article 8.2 of the TFA?

### Quantitative indicators

- No. of Customs import declarations subject to respective procedures under Article 8.2 of the TFA per year

## 9. Perishable Goods

**The ATF requires Members to adopt or maintain procedures for releasing perishable goods within the shortest possible time, to avoid loss or deterioration. The measures applicable to perishable goods include releasing them outside business hours, giving priority to their examination and arranging for their proper storage.**

### Perishable Goods<sup>52</sup>

- 9.1. With a view to preventing avoidable loss or deterioration of perishable goods, and provided all regulatory requirements have been met, each Member shall:
- a. provide for the release of perishable goods under normal circumstances within the shortest possible time; and
  - b. provide for the release of perishable goods, in exceptional circumstances where it would be appropriate to do so, outside the business hours of customs and other relevant authorities.
- 9.2. Each Member shall give appropriate priority to perishable goods when scheduling any examinations that may be required.
- 9.3. Each Member shall either arrange, or allow an importer to arrange, for the proper storage of perishable goods pending their release. The Member may require that any storage facilities arranged by the importer have been approved or designated by its relevant authorities. The movement of the goods to those storage facilities, including authorizations for the operator moving the goods, may be subject to the approval, where required, of the relevant authorities. The Member shall, where practicable and consistent with domestic legislation, upon the request of the importer, provide for any procedures necessary for release to take place at those storage facilities.

<sup>52</sup> For the purposes of this provision, perishable goods are goods that rapidly decay due to their natural characteristics, in particular in the absence of appropriate storage condition

9.4. In cases of significant delay in the release of perishable goods, and upon written request, the importing Member shall, to the extent practicable, provide a communication on the reasons for the delay.

## **Performance Indicators**

### **Yes/No Question**

- Do you give priority to perishable goods when scheduling examinations?

### **Quantitative indicators**

- No. of Customs import declarations of perishable goods prioritized in examinations

## Annex 2

# Operationalizing the WTO Agreement on Trade Facilitation – Examples of Support from Selected International Development Partners

Name	Activity	Sub Sector	Countries/Regions	Target
Asian Development Bank	Loans and technical assistance for: <ul style="list-style-type: none"> <li>• Implementing GMS Agreement on Facilitation of Cross-Border Transport of Good &amp; People</li> <li>• Central Asia Regional Economic Cooperation(CAREC) Single Window Development</li> <li>• Improved Sanitary and Phytosanitary Handling in GMS Cross Border Trade</li> <li>• Development of National Trade Corridor Highway</li> <li>• Trade Facilitation and Customs Cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure and Trade</li> <li>• International Standards Compliance</li> <li>• Customs</li> </ul>	<ul style="list-style-type: none"> <li>• Greater Mekong Sub-region (GMS)</li> <li>• South East Asia</li> <li>• Central Asia</li> <li>• East-West Economic Corridor</li> <li>• Regional</li> </ul>	<ul style="list-style-type: none"> <li>• Private Sector</li> <li>• Government</li> <li>• Policymakers</li> </ul>
African Development Bank (AfDB)	Loans and technical assistance for <i>inter alia</i> : Regional trade and transport facilitation programmes; Soft and hard infrastructure (ports, container terminals); Private sector development	<ul style="list-style-type: none"> <li>• Regional integration and trade</li> <li>• Training and capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• North Africa</li> <li>• West Africa</li> <li>• East Africa</li> <li>• Central Africa</li> <li>• Southern Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Private Sector</li> <li>• Policymakers</li> </ul>
DFAT (formerly AUSAID) / ASEAN	ASEAN focusing on: Tariff liberalisation, developing Single Window, improving transparency in trade	<ul style="list-style-type: none"> <li>• Policy reform</li> <li>• Infrastructure</li> </ul>	ASEAN countries	<ul style="list-style-type: none"> <li>• Governments</li> <li>• Policymakers</li> </ul>



Name	Activity	Sub Sector	Countries/ Regions	Target
CIDA	<ul style="list-style-type: none"> <li>• Trade related technical assistance</li> <li>• Market Access programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Policy reform</li> </ul>	Multiple	<ul style="list-style-type: none"> <li>• Government</li> <li>• TSIs</li> <li>• Policymakers</li> </ul>
Commonwealth Secretariat	<ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Trade facilitation strategy formulation</li> <li>• Customs capacity building</li> <li>• Port benchmarking studies</li> <li>• Advisory services</li> </ul>	<ul style="list-style-type: none"> <li>• Africa, Asia and the Pacific, Caribbean</li> </ul>	<ul style="list-style-type: none"> <li>• Governments</li> <li>• TSIs and TPOs</li> </ul>
DFID	<ul style="list-style-type: none"> <li>• Technical Assistance</li> <li>• Trade Policy and Administrative Management</li> </ul>	<ul style="list-style-type: none"> <li>• Transport logistics,</li> <li>• Customs modernization,</li> <li>• Infrastructure</li> <li>• Finance</li> <li>• Trade Policy and Administrative Management</li> </ul>	<ul style="list-style-type: none"> <li>• Sub-Saharan Africa</li> <li>• India</li> <li>• LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Governments</li> <li>• International Organisations</li> <li>• Financial Institutions</li> <li>• TSIs</li> <li>• Civil society</li> </ul>
European Commission	Regional Trade Facilitation Projects e.g. (FACT Project)	<ul style="list-style-type: none"> <li>• Customs modernisation</li> <li>• Agriculture</li> <li>• Transport logistics</li> <li>• Regional trade facilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Developing countries &amp; Regions (Africa, Caribbean and the Pacific)</li> </ul>	<ul style="list-style-type: none"> <li>• Governments</li> <li>• Regional bodies</li> </ul>
IADB	<ul style="list-style-type: none"> <li>• Customs improvement</li> <li>• Trade policy</li> <li>• Trade finance</li> <li>• Technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Customs</li> <li>• Transport logistics</li> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Latin America and the Caribbean</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Policymakers</li> <li>• Private sector, TPOs, TSI</li> </ul>

Name	Activity	Sub Sector	Countries/ Regions	Target
ITC	<ul style="list-style-type: none"> <li>• Public Private Dialogue</li> <li>• Non Tariff Measures Surveys</li> <li>• Trade Policy formulation and development</li> <li>• Training and publications</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Facilitation for SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Developing Countries</li> <li>• LDCs</li> <li>• LLDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Governments</li> <li>• Private Sector, TPOs, TSIs</li> <li>• Policymakers</li> </ul>
OECD	<ul style="list-style-type: none"> <li>• Policy reform</li> </ul>	<ul style="list-style-type: none"> <li>• Trade policy</li> </ul>	<ul style="list-style-type: none"> <li>• Various countries</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• International organisations, governments</li> </ul>
TRADEMARK EAST AFRICA	<ul style="list-style-type: none"> <li>• Trade infrastructure incl. Customs Systems, Port upgrades, OSPBs, corridor</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Facilitation</li> <li>• Private Sector Development</li> </ul>	<ul style="list-style-type: none"> <li>• East Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• Governments</li> <li>• TSIs</li> </ul>
UNECA	<ul style="list-style-type: none"> <li>• Capacity Building</li> <li>• Trade facilitation and transport online databases</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Facilitation</li> <li>• Trade Policy</li> <li>• Private Sector Development</li> </ul>	<ul style="list-style-type: none"> <li>• Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers, governments, international organisations</li> </ul>
UNECLAC	<ul style="list-style-type: none"> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Facilitation</li> <li>• Trade Policy development</li> <li>• Private Sector Development</li> </ul>	<ul style="list-style-type: none"> <li>• Latin America and the Caribbean</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers, governments, international organisations</li> </ul>
UNESCAP	<ul style="list-style-type: none"> <li>• Single windows,</li> <li>• Capacity building</li> <li>• Trade facilitation and transport online databases</li> </ul>	<ul style="list-style-type: none"> <li>• Trade facilitation</li> <li>• Trade policy</li> </ul>	<ul style="list-style-type: none"> <li>• Asia and the Pacific</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers, governments, international organisations</li> </ul>
UNECE	<ul style="list-style-type: none"> <li>• Implementation of international trade facilitation norms and e- standards</li> <li>• E-business</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and trade policy development</li> </ul>	<ul style="list-style-type: none"> <li>• Various countries</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• Governments</li> <li>• Private sector groups</li> </ul>

Name	Activity	Sub Sector	Countries/ Regions	Target
UNCTAD	<ul style="list-style-type: none"> <li>• Single Windows</li> <li>• Technical Assistance</li> <li>• Capacity building</li> <li>• Research and analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Transport Logistics</li> <li>• Trade Facilitation</li> <li>• Multimodal transport, ports, customs modernization, e-commerce</li> </ul>	<ul style="list-style-type: none"> <li>• Select developing countries</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• Private sector</li> </ul>
UN-OHRLLS	<ul style="list-style-type: none"> <li>• Technical assistance</li> <li>• Advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Facilitation</li> <li>• Transit policy and facilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Policymakers</li> </ul>
USAID	<ul style="list-style-type: none"> <li>• Technical assistance regionally through trade hubs</li> </ul>	<ul style="list-style-type: none"> <li>• Customs, transport systems</li> <li>• Infrastructure</li> <li>• Private sector support</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Policymakers</li> <li>• Private Sector</li> <li>• International organizations</li> </ul>
World Bank	<ul style="list-style-type: none"> <li>• Lending</li> <li>• Grants</li> <li>• Technical assistance for Transport, Logistics and Trade</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• Electronic Single Windows</li> <li>• Customs Modernisation</li> <li>• Transport and logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> <li>• LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Policymakers</li> <li>• Other international organizations</li> </ul>
World Customs Organisation	<ul style="list-style-type: none"> <li>• Promoting customs reform, single window concept, improved border management</li> </ul>	<ul style="list-style-type: none"> <li>• Policy, Customs infrastructure</li> <li>• Customs Management</li> <li>• Border Management and enforcement</li> <li>• Trade Facilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• Governments</li> </ul>

Name	Activity	Sub Sector	Countries/ Regions	Target
World Trade Organization (WTO)	<ul style="list-style-type: none"> <li>• Technical assistance</li> <li>• Secretariat for the Enhanced Integrated Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Policy, laws &amp; Regulations</li> <li>• Trade Facilitation Agreement Facility<sup>53</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Various WTO member countries</li> <li>• LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Policymakers</li> <li>• Governments</li> <li>• Other international organisations</li> </ul>

Sources: Various, including information from organizations' websites.

<sup>53</sup> Subject to the WTO Trade Facilitation Agreement entering into force.