

# Session 3

## ENHANCING COOPERATION ON THE INTERNATIONAL TRADE AND TRADE FACILITATION

### BACKGROUND

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda acknowledge that international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development for countries. However high trade costs constrain landlocked developing countries (LLDCs) to fully participate in international trade. LLDCs are faced with long distances to the seaports, poorly developed transport and transit systems, cumbersome border and transit procedures and as a result, they have to pay more than double what coastal countries incur as well as require a longer amount of time to send and receive merchandise from overseas markets. On takes about 47 days to import and 49 days to export a container by an LLDC which is more than double the time taken by transit countries. The average cost of exporting a container from an LLDC is estimated to be about \$3,200, whereas for a transit country the average cost average it is \$1,300.

one of the priorities for implementation. The VPoA highlights the need for simplification, harmonization and streamlining of border crossing and transit procedures; to improving transit facilities and their efficiency with the aims of reducing port and border delays and transaction costs for LLDCs, respectively.

The VPoA also recognises the high transport cost as well as delays and inefficiencies at the borders leading to high trade costs greatly contribute to the continued marginalisation of the LLDCs and as such identifies trade facilitation as one of the priorities for implementation. The VPoA highlights the need for simplification, harmonization and streamlining of border crossing and transit procedures; to improving transit facilities and their efficiency with the aims of reducing port and border delays and transaction costs for LLDCs, respectively. The LLDCs recognize the importance of the WTO Trade Facilitation Agreement in reducing the excessive trade cost as well as delays faced by LLDCs. In this regard, the entry into force of the WTO Trade Facilitation Agreement on 22nd February

The VPoA identifies international trade as one of its priorities and recognise the need to prioritise policies and measures necessary to diversify the production and export structures of LLDCs and to enhance their productivity and competitiveness in order to take full advantage of the multilateral trading system. It also recognises the importance of trade in services as an important enabler of trade in goods and effective participation of LLDCs in regional and global value chains. Integration into the value chains, particularly regional value chains can reduce the trade cost for LLDCs due to proximity the markets and lower administrative burdens. To integrate into the regional value chains regional integration and cooperation is of utmost importance. Regional and global trade policies should support the LLDCs efforts to creating a conducive and enabling environment for optimal integration of the LLDCs.

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Landlockedness is therefore identified as a major impediment to trade as it hinders full participation of LLDCs in international trade as well as from benefiting from global trade. UN-OHRLLS estimated that, on average, the volume of international trade of a landlocked developing country is about 60% of the trade volume of comparable coastal country. Merchandise exports from LLDCs as a share of world exports is also estimated to be just about 1% whereas the share of transit coastal countries represents about 24%. In addition, the exports in LLDC countries are generally concentrated on commodities. These exports are high-volume and low-value and this magnifies the problem of trade costs for LLDCs. The reliance of LLDCs on commodity exports also makes them vulnerable to potential negative shocks in commodity prices.

Due to challenges faced by the LLDCs, these countries remain marginalised and are faced with developmental challenges. Integrating the LLDCs into the global trade can spur economic growth, which is a necessary condition for broader development outcomes to be realized and thus ensure that the LLDCs are “not left behind.”


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2017 marked a very important milestone not only for the global trading system but more importantly for the LLDCs as its implementation will cut customs-related red tape, ease the flow of trade between countries by simplifying customs procedures, speed up the clearance of goods, supporting cooperation among customs officials, and thus making it quicker and more efficient for goods to cross borders. The WTO estimates that the implementation of the Trade Facilitation Agreement can cut cost by between 9.6% and 23.1%. To date 17 LLDCs and 20 transit countries that are WTO members have ratified the agreement. It is important that those Members who have not yet ratified the Agreement do so in order to benefit from its implementation.

Most LLDCs are still at a low level of development and as such are faced with implementation challenges including human and institutional capacities including financial constraints. In this regard, integrating the LLDCs into the global trade requires effective cooperation by LLDCs, transit countries, development partners and the private sector. Working together in pursuit of the goals of the VPoA will facilitate development in LLDCs and the achievement of the SDGs. This involves the LLDCs and transit countries working together to improve the soft infrastructure that includes the legal framework (international transit transport and trade facilitation treaties, and regional, sub-regional and bilateral agreements), customs and border procedures, automation of processes, transparent and consistent fees and charges, regulatory consistency in how rules at the border are applied, harmonization of relevant policies including trade policies, and strengthening of the institutions involved including in the transport sector, customs, immigration and others.

## AIM OF THE SESSION:

 The session will discuss ways of enhancing cooperation between the LLDCs and transit countries to promote trade and trade facilitation including the WTO Trade Facilitation Agreement and share best practices.

## ISSUES TO BE DISCUSSED:

- How can cooperation be enhanced between the LLDCs, transit countries, development partners and the private sector to facilitate trade and reduce trade cost for LLDCs?
- How can the LLDCs and transit countries work together to promote the speedy implementation of the WTO Trade Facilitation Agreement?
- How can export performance of the LLDCs be boosted to ensure trade contributes to the achievement of the SDGs by the LLDCs?



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