CONCEPT NOTE

Driving trade competitiveness and economic diversification and inclusion of Landlocked Developing Countries in Global trade through trade facilitation

Side event during the Aid for Trade Global Review

9:00 – 10:00, 4 July 2019

Venue: Room E, World Trade Organization, Geneva

Background

Due to their geographical location LLDCs remain on the periphery of major markets. They face high trade costs that are largely a result of long distances from the nearest seaports, multiple border crossings, complex administrative transit and border procedures and weak institutional and human capacities. High trade costs affect the competitiveness of LLDCs in international trade as well as their ability to produce at low costs. They also reduce the rate of return on capital required by investors to finance projects in the LLDCs. The ability of the LLDCS to use trade as a tool for growth and diversifying their economies is therefore undermined. Trade can contribute to higher levels of investment, which can enhance production, help upgrade technology and boost productivity. This is important for sustained development. Achieving this beneficial interaction between trade and investment catalyzes the structural transformation of economies, creates jobs and develops skills in direct support of Sustainable Development Goals (SDGs) and this is vital for the LLDCs.

Due to the high trade costs the 32 LLDCs remain marginalized from global trade. They account for less than 1% of global merchandise exports and their exports are undiversified and are mainly primary commodities. While the LLDCs are marginal players in trade at global level, international trade is of critical importance to their economies. In 2017, trade as a percentage of GDP was about 31% for LLDCs Enhancing their participation can therefore greatly contribute to the achievement of the SDGs by these countries.

The World Trade Organization Trade Facilitation Agreement (TFA) can be effective in addressing some major supply chain barriers faced by LLDCs. It is estimated that the full implementation of this Agreement could reduce global trade costs by an average of 14.3 per cent (WTO, 2015). The reduction in trade costs is expected to be even higher in LLDCs. Addressing the high costs of
LLDCs also requires addressing transit systems, including the physical infrastructure, the necessary soft infrastructure that includes the legal framework and institutions, and the procedures serving trade corridors. LLDCs however still lag behind most countries in these key aspects. On transport infrastructure, the road transport system is the leading mode of transport for most LLDCs but these countries have relatively poor road network when compared to their transit neighbors and they lag behind the averages of all developing countries, developed countries and world. According to UN-OHRLLs Global Report on Improving transit cooperation, trade and trade facilitation in LLDCs the proportion of the highway that is in the LLDCs is 29% and about 58% of the highways in the LLDCs falls below Class III (lowest classification) category, indicating the large requirement to invest and improve this transport infrastructure in these countries.

The VPoA recognizes that LLDCs are faced with inadequate capacities, including in customs and border entities, transit transport agencies, and implementation of transit and trade facilitation agreements, including the World Trade Organization Agreement on Trade Facilitation. Support including through Aid for Trade to LLDCs to undertake significant trade facilitation reforms as well as for transport infrastructure development is necessary for the LLDCs to be able to transform their economies and achieve VPoA objectives as well as the 2030 Agenda for Sustainable Development.

The TFA contains 36 measures aimed at expediting the movement, release and clearance of goods, including goods in transit. The degree of impact of trade facilitation measures in reducing trade costs and achieving efficiency may differs by country given countries unique circumstances. OECD identified measures, by income groups, that could have greater impact in reducing costs if fully implemented. For low income countries, a category where most of the LLDCs fall, these measures include: Documents, Automation, Information availability, and Procedures. The LLDCs have unique challenges which include crossing multiple borders and changing transport modes as well as inadequate transit transport infrastructure. These countries therefore require specific interventions to address their unique challenges. It is therefore necessary to assess and identify measures that can have greater impact in addressing the high trade costs faced by the LLDCs.

Objectives

The meeting will review progress by LLDCs in the implementation of the TFA and identify constraints faced by LLDCs in implementation of the Trade Facilitation Agreement. The meeting will also consider trade facilitation measures with a view to identifying measures that can have greater impact in addressing high trade costs faced by LLDCs and will make recommendations on measures that should be prioritized for implementation by LLDCs and for aid for trade support. Recommendations from the meeting will feed into the preparations of the Midterm Review of the VPoA for the LLDCs.

Organizers

The meeting will be organized by UN-OHRLLS and Paraguay.
Participants
The meeting will be attended by LLDCs, transit countries, development partners, academia and other relevant stakeholders attending the Global Review of Aid for Trade.

Format
The meeting will feature panel presentations by panelists representing different stakeholders including representatives from UN, other international organizations and Members States. The panel presentations will be followed by an interactive dialogue with members of the audience.

Date and Venue
The meeting will be held on 4 July 2019 in the margins of the Aid for Trade Global Review in Geneva.

Background Documents
Vienna Programme of Action for Landlocked Countries for the Decade 201-2024
WTO Trade Facilitation Agreement (TFA)
Global Survey on Trade Facilitation and Paperless Trade Implementation
Aid for Trade at a Glance 2019