BRIEFING PAPER 5

International Trade and Trade Facilitation

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Landlocked Developing Countries (LLDCs) face special challenges that are associated with their lack of direct territorial access to the sea and remoteness and isolation from world markets. Their seaborne trade unavoidably depends on transit through other countries. Additional border crossings and the long distance from major markets, coupled with cumbersome transit procedures and inadequate infrastructure, substantially increase the total expenses for the transport services and other transaction costs that erode the competitive edge of LLDCs. As a result the LLDCs are disadvantaged from fully utilizing trade for their development. Greater integration of LLDCs in world trade and into global value chains, as well as enhanced trade facilitation is vital for increasing their competitiveness and ensuring their economic development.

Integrating LLDCs in Global and Regional Trade Markets

LLDCs' merchandise exports have increased five-fold in value since the Almaty Programme of Action was adopted. In 2003, the value of merchandise exports from LLDCs accounted for a negligible 0.58 per cent of the global volume. As of 2013, the share of global merchandise export from such countries had more than doubled to 1.2 per cent. This however still remains negligible, highlighting the continued marginalization of LLDCs from world markets. In addition, the export structure of LLDCs continues to be increasingly characterized by reliance on a limited number of export products, in particular agricultural and mineral resources. More efforts are needed to diversify the production and export structure of LLDCs, and enhance their productivity in order to take advantage of the multilateral trading system.

With the growing inter-linkages in world trade, investment and production, global value chains account for a rising share of international trade, offering new opportunities for many developing countries. Yet, LLDCs have not been able to fully participate in regional and global value chains. Linking into global value chains presents an opportunity for LLDC to become important links in the production and distribution chain.

Regional integration arrangements (RIA) have over the years contributed to the expansion of trade for LLDCs, broadening LLDCs' markets and boosting their supply-side capacity. Increasingly, RIAs are

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embarking on infrastructure development projects at the regional level – extensive road networks, advanced telecommunications technology, energy grids, etc., which, aside from helping address LLDCs' key supply-side constraints, also facilitates trade among and beyond the RIA members, while also boosting productivity.

The Doha Round of WTO trade negotiations must be concluded as soon as possible, paying attention to the development concerns of LLDCs. Emphasis should remain on the commitment to make operationally effective the principle of special and differential treatment for developing countries; to the parallel elimination of all forms of export subsidies; and to substantial reductions in trade-distorting domestic support, in accordance with the mandate of the Doha Round.

Enhancing Trade Facilitation for LLDCs

Non-physical barriers, delays and inefficiencies associated with border crossings and ports, including customs procedures and documentation requirements, uncertainty in logistics services, weak institutions and widespread lack of human and productive capacities continue to make transport costs high. According to World Bank Doing Business data, the cost to export a container for LLDCs has increased from $2212 in 2005 to $3204 in 2014, compared with $1015 in 2005 to $1268 in 2014 for transit developing countries. Similarly, the cost to import for LLDCs has increased comparatively more than for transit developing countries. Documentation requirements, additional delays and other excessive and cumbersome bureaucracy persist in many LLDCs. In 2013, LLDCs were spending 87 per cent more time to export compared with their transit neighbours.

With a view to reducing economic distance, save time and increase the reliability of logistics and supply chains, trade facilitation has become an important trade policy instrument for many LLDCs to overcome their geographical disadvantage and better integrate in the world economy. Many LLDCs have made efforts to implement trade facilitation measures that reduce transaction costs and delays at border-crossing.

At the same time, further streamlining and harmonization of customs and transit procedures and formalities, transparency as well as efficient border management and coordination of agencies involved in border clearance would have concrete and direct impact upon reducing the cost of doing trade and stimulating faster and more competitive trade for LLDCs. The WTO Trade Facilitation Agreement, approved at the 9th WTO Ministerial Conference in Bali in December 2013 clarifies and improves relevant 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. Of particular relevance to all LLDCs, the Agreement has provisions on goods in transit. The Agreement has the potential to bring concrete benefits to LLDCs, by way of easing cumbersome border and customs procedures, lowering transit and transaction costs, increasing predictability and expediting movement, release and clearance of goods; and leading to significant increase in trade flows and a significant reduction in trade costs. It also includes important provisions on technical assistance and capacity building, based on the individual capacities of each developing country, which will help LLDCs to effectively implement the Agreement. The Agreement is important for promoting trade facilitation for LLDCs and their transit neighbours and should be implemented as a matter of priority.

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