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Ministerial Meeting on South-South Cooperation

Session 3

Session 3: Leveraging South-South cooperation to deepen regional integration through trade facilitation for increased participation of LLDCs in international trade

The objective of the VPoA to significantly increase LLDC's participation in global trade remains largely unmet. The LLDC share of world trade has in fact fallen slightly over the last decade, with their exports accounting for 1.1% of world trade in 2022, down from 1.2% in 2013, despite these countries representing 7% of the world's population.

In contrast, trade among developing countries has been growing in recent decades. Between 1995 and 2020, the share of South-South trade in global trade expanded from 10% to 25%. Developing countries are becoming increasingly important as export destinations for the products of LLDCs and as key sources of critical foreign direct investment. The African Continental Free Trade Area (AfCFTA) offers an opportunity for African landlocked developing countries to enhance resilience amid an uncertain global environment. According to World Bank projections, if fully implemented, the AfCFTA is expected to significantly increase Africa's exports, potentially by as much as 32% by 2035, with a corresponding increase in imports as well, boosting intra-African trade considerably; this translates to a much higher percentage than just 5.1% for exports and 4.7% for imports.¹ Additionally, the AfCFTA is expected to increase intra-African freight by 28% and demand for maritime freight by 62%.²

LLDCs continue to face disproportionately high trade costs, which have been exacerbated by the current geopolitical tensions and conflicts. According to the World Trade Organization (WTO), trade costs in LLDCs are 1.4 times higher than that of coastal developing countries. On average, LLDCs spend nearly two times more of their export earnings for the payment of transport and insurance services than the average for developing countries, and three times more than the average of developed economies.³

The implementation of the WTO Trade Facilitation Agreement (TFA) is fundamental to addressing high trade and transport costs and enhancing trade in landlocked developing countries, especially in the context of current global trade and supply chain challenges. However, the implementation rate of the Agreement by LLDCs stood at only 61.8 % as of November 2023. About 31% of the commitments under the Agreement as needing technical assistance support for implementation (Category C future implementation). LLDCs identified human resources and training, legislative and regulatory frameworks, ICT and infrastructure and equipment as their primary concerns, in order of importance.

Improved trade facilitation, such as streamlining and harmonization of customs and transit procedures, transparent and efficient border management and coordination in border clearance is

¹ <https://www.worldbank.org/en/topic/trade/publication/free-trade-deal-boosts-africa-economic-development>

² <https://unctad.org/press-material/review-maritime-transport-2023-facts-and-figures-africa>

³ <https://documents1.worldbank.org/curated/zh/988231468126267145/pdf/95447-REPLACEMENT-Improving-Trade-and-Transport-for-Landlocked-Developing-Countries.pdf>

critical to enhancing the competitiveness of LLDCs' exports and strengthening their integration into global value chains. Achieving this requires enhanced cooperation at the global, regional and subregional levels, including through South-South cooperation for exchange of best practices in customs, border and corridor management, as well as in the implementation of trade facilitation policies. LLDCs need to strengthen collaboration with transit countries in effective management of transport corridors and data collection to monitor and address cross border trade and transit challenges.

LLDCs depend on regional cooperation and intra-regional trade for access to global markets via their coastal neighbors. Regional integration is one of the principal tools for increasing LLDCs' participation in international trade. Significant progress has been made in this regard, with each LLDC being a party to an average of four regional trade agreements, ranging from one to 11 per country. LLDCs also continue to promote regional integration and cooperation on transboundary issues through existing partnerships with neighboring countries.

To further advance, there is a need to promote deeper regional integration that extends beyond trade and trade facilitation, incorporating a broader range of areas such as investment, research and development, and policies aimed at accelerating regional industrial development and connectivity. Since the adoption of the VPoA, considerable progress has been achieved in the negotiation and implementation of regional and sub-regional trade agreements such as the AfCFTA, the Eurasian Economic Union, and the Regional and Comprehensive Economic Partnership, as well as initiatives such as the Single African Air Transport Market and the Framework Agreement on the Facilitation of Cross-Border Paperless Trade in Asia and the Pacific. These initiatives have provided vehicles for LLDCs to integrate more effectively into the regional and global value chains.

The Covid-19 pandemic has highlighted the importance of regional cooperation and the need to strengthen resilience against risks associated with the cross-border movement of goods and people. The pandemic-related business restrictions triggered a global business paradigm shift towards the digital economy. The average share of internet users who made purchases online increased from 53% before the pandemic (2019) to 60% following the onset of the pandemic (2020/21)⁴. This highlights the potential for LLDCs to leverage the growing cross-border e-commerce landscape as a pathway for their integration into global trade. However, many LLDCs continue to face challenges in infrastructure and policies necessary to support e-commerce and the digital economy.

The Awaz Programme of Action (APoA) for LLDCs calls for the promotion of South-South cooperation in drawing lessons and technological catch-up, raising resources and the systematic exchange of knowledge and experiences for regional integration and regional infrastructure development. South-South cooperation can play a pivotal role in strengthening technical, financial, and capacity-building support for LLDCs and transit developing countries. Through such

⁴ <https://unctad.org/es/isar/news/covid-19-boost-e-commerce-sustained-2021-new-unctad-figures-show>

partnerships, LLDCs can deepen regional and sub-regional integration efforts, including through joint projects on transport, communication, digital and energy networks, the harmonization of regional policies, the sharing of best practices, and the alignment of development assistance.

Questions:

- How can LLDCs and transit countries establish collaborative platforms to improve information sharing, data collection and coordination among relevant stakeholders including government agencies, customs authorities and the private sector for efficient trade facilitation?
- What are the challenges faced by LLDCs in effectively leveraging South-South cooperation to improve trade facilitation? How can the impact of capacity-building and technical assistance under South-South cooperation be monitored and measured to enhance infrastructure and transit connectivity in LLDCs?
- What opportunities exist for LLDCs to engage in South-South cooperation to enhance trade competitiveness, including the development of e-commerce for better integration into the global trading system?
- How can regional integration in South-South cooperation be structured in a holistic, cohesive and inclusive manner that contributes to regional economic growth, peace and prosperity?