



## Third United Nations Conference on Landlocked Developing Countries

### **High-level Thematic Roundtable 2: Seizing the transformative potential of trade, trade facilitation, and regional integration for landlocked developing countries**

**Wednesday, 11 December 2024, 10 am – 1 pm**

#### **Introduction**

International trade offers significant opportunities for economic growth and development. However, landlocked developing countries (LLDCs) face unique challenges due to their longer routes to markets that transit through neighboring countries. LLDCs' exports are often concentrated in a few low-value products, primarily commodities, making them vulnerable to external shocks. These factors limit their ability to benefit from trade.

The consequences of these challenges are evident in international trade statistics. For example, in 2022, LLDCs accounted for just 1.1 percent of world trade in merchandise goods and 0.75 percent of services trade, despite representing 7 percent of the world population.<sup>1</sup> Furthermore, 83 per cent of the exports of goods of LLDCs are in primary commodities, leaving their economies undiversified, vulnerable to price fluctuations, and creating few jobs and little economic value added.<sup>2</sup> When primary commodities are excluded, LLDCs' share of world trade falls to just 0.28 per cent.<sup>3</sup>

Since 2004, trade has remained a core priority of both the Almaty Programme of Action (2004-2014) and the Vienna Programme of Action (2014-2024) for LLDCs. Despite some progress, significant challenges persist with trade, severely undermining socioeconomic development and requiring ambitious actions to unlock the potential of trade for LLDCs.

#### **Progress achieved**

During the course of the Almaty Programme of Action, the LLDCs' share of world trade more than doubled, from 0.58 per cent in 2003 to 1.22 per cent in 2013. However, progress has reversed since then, with the share falling from 1.20 per cent in 2014 to 1.11 per cent in 2022 (the latest

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<sup>1</sup> Calculations based on UNCTAD Stat (2024)

<sup>2</sup> *Ibid*

<sup>3</sup> *Ibid*

year for which comparable data is available).<sup>4</sup> A similar trend is observed in services exports, which rose from 0.51 per cent to 0.80 per cent between 2003 to 2013 before falling to 0.75 per cent in 2022.<sup>5</sup> Progress was undermined by the Covid-19 pandemic, which had a disproportionate impact on the trade of LLDCs, owing to their more complex supply chains.

As noted above, a key persistent challenge facing the LLDCs is their concentration of exports in primary commodities. As many as 27 of the 32 LLDCs are classified as commodity dependent, with over 60 per cent of their merchandise exports being primary commodities (as defined by UNCTAD). Since 2003, much of the growth of the value of exports from LLDCs is due to increases in world commodity prices.

### **Digital trade and e-commerce**

Digital trade and e-commerce offer new pathways for overcoming geographical obstacles. The COVID-19 pandemic accelerated opportunities in this area, with exports of digitally deliverable services from LLDCs increasing by 67.2 per cent between 2019 and 2022, reaching \$10.6 billion.<sup>6</sup> Nevertheless, LLDCs' total share of global services trade has not shown significant change since the adoption of the Vienna Programme of Action.

Many LLDCs face continuing challenges in developing foundational enablers for digital trade, including affordable digital infrastructure, digital literacy and skills, and conducive domestic and international digital regulatory frameworks.

### **Multilateral trading system**

The multilateral trading system can contribute to reducing the specific constraints faced by LLDCs in international trade. Recognizing this, Trade Ministers from LLDCs at the 13<sup>th</sup> WTO Ministerial in February 2024 have called for a specific Work Programme for LLDCs under the auspices of the WTO to study their special needs, challenges, and vulnerabilities. Six LLDCs remain at different stages of accession to the WTO and require assistance in that process.

### **Trade Facilitation**

Trade costs are estimated to be 30 per cent higher for LLDCs than for coastal developing countries, owing in part to the additional barriers that LLDCs face in trading across multiple borders. Initiatives to facilitate trade are critical, including the WTO Agreement on Trade Facilitation (TFA) and efforts to strengthen transport corridors. In recognition of the role of the TFA in addressing transit issues, the WTO's 12<sup>th</sup> Ministerial Conference decided that the Trade Facilitation

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<sup>4</sup> *Ibid*

<sup>5</sup> *Ibid*

<sup>6</sup> Calculations based on UNCTAD Stat. (2023). International trade in digitally-deliverable services, value, shares and growth, annual

Committee would hold a dedicated session on transit issues annually until the next review of the Trade Facilitation Agreement was completed and called for the strengthening and continuation of these sessions.

The current implementation rate of the TFA stands at 81.1 per cent for all developing countries, but only 61.8 per cent for LLDCs.<sup>7</sup> Additional support is required to assist both LLDCs and transit developing countries with fully implementing the TFA.

## **Regional Integration**

Regional trade offers valuable opportunities for LLDCs to integrate into regional value chains and diversify their exports. While, only 17 per cent of LLDCs' overall exports are manufactures, this proportion rises to 30 per cent in the context of their regional trade.<sup>8</sup> Boosting regional trade can help LLDCs' to increase their manufacturing exports and support their much-needed industrialization and structural transformation.<sup>9</sup> In the course of the Vienna Programme of Action, from 2013 to 2022, LLDCs' regional exports of manufactures increased by 70 per cent, compared to 16 per cent growth of their total exports of goods to all partners.

Significant progress has been made in regional trade agreements and initiatives involving LLDCs, including the commencement of trade under the African Continental Free Trade Area in 2021, development of economic corridors like the Trans-African Highway, and the launch of the Single African Air Transport Market in 2018.

The number of regional trade agreements that each LLDC is a party to has increased, on average, from 3.3 in 2014 to 4.3 in 2023.<sup>10</sup> The African Collaborative Transit Guarantee Scheme of the Afreximbank announced its first-ever multi-border transit bond in October 2023 for Zambia. Further efforts are needed to improve the implementation of these initiatives while taking specific and new steps to address trade transit issues within regional frameworks.

## **Way forward**

The Gaborone Programme of Action for LLDCs sets ambitious targets for trade, trade facilitation, and regional integration. A key target is to significantly increase LLDCs' participation in world trade, aiming to at least double their global merchandise exports by 2034. The programme also focuses on diversifying trade by increasing the value-added and manufactured component of exports, as well as expanding services exports and e-commerce. There's a specific target to double exports of trade in services by 2034.

The Programme of Action commits to addressing non-tariff measures and reducing or eliminating arbitrary or unjustified non-tariff barriers. Support for LLDCs in their WTO accession process and

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<sup>7</sup> As at November 2023

<sup>8</sup> Calculations based on UNCTAD Stat (2024)

<sup>9</sup> *Ibid*

<sup>10</sup> OHRLLS calculations based on WTO Regional Trade Agreements Database (2023)

integration into the multilateral trading system is also prioritized. The programme aims to simplify and streamline documentation and border crossing procedures, with the goal of substantially reducing port and border delays and costs. It also seeks to improve transit facilities and efficiency to reduce the time and cost of clearing goods between and through transit countries.

Some key commitments include promoting the full implementation of the WTO Agreement on Trade Facilitation, supporting LLDCs' participation in standards-setting organizations involved in trade facilitation, and substantially increasing the implementation rate of measures under the UN Global Survey on Digital and Sustainable Trade Facilitation. The Programme also emphasizes increasing regional and sub-regional trade, with targets to substantially increase LLDCs' share in intra-regional trade and create provisions on transit trade within regional trade agreements. The Programme also takes note of LLDCs' ambition to establish a work programme under the WTO.

Against this backdrop, the round table will discuss strategies, lessons learned and innovative approaches for leveraging trade opportunities to drive sustainable development in LLDCs, in alignment with the key priorities of the new Programme of Action.

### **Guiding Questions**

1. How can LLDCs respond to changing trade-related challenges and opportunities, including the emergence of digital trade and green growth?
2. What role can regional integration play in transforming LLDCs' trade?
3. How can the multilateral trading system evolve to better recognize and support the specific trade-related challenges faced by LLDCs?
4. How should partnerships be forged with transit countries, development partners and institutions, to support trade diversification and growth in LLDCs?

### **Programme**

*Co-chairs (interventions - 4 minutes each)*

1. Co-Chair 1
2. Co-Chair 2

*Keynote (interventions - 12 mins)*

3. Keynote presenter

*Panel (interventions - 7 minutes each)*

4. Member State 1
5. Member State 2
6. UN system 1
7. UN system 2
8. Stakeholder

*Discussion*