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Session 5
24 February 2021

- 17:00 - 18:45 Lilongwe
- 18:00 - 19:45 Addis Ababa
- 16:00 - 17:45 Paris
- 10:00 - 11:45 New York

SESSION 5

ENHANCING EXTERNAL TRADE FOR AFRICAN LDCS, INFRASTRUCTURE DEVELOPMENT AND THE ROLE OF REGIONAL INTEGRATION

Trade should be harnessed to provide a strong and inclusive growth driver for the LDCs, and a means of increasing government revenues and achieving sustainable development. The operationalization of the Africa Continental Free Trade Area (AfCFTA) is expected to boost intra-African trade expansion (by 15-25 per cent by 2040, depending on assumptions*), stimulate sustained economic growth (increasing GDP by 1-3 per cent**) and foster inclusive development. The success of AfCFTA, however, hinges on improved financial integration as well as reliable and responsive infrastructure. The weak institutions as well as weak and inadequate physical infrastructure and the landlocked nature of many African LDCs, remain a challenge in enhancing the trade capacity of these countries.

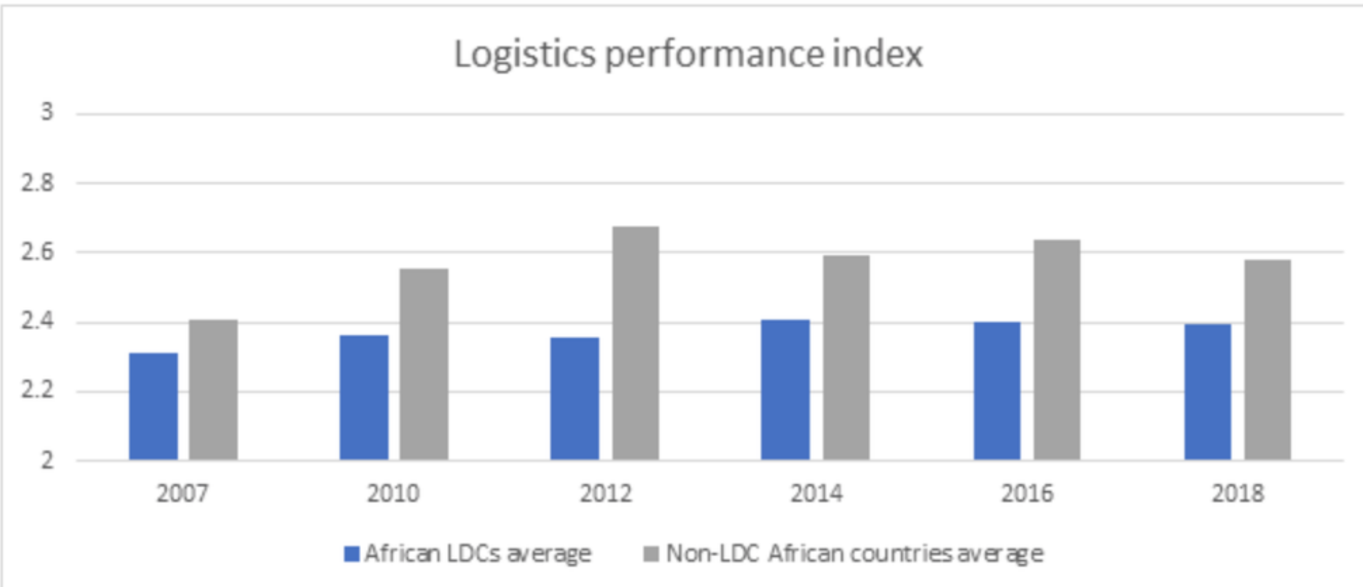
The Istanbul Programme of Action called for a doubling of the export share of the LDCs in global trade between 2011 and 2020. The percentage of exports coming from LDCs has in fact remained stagnant at around 1 per cent across the decade, and for African LDCs, it has been falling.

The LDCs have highly concentrated exports. While non-LDC African countries have an export concentration index of 0.41, the African LDCs have a concentration index of 0.45. This indicates reliance on very few products to bring in export earnings. UNCTAD has classified countries with greater than 60 per cent of their exports being contributed by commodities as ‘commodity dependent’. By this measure, in 2017, all but two (Liberia and Lesotho) of the African LDCs were commodity dependent. African LDCs are targeting diversification of their economies as a key part of their development strategies, however, in reality escaping the trap of commodity dependence has been a challenge.

Thirteen of the African LDCs are landlocked. The reliance of these countries on their neighboring transit countries for international trade, including, high trade costs faced by landlocked countries provide a fundamental challenge to their development. Despite their efforts to improve their internal infrastructure and institutions, such as roads and customs procedures, landlocked least developed countries will continue to depend upon similar efforts made in transit countries to improve these factors and are thus reliant on outside actors for their development prospects.

*UNECA, An empirical assessment of the African Continental Free Trade Area modalities on goods, November 2018.
** Ibid.

Infrastructure plays an increasingly important role in international trade and regional integration. A critical part of participation in a modern economy is access to reliable energy, efficient transport, reliable and secure communication systems. The Agenda 2063 recognizes that infrastructure development is an important dimension of Africa's regional integration, industrialization and economic transformation agenda. The African LDCs however continue to face severe infrastructure deficits. Transport is mainly underdeveloped transport infrastructure and is characterized by missing links, On ICT, Africa's mobile broadband penetration rate is about 25 percent, is still the lowest worldwide, according to ITU. Access to electricity is also notably low. Improving electricity access across all Africa's LDCs is a key part of the progress that must be made towards the SDGs, as low access currently constitutes a binding constraint on development.



Trade also depends on other factors, including those regarding the operational environment for trading businesses. The World Bank's Logistics Performance Index tracks data that assesses aspects of trade, and rates countries on a scale of 1 to 5. It includes, for example, the ability to track and trace consignments, efficiency of the clearance process, and frequency with which shipments reach consignee within scheduled or expected time. Figure 1 shows the performance of the African LDCs with their non-LDC African peers. The LDCs fall clearly behind the non-LDC African countries. The top performing African countries are Cote d'Ivoire and South Africa, and the two that rated lowest in 2018 were both LDCs, Angola and Burundi.

Least developed countries have been hit hard by the downturn in global trade triggered by the COVID-19 pandemic. Most African LDCs depend heavily on the extractive industries and the abrupt halt in economic activities in major economies, which resulted in a massive fall in demand for commodities greatly affected these countries. According to the WTO, LDC merchandise exports declined by 16 per cent during the first half of 2020. The LDCs services sector also took a hit as international tourism declined drastically.

Guiding questions:

What are the primary factors preventing the LDCs from increasing their share of exports and diversifying their exports from primary commodities?

How have the trade preferences and other WTO related concessions afforded to the LDCs helped to increase their trade share and how can these be further leveraged to support LDCs participation in international trade? How can international partners better facilitate increased participation of LDCs in international trade?

What is the role of the AfCFTA in integrating African LDCs into trade and value chains? How can the LDCs take advantage of the implementation of the AfCFTA, and what are the necessary capacity prerequisites for the LDCs to benefit from the new agreement?

The infrastructure gap in the African LDCs is large. What best practices are evident when it comes to rapidly scaling up the necessary infrastructure that will allow African countries to better integrate and trade with each other?

Many LDCs are reliant on transit countries to successfully move their exports to global markets. How can the cooperation between LDCs and their transit neighbors be enhanced?

What is the role of trade in achieving sustainable, resilient recovery after COVID-19 in LDCs?

How can the WTO Twelfth Ministerial Conference (MC12) contribute to enhancing LDCs participation in global trade?