



Session 4
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BUILDING TRADE CAPACITY AND EFFECTIVE MARKET ACCESS FOR LDCS WITH ENHANCED REGIONAL INTEGRATION FOR GRADUATING AND GRADUATED COUNTRIES

Introduction

International trade plays a critical role in accelerating economic growth, employment generation, poverty alleviation, and a more inclusive future for all. Least developed countries (LDCs) can derive significant benefit from an open, transparent, rule-based, and predictable global multilateral trading system. Special and differential treatment and capacity building support are critical to supporting integration of LDCs into the global trading system. The Istanbul Programme of Action (IPoA) calls for significantly increasing the share of LDCs in global trade with the aim of doubling the share of LDCs in global exports from 2011 to 2020, including by broadening LDCs' export base. This target was reiterated in Sustainable Development Goal 17, target 17.11, confirming its central importance to the sustainable development of LDCs.

Progress and recent trends


The Asia-Pacific LDCs as a group missed the IPoA and the SDG targets on trade. Their combined share in world goods and services exports increased from 0.23 per cent in 2010 to 0.38 per cent in 2019¹. However, several countries reported a significant increase in exports over that period and shares in world exports doubled or increased considerably for a few Least Developed Countries. For many others, the progress is slow or insignificant over the implementation period of the IPoA. Asia-Pacific LDCs export a limited number of merchandise goods, which tend to be sent to only a few destination markets. Small sizes of their domestic economy and high cost of trade were also major obstacles to economic growth in these countries. Such factors make the Asia-Pacific LDCs highly vulnerable to external shocks, including reduced external demand, as observed during the COVID-19 pandemic.

South-South trade

Trading patterns have been shifting, with China becoming the main destination of LDC exports for a good number of years during the IPoA implementation period. China's share of LDC export has more than doubled in the past two decades, rising to 25.7 per cent in 2019. At the same time, once LDCs' main export markets, the EU and North America, especially the US, have seen a steady erosion of their share during the implementation period of the IPoA. In 2000, North America and the EU, including the UK, absorbed 55 per cent of LDC exports. This share was down to 33 per cent in 2019.² Some developing countries are providing DFQF market access to LDCs and some Asia-Pacific LDCs have benefited from these preferential trading schemes, while others have not yet fully taken advantage of them.

[1] Asia-Pacific Countries with Special Needs Development Report 2021

[2] State of the least developed countries 2021, OHRLLS (to be issued)



Impacts of COVID-19

The COVID-19 pandemic has seriously affected the exports and export earnings of the Asia-Pacific LDCs. In 2020, merchandise exports of LDCs fell by 10.3 per cent against the global average of 7.7 per cent. Commodity prices fell by 30 per cent in 2020. In LDCs, travel and tourism accounted for 47.9 per cent of the group's services exports in 2019 vs. less than 24 per cent for the rest of the world (WTO, 2021). According to preliminary estimates (based on data for 20 LDCs accounting for 83 per cent of services exports in 2019), the implementation of strict lockdowns and travel restrictions worldwide have resulted in a drop of LDCs' services exports of 39 per cent year-on-year in the first nine months of 2020. These declines are sharper than in the rest of the world where services trade dropped by 19 per cent on average in the first 9 months of 2020 (WTO, 2021).

Duty-free and quota-free market access

There have been progressive improvements on providing duty-free and quota-free (DFQF) market access to LDCs soon after the adoption of the Hong Kong (2005) and Bali (2013) Ministerial Decisions.[3] In recent years, progress has been somewhat limited. Most of the development partner member states grant either full or nearly full DFQF market access, with gaps remaining in a limited number of markets and a few sectors. Despite this special and differential treatment, the level of utilization of trade preferences by the Asia-Pacific LDCs is low. This is primarily due to the concentration of the exports in primary commodities to which low or zero duties are generally applied or the use of regional or bilateral trade agreements. Complex non-tariff barriers, supply-side limitations and high trade and compliance costs also contribute to the low utilization rate.[4]

Preferential rules of origin and non-tariff barriers

WTO Members adopted two decisions on preferential rules of origin for LDCs at the Ministerial Conferences in Bali in 2013 and in Nairobi in 2015.[5] Almost all preference-granting members (20 out of 22) have submitted notifications of their preferential rules of origin requirements. It is important to have continued technical and focused discussion on the implementation of the Ministerial Decisions on preferential rules of origin for LDCs. Various non-tariff barriers and sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures, including private standards, are of great concern for access of LDC exports. LDCs need financial and technical assistance to comply with the various standards and measures.

LDC Services Waiver

At the Ministerial Conference in Geneva in 2011, the LDC Services Waiver was adopted, which allows members to provide preferential treatment to services and service suppliers from LDCs. The 2015 Nairobi Decision extended the Waiver until 2030 and set up a review process to monitor the operation of preferences notified to the WTO. Pursuant to these decisions, 51 member states (including individual EU member states) accounting for around 86 per cent of global services trade, have notified their preferences under the LDC Services Waiver between May 2015 and May 2017.[6] LDCs need building their supply capacity to increase their participation in services trade.

[3] Ninth WTO Ministerial Conference, Bali, 3-6 December 2013 (WT/MIN(13)/44, WT/L/919); Annex F, Hong Kong Ministerial Declaration, 22 December 2005 (WT/MIN(05)/DEC).

[4] Bhattacharya and Mikic, 2015; WTO, 2019

[5] "Preferential Rules of Origin for Least Developed Countries", Ninth WTO Ministerial Conference, Bali, 3-6 December 2013 (WT/L/917). Nairobi Decision: "Preferential Rules of Origin for Least Developed Countries", Tenth WTO Ministerial Conference, Nairobi, 15-18 December 2015 (WT/L/917/Add.1).

[6] Twenty-four (24) notifications have been received.





Aid for trade and Capacity Building

Between 2011 and 2018, USD73.8 billion of aid for trade have been disbursed to support LDCs Aid-for-Trade. This funding to LDCs has grown 13 per cent annually since 2006, reaching USD13.5 billion in 2018. However, the AFT commitments to LDCs have been declining, from USD20 billion in 2018 to USD16 billion in 2019. The pandemic threatens to further exacerbate this trend. Given their serious capacity constraints, LDCs need more support through aid for trade and the enhanced integrated framework (EIF).

Issues related to the TRIPS Agreement

Originally Article 66.1 of the TRIPS Agreement granted LDCs an 11-year transition period to implement the TRIPS Agreement, except core non-discrimination obligations. In July 2021, the WTO has further extended the deadline of the transition period for LDCs until 1 July 2034. In 2015, the specific transition period to implement patent protection for pharmaceutical products was extended until 1 January 2033.[7]

Work has continued pursuant to Article 66.2 of the TRIPS Agreement, which calls upon development partners to provide incentives to enterprises and institutions for technology transfer to LDCs. Pursuant to the decision on the implementation of Article 66.2[8], development partners have provided annual reports on actions taken or planned under Article 66.2.[9] However, very little progress has been made in this area.

WTO Trade Facilitation Agreement

The WTO Trade Facilitation Agreement (TFA), came into force on 22 February 2017, and is aimed at expediting the movement, release, and clearance of goods, including goods in transit. The TFA will make customs procedures more efficient and thereby help developing countries including LDCs to reduce their trade costs and increase their participation in global trade. The TFA takes a novel approach regarding S&D treatment providing developing countries and LDCs the flexibility in determining the timing of the implementation of the provisions as well as to identify provision for which they will need technical assistance. Once fully implemented, the agreement can help to cut trade costs by up to 15 per cent. As of 23 April 2021, 29 out of 36 LDC Members have ratified the TFA. Currently, LDCs have implemented 36.8 per cent of all trade facilitation measures contained in the TFA.[10] It is important that all LDCs join the TFA and enjoy support in fully implementing the agreement TFA.

Support to graduation

There has been renewed attention to the issue of LDC graduation, especially considering the growing number of LDCs meeting graduation threshold in recent years. Since the adoption of the LDC Ministerial Declaration at MC11 in 2017, discussion on LDC graduation is being held in various WTO bodies. So far, four proposals on LDC graduation have been submitted in the WTO: Council for Trade in Goods, Negotiating Group on Rules, TRIPS Council, and the General Council.[11]

[7] WTO, 6 November 2015 (IP/C/73).


[8] "Implementation of Article 66.2 of the TRIPS Agreement", Decision of the Council for TRIPS of 19 February 2003 (IP/C/28).

[9] The 2020 reports by developed Members on the implementation of Art. 66.2 can be found in documents IP/C/R/TTI/*/1 (e.g. IP/C/R/TTI/CHE/1).

[10] Trade Facilitation Agreement Database: <https://www.tfadatabase.org/>.

[11] WTO Documents: WT/GC/W/742; G/C/W/752; RD/TN/RL/125; IP/C/W/668; WT/GC/W/806; WT/GC/W/807





In 2018, the WTO LDC Group proposed that graduated LDCs with a per capita income below USD 1000 in constant 1990 dollars would remain eligible for providing nonagricultural export subsidies under Article 27[12]. In negotiations on an agreement on fisheries subsidies, the LDC Group proposed that if an LDC graduates during any transition period for LDCs, it should remain entitled to utilize the remaining period of delay provided for LDCs.[13] In October 2020, LDC Group submitted another proposal for an extension of the transitional period under TRIPS Article 66.1 as long as a member remains an LDC and for a period of twelve years after graduation.[14] In November 2020, the LDC Group submitted a comprehensive proposal for a smooth transition mechanism, which requested that support measures available to LDCs would be extended to a LDC Member for a period of 12 years after graduation.[15]

E-commerce

The global value of e-commerce is estimated to have reached about USD26 trillion in 2018, equivalent to about 30 per cent of world gross product (UNCTAD, 2020). Despite their enormous potential, Asia-Pacific LDCs have not been able to benefit much from e-commerce. The successful development and utilization of e-commerce in the LDCs require improved access to reliable and affordable Information and Communication Technology (ICT) infrastructure, availability of necessary hardware and software to develop digital services at reasonable prices, implementation of effective communications regulations, ensured access to reliable power, and strengthened logistical and transport infrastructure and services. Promoting skills development including building e-commerce skills among small businesses, exploring the scope for women entrepreneurs to engage in e-commerce and leveraging entrepreneurship through business incubators[16] are equally required. In this regard, the LDCs in the Asia-Pacific region may ratify the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific and reap the benefits of this new regional treaty.[17]

A work programme on e-commerce has been discussed within the WTO since 1998. Recently, a joint initiative on e-commerce is also being pursued by WTO members. The LDCs lack capacity to assess the implications of e-commerce in their economies and to meaningfully engage in such discussions.

Regional integration

Regional cooperation, including trade integration and transit cooperation, can facilitate LDCs integration into the global trading system by, inter alia, increasing the size of markets, improving their competitiveness, and enhancing regional connectivity and intra-regional trade. It is important to foster more harmonized and effective regional and sub-regional integration.

[12] WTO, 19 April 2018 (WT/GC/W/742, G/C/W/752).

[13] Document WT/MIN(17)/40.

[14] WTO IP/C/W/668 1 October 2020

[15] WTO, 16 November 2020 (WT/GC/W/807).

[16] Leveraging e-commerce for graduation of least developed countries, UN-ESCAP, 2018

[17] Asia-Pacific Countries with Special Needs Development Report 2021





Guiding questions

- What kind of priority policy options and concrete steps could be adopted at national, regional, and global levels to maximize the benefits of trade in the Asia-Pacific LDCs and to overcome the impacts of COVID19 in the area of trade?
- How to address tariff and non-tariff barriers and other standards to seize the full potentials of international trade?
- What kind of policies do LDCs and their development partners need to adopt to leverage the potential under trade in services?
- What are the drivers of e-commerce at the national level, and what kind of measures and policy frameworks should be put in place to support LDCs to build up their competitiveness in goods and services through e-commerce?
- How can the support of donors and partners, especially through aid for trade and other innovative finance instruments, play a role in fostering trade capacity building including e-commerce development?
- How to leverage the flexibility that LDCs enjoy under trade to build their pharmaceutical capacities for producing vaccines and other essential medicines?

