



LDC5
5TH UNITED NATIONS
CONFERENCE ON THE
LEAST DEVELOPED COUNTRIES

High-level Thematic Round Table 4

Enhancing the participation of least developed countries in international trade and regional integration

March 7, 2023

Doha time: 09:00 - 12:00

Thematic Roundtables Hall

Concept Note

#LDC5

International trade plays a critical role in accelerating economic growth and sustainable development. Notwithstanding the massive expansion of trade and investment in the past decades, least developed countries (LDCs) face considerable challenges in effective integration into global trading systems and in benefiting from the opportunities afforded by international trade and global value chains. This is primarily due to supply-side constraints and tariff and non-tariff barriers. The pandemic has negatively affected international trade flows. During the peak of the pandemic, in 2020, LDCs' exports of goods dropped by 7.8%. Protectionism, rapid digitization, going green, plurilateral trade agreements and regionalism are some of the new phenomena that LDCs need to tackle on a priority basis. Fostering e-commerce, diversification, value addition and better integration with regional and global value chains, including through aid for trade, are most urgently needed for LDCs.

Progress achieved

The Sustainable Development Goal target of doubling the least developed countries' share of global exports by 2020 from 2011 (2 per cent target) has not been met. The exports of goods and services from LDCs have slightly increased from USD 212.8 billion in 2011 to USD 235 billion in 2021. In the same year, LDCs' exports of goods and commercial services were on the rise again, with a year-on-year increase of 24.6%. However, the share of LDCs in world exports of goods and commercial services remained static between 2020 and 2021, standing at 0.93%, slightly higher than back in 2017 (0.92%). The same applies for imports side, with a stable share of 1.39% in 2021. LDCs' overall trade deficit reached a new high in 2021 with USD 113.1 billion.

The LDCs have achieved a fair degree of export diversification since 2011. While the share of primary products in total exports of LDCs decreased from 73% in 2011 to 53% in 2021, LDCs are, on average, still highly dependent on commodities. The share of LDCs' manufactured products in merchandise exports increased from 22% in 2011 to 42% in 2020 and this was attributed particularly to a higher share of clothing products in some LDC merchandise exports, which increased from 13% in 2011 to 31% in 2020.¹ The share of agricultural products (agricultural raw materials and food) in LDC exports increased from 10% in 2011 to 14% in 2020. In 2021, the share of travel in LDCs' exports, which formed the bulk prior to the pandemic, collapsed to 26.8% in 2021 from 48.0% in 2019. LDCs' export markets remain undiversified since 2011. In 2021, China was the top destination for total LDC merchandise exports (26%), followed by the European Union (20%), the United Arab Emirates (12%), the United States (10%), and India (7%). The top ten importers accounted for 87% of LDCs' total exports in 2021, compared to 80% in 2017.

The Doha Programme of Action for LDCs for the Decade 2022-2031 (DPoA) sets an ambitious target to significantly increase the exports of least developed countries, in particular, with a view to doubling their share of global exports by 2031. The DPoA also sets a target to facilitate market access for products of the LDCs, including by developing simple and transparent rules of origin applicable to imports from the LDCs, in accordance with the guidelines adopted by WTO members at the Ministerial Conference held in Bali in 2013.

Duty-free and quota-free market access and other WTO related measures

¹ WT/COMTD/LDC/W/69

The Doha Programme of Action calls upon all developed country WTO members and developing country WTO members declaring themselves in a position to do so, to timely implement duty-free and quota-free market access on a lasting basis for all products originating from all LDCs, consistent with WTO decisions, which would facilitate the integration of their producers into regional and global value chains. According to the WTO, several WTO Members offer full or almost full duty-free access to the beneficiaries of their LDC scheme. For Australia, New Zealand, Norway, and Switzerland the share of LDC duty-free lines is 100%, while in Canada, Chile, the European Union, and Japan, it is above 97%. China's dutyfree offer is close to 97%, while Iceland, India, Korea, and Montenegro grant duty-free access to around 90% or more of their tariff lines to the countries benefitting from their LDC schemes.

WTO Members adopted two Decisions on preferential rules of origin for LDCs at the Ministerial Conferences in Bali in 2013 and in Nairobi in 2015.² 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 market access of LDC exports. LDCs need financial and technical assistance to comply with various standards and measures and to also participate in the standard setting.

WTO Members agreed to the elimination of agricultural export subsidies as part of the Decision on Export Competition adopted at the Nairobi Ministerial Conference in 2015.³ This Decision constitutes an important contribution towards levelling the playing field in agricultural markets to the benefit of farmers and exporters in LDCs.

The 2015 Nairobi Decision extended the Services Waiver until 2030 and set up a review process to monitor the operation of preferences notified to the WTO. Pursuant to these decisions⁴, 25 Members (counting 27 EU member states as one), accounting for around 86% of the global services trade, have notified their preferences under the LDC Services Waiver between May 2015 and May 2021. The Twelfth WTO Ministerial Conference (MC-12) held in June 2022 instructed the Council for Trade in Services to review and promote the operationalization of the waiver including to assess best practices in facilitating the use of the preferences. LDCs need to build their supply capacity to increase their participation in services trade.

Trade-related aspects of intellectual property

The duration of the general transition period under Article 66.1 has been extended until 1 July 2034 for LDCs. Pursuant to the decision on the implementation of Article 66.2,⁵ developed country Members have provided annual reports on actions taken or planned under Article 66.2.⁶ To overcome the difficulties

² "Preferential Rules of Origin for Least Developed Countries", Ninth WTO Ministerial Conference.

³ Ministerial Decision on Export Competition, Tenth WTO Ministerial Conference, Nairobi, 15-18 December 2015.

⁴ See 2011 Decision on the Services Waiver (WT/L/847), and subsequent Decisions taken at the Bali (WT/L/918) and Nairobi Ministerial Conferences (WT/L/982) in 2013 and 2015, respectively.

⁵ "Implementation of Article 66.2 of the TRIPS Agreement", Decision of the Council for TRIPS of 19 February 2003 (IP/C/28).

⁶ 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

confronting LDCs in getting access to vaccines and essential medicines, which are exacerbated manifold by the COVID-19 crisis, LDCs need access to various technologies, educational resources, and other tools necessary for the development of vaccines and other essential medicines and to curb the spread of the COVID-19 pandemic.

WTO Trade Facilitation Agreement (TFA)

The Doha Programme of Action sets a target to fully implement the WTO Agreement on Trade Facilitation and provide assistance in and support for capacity-building of least developed countries in this regard, in accordance with development cooperation effectiveness principles. Once fully implemented, the TFA is expected to cut trade costs by up to 16% in LDCs and contribute to diversification of LDCs' exports. As of 24 November 2021, 29 out of 35 LDC Members had ratified the TFA. While WTO members have implemented over 70% of trade facilitation measures, the implementation rate among LDCs is only 37%, according to the existing notification data as of 14 December 2021. Enhanced support is needed to facilitate implementation of the TFA in LDCs.

E-commerce

The global value of e-commerce is estimated to have reached almost USD 26 trillion in 2018, equivalent to about 30 per cent of world gross product. Digital trade offers important opportunities for least-developed countries (LDCs), including for their small and medium-sized enterprises (SMEs) and startups. Despite huge potentials, LDCs have not been able to benefit from the huge opportunities offered by e-commerce. The successful development and utilization of e-commerce in the LDCs require a set of fundamental reforms to take place, such as improving the infrastructure of information and communications technology services, establishing secure online payment systems, promoting skill development, and adopting a sound regulatory framework.

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. LDCs need support in promoting subregional and regional cooperation, including export promotion and improving regional connectivity through trade-facilitating measures.

Accessions

More than three quarters, that is, 36 out of 46 LDCs are Members of the WTO. Since 2011, six LDCs have successfully completed the accession process and joined the WTO.⁷ Currently, eight LDCs are at different stages of the WTO accession process. The WTO General Council adopted a decision⁸ in 2002 aimed to facilitate and accelerate LDCs accession negotiations, through simplified and streamlined accession

⁷ Samoa graduated on 1 January 2014; Vanuatu graduated on 4 December 2020.

⁸ ACCESSION OF LEAST-DEVELOPED COUNTRIES, Decision of 10 December 2002, (WT/L/508)

procedures. The WTO General Council adopted further a set of strengthened LDC accession guidelines in 2012.⁹ The MC-12 reiterated commitment to facilitate the conclusion of ongoing accessions, especially for LDCs and to provide technical assistance, including in the post-accession phase. The DPoA has set a concrete target to ensure accession to WTO of all least developed countries committed to do so by the end of the current decade.

Aid for Trade (AfT)

Between 2011 and 2019, over USD 100 billion have been disbursed in aid for trade to support LDCs in strengthening infrastructure (61%), building productive capacity (38%), and enhancing trade policy and regulations (2%). After reaching a peak of USD 20 billion in 2018, aid-for-trade commitments to LDCs fell by 19% to USD 16.6 billion in 2019. LDCs need increased AfT support to build their trade capacity, to achieve the SDG target of doubling their share of exports in the global market. The Twelfth WTO Ministerial Conference recognizes the importance of AfT initiatives in trade-related capacity building for the LDCs and recommends prioritization of the objectives identified by the LDCs. The DPoA sets an ambitious target to significantly increase Aid for Trade support for least developed countries, which is expected to double by 2031 from 2018 levels. Development partners, multilateral development banks and the private sector need to significantly scale up their support to LDCs to address trade finance gaps.

Support for graduating countries

In the Doha Programme of Action, Member States reiterated their conviction that no country graduating from the least developed country category should have its development progress disrupted or reversed. Member States also underlined that no graduating country has its special and differential treatment measures and exemptions abruptly reduced and invited development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of least developed country status or reducing them in a phased manner in order to avoid their abrupt reduction. Member States also noted that the Group of Least Developed Countries put forward various proposals at WTO, pertaining to, among other things, trade-related challenges and those related to the smooth transition of the countries graduating from the least developed country category, and seek to further examine these issues.

Recent developments

The UN-OHRLS and the WTO have signed a partnership agreement on 11 June 2022 in Geneva aimed at strengthening cooperation to boost the participation of LDCs in the global trading system by implementing the trade-related goals and targets of the DPoA¹⁰. A joint study was done by the UN-OHRLS and the WTO on Digital Trade Opportunities and Challenges in the LDCs. Two regional consultations for high-level government officials from LDCs were organized - one for Africa and Haiti held in Addis Ababa from 17-18 January 2023 and the other one for Asia and the Pacific held in Siam Reap, Cambodia from 30-31

⁹ Accession of Least Developed Countries, General Council Decision, 30 July 2012 (WT/L/508/Add.1).

¹⁰ https://www.wto.org/english/news_e/news22_e/ldevc_11jun22_e.htm

January 2023 - to share experiences and to explore trade opportunities for LDCs in the evolving global trading landscape.

Way forward

LDCs' limited participation in global trade and the limited progress against the SDGs targets calls for increased support in favour of LDCs including through the Aid for Trade initiative with a view to helping these countries address their supply-side constraints and enhance their competitiveness in the global economy. Broad capacity development efforts are also necessary to improve the quality of LDC institutions and their ability to harness existing support, particularly in areas related to non-tariff measures (NTMs), digital trade and trade in services. Adequate policy space continues to be vital for LDCs. This calls for a strengthening of special and differential treatment. Stronger mechanisms to foster meaningful technology transfer by private firms are critically needed for LDCs to facilitate their integration into global value chains. There is also an ample scope to strengthen regional and South-South mechanisms for technological cooperation, notably in areas such as green technologies, industrial and digital cooperation.

Guiding Questions: Speakers, panellists and participants when intervening should be guided by the following pertinent questions:

1. What policy options and concrete steps should be adopted and implemented by LDCs to enhance their trade potential and to maximize their benefits from open trade in order to realize the DPOA target of doubling the LDCs' share of global export by 2031?
2. What role can regional integration play to grow the LDCs trade and how can regional and sub-regional initiatives be supported to reach their trade potential?
3. How can tariff and non-tariff barriers and other standards be addressed to seize the full potentials of LDCs?
4. What kind of measures and policy frameworks should be put in place to support LDCs to build up their competitiveness in e-commerce and what role can the multilateral trading system play in this regard?
5. How can the flexibilities that LDCs enjoy under WTO rules be leveraged to build their pharmaceutical capacities for producing vaccines and other essential medicines? How can support to graduating be enhanced, especially to tackle the challenges emanating from the loss of trade-related international support measures?