

ACHIEVING THE SUSTAINABLE  
DEVELOPMENT GOALS IN  
LANDLOCKED DEVELOPING COUNTRIES  
THROUGH CONNECTIVITY AND  
TRADE FACILITATION

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**UN-OHRLLS**

Office of the High Representative for the Least  
Developed Countries, Landlocked Developing  
Countries and Small Island Developing States



## **NOTE**

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This publication contains background papers and the proceedings of the LLDCs Ministerial Meeting on Trade and Transport that was held on 16 and 17 May 2018 in Astana, Kazakhstan.

The Government of Kazakhstan hosted and provided generous funding to support the organization of the Ministerial Meeting.

The views expressed therein are those of the presenters and do not necessarily reflect the views of the United Nations.

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# OVERVIEW

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The thirty-two Landlocked Developing Countries (LLDCs) with a population of more than 500 million face unique challenges resulting from their disadvantaged geographical location which, combined with critical infrastructure deficiencies and poor trade facilitation, result in high transport and overall trade costs that erode their competitive edge and pose hurdles on their sustainable development pathway. Many LLDCs find themselves marginalized from the world economy, cut-off from the global flows of knowledge, technology, capital and innovations, and unable to benefit substantially from external trade. This situation requires innovative and inclusive solutions.

The Vienna Programme of Action for LLDCs for the Decade 2014-2024 adopted at the Second UN Conference on LLDCs in 2014 recognizes the importance of improved connectivity, trade facilitation and structural economic transformation for the holistic development of the LLDCs in its priority areas of Fundamental transit policy issues, Infrastructure development and maintenance, International trade and trade facilitation, Regional integration and cooperation, Structural economic transformation and Means of implementation. The 2030 Agenda for Sustainable Development underscores the importance of international trade as an engine for inclusive economic growth and poverty reduction, and as an important means to achieve the Sustainable Development Goals.

This report “Achieving the SDGs in Landlocked Developing Countries through Connectivity and Trade Facilitation” provides insights into the progress made by the LLDCs on improving transit transport connectivity, structural economic transformation, trade facilitation and trade performance, the major achievements and constraints experienced and recommendations to further advance transport connectivity and improve the trade potential of the LLDCs.

The report is based on the deliberations of the Ministerial Meeting of the LLDCs on trade and transport that was held on 16 and 17 May 2018 in Astana, Kazakhstan. The meeting was a joint effort of the Government of Kazakhstan and the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS). The Ministerial Meeting launched the substantive preparations for the comprehensive high-level midterm review on the implementation of the Vienna Programme of Action for LLDCs, to be held in 2019 as called for by the General Assembly in Resolution 72/232.

The report includes background analysis on strengthening transport connectivity for the LLDCs; promotion of structural economic transformation, diversification and value-addition in LLDCs; and promoting international trade in the LLDCs and enhancing the implementation of the WTO Trade Facilitation Agreement. The report includes the Astana Ministerial Declaration that highlights some key recommendations. In particular the report calls for greater investments into infrastructure development, faster and effective implementation of the WTO Trade Facilitation Agreement, increased ratification of relevant legal instruments, increased support towards regional integration initiatives that can link the LLDCs to regional and global markets and intensified diversification and value-addition efforts, promotion of electronic commerce and greater mobilization of private sector financing and foreign direct investment and the transfer of technology.

# ACRONYMS AND ABBREVIATIONS

ACMA	African Corridor Management Alliance	MFN	Most Favored Nation
ACP	Africa, Caribbean, Pacific	MPA	Mercator Programme Advisor
ADR	United Nations European Agreement concerning the International Carriage of Dangerous Goods by Road	MSMEs	Micro, Small and Medium Enterprises
AEO	Authorized Economic Operator	NECC	National Entrepreneurship and Competitiveness Council
AfDB	African Development Bank	NTBs	Non-Tariff Barriers
AfT	Aid for Trade	NTFC	National Trade Facilitation Committee
APoA	Almaty Programme of Action	NTMs	Non-Tariff Measures
APTA	Asia Pacific Trade Agreement	PIDA	Programme for Infrastructure Development in Africa
ASEAN	Association of Southeast Asian Nations	PPP	Public-Private Partnerships
ASYCUDA	Automated System for Customs Data	ODA	Official Development Assistance
ATA	Admission Temporaire–Temporary Admission	ODR	Online Dispute Resolution
ATIGA	ASEAN Trade in Goods Agreement	OECD	Organization for Economic Cooperation and Development
ATP	United Nations Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage	OIC	Organization of Islamic Cooperation
AUC	African Union Commission	OSBP	One Stop Border Post
BADEA	Arab Bank for Economic Development in Africa	R&D	Research and Development
BIAT	Boosting Intra-African Trade	RKC	Revised Kyoto Convention
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	RECs	Regional Economic Communities
C4	Sectoral Initiative in favour of Cotton	SAARC	South Asian Association for Regional Cooperation
CCTTFA	Central Corridor Transit Transport Facilitation Agency	SACU	Southern African Customs Union
CEFTA	Central European Free Trade Agreement	SADC	Southern African Development Community
CFC	Common Fund for Commodities	S&D	Special and Differential Treatment
CFTA	Continental Free Trade Area	SDGs	Sustainable Development Goals
CIF	Cost, Insurance, Freight	SEE	Southeastern Europe
CIS	Commonwealth of Independent States	SIDS	Small Island Developing States
COMESA	Common Market for Eastern and Southern Africa	SMEs	Small and Medium Enterprises
CPD	Carnet de Passage en Douane	SEZ	Special Economic Zone
CSLPII	Cadre Stratégique de Croissance et de Lutte contre la Pauvreté	SPCA	Special Program for Central Asia
DDA	Doha Development Agenda	SRA	Swaziland Revenue Authority
DG	Director General	TA/CB	Technical Assistance / Capacity Building
EAC	East African Community	TDF	Trade Development Facility
ECO	Economic Cooperation Organization	TF	Trade Facilitation
E-CO	Electronic Certificate of Origin Issuing System	TFA	Trade Facilitation Agreement
ECOWAS	Economic Community of West African States	TFS	Trade Facilitation Secretariat
EIF	Enhanced Integrated Framework	TFSP	Trade Facilitation Support Programme
EFTA	European Free Trade Association	TIP	Trade Information Portal
EPA	Economic Partnership Agreement	TIR	Transports Internationaux Routiers (International Road Transport)
EPA TAPSS	Economic Partnerships Agreement Related to Trade and Private Sector Support	TOA	Technical and Operational Advisor
EPZ	Export Processing Zones	TRACECA	Transport Corridor Europe-Caucasus-Asia
EU	European Union	TRIPS	Agreement on Trade Related aspects of Intellectual Property Rights
FDI	Foreign Direct Investment	TRS	Time Release Study
GATT	General Agreement on Tariffs and Trade	UK	United Kingdom
GDI	Gross Domestic Income	UN	United Nations
GDP	Gross Domestic Product	UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
GSP+	Generalized System of Preferences	UNCTIRAL	United Nations Commission on International Trade Law
GVC	Global Value Chain	UNCTAD	United Nations Conference on Trade and Development
IBRD	International Bank for Reconstruction and Development (World Bank)	UNDP	United Nations Development Programme
ICT	Information and Communication Technologies	UNECA	United Nations Economic Commission for Africa
IDB	Islamic Development Bank	UNECE	United Nations Economic Commission for Europe
IDBG	Islamic Development Bank Group	UN ESCAP	United Nations Economic and Social Commission for Asia and Pacific
IPR	Innovation Performance Reviews	UN/EDIFACT	United Nations Rules for Electronic, Data Interchange for Administration, Commerce and Transport
IT	Information Technologies	UNFCCC	United Nations Framework Convention on Climate Change
ITT	International Think-Thank	UNIDO	United Nations Industrial Development Organizations
IDA	International Development Association (World Bank)	UNISDR	United Nations Office for Disaster Risk Reduction
IRU	International Road Transport Union	UN/LOCODE	United Nations Code for Trade and Transport Locations
ISO	International Organization for Standardization	UN-OHRLLS	United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
ITC	International Trade Centre	UN OLA	United Nations Office of Legal Affairs
IVC	International Value Chain	UN SPECA	United Nations Special Programme for the Economies of Central Asia
KTI	Kazakhstan-Turkmenistan-Iran	US	United States
Lao PDR	Lao People's Democratic Republic	USG	Under-Secretary-General
LDCs	Least Developed Countries	VAT	Value Added Tax
LLDCs	Landlocked Developing Countries	VCLT	Vienna Convention on the Law of Treaties
LPI	Logistics Performance Index	VPoA	Vienna Programme of Action
LTP	Lao PDR Trade Portal	WCO	World Customs Organization
MC	Ministerial Conference	WTO	World Trade Organization
MDB	Multilateral Development Bank	WB	World Bank
MDG	Millennium Development Goal		

# ASTANA MINISTERIAL DECLARATION ADOPTED AT THE MINISTERIAL MEETING OF LANDLOCKED DEVELOPING COUNTRIES ON TRADE AND TRANSPORT ON 17 MAY 2018 IN ASTANA, KAZAKHSTAN

We, the Ministers and officials responsible for trade and transport of the Landlocked Developing Countries (LLDCs), have met in Astana, Kazakhstan on 16 and 17 May 2018 and have held our deliberations under the theme—Achieving the Sustainable Development Goals (SDGs) in Landlocked Developing Countries through Connectivity and Trade Facilitation.

*Recalling* the 2030 Agenda for Sustainable Development, the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024, the Addis Ababa Action Agenda, and the UN General Assembly resolution 72/232 that convenes a high-level comprehensive midterm review of the Vienna Programme of Action.

*Reaffirming* the overarching goal of the Vienna Programme of Action of addressing the special development needs and challenges of landlocked developing countries arising from their landlockedness, remoteness and geographical constraints in a more coherent manner and thus contributing to an enhanced rate of sustainable and inclusive growth, which can contribute to the eradication of poverty in all its forms and dimensions, including extreme poverty.

Have adopted the following Ministerial Declaration:

## **Improving Transport Connectivity for the LLDCs**

1. We note that some progress has been made by landlocked developing and transit countries in the area of transit transport infrastructure development and acknowledge that despite the improvement, physical infrastructure in road transport, rail transport, ports, inland waterways, pipelines, air transport is still inadequate and missing links are a major problem and need to be addressed urgently.
2. We emphasize the facilitating role that transport connectivity plays in driving regional integration, inclusive and sustainable economic development of LLDCs and recognize the transformative potential of transport for structural economic change in the LLDCs and which can be achieved only if transport infrastructure is built and services are delivered through sound policies, adequate institutions and harmonized norms, standards and practices.
3. We emphasize that the establishment and maintenance of secure, reliable, efficient and quality infrastructure and transit transport systems remains critical for landlocked developing countries to enable them to reduce transport and trading costs, enhance their competitiveness and become fully integrated in regional and global markets.

4. We stress the need to promote harmonization, simplification and standardization of rules, documentation and procedures and enhanced cooperation, including the full and effective implementation of international conventions on transit transport facilitation as well as bilateral, sub-regional and regional agreements, which will lead to faster, cheaper and more reliable transit traffic flow along transit transport routes.
5. We stress that the magnitude of the resources required to invest in infrastructure development and maintenance requires the forging of international, regional, subregional and bilateral cooperation on infrastructure projects, the effective deployment of international development assistance and multilateral financing in the development and maintenance of infrastructure and strengthening of the role of the private sector.
6. We call upon the international community to provide us with technical support to translate plans into concrete project pipelines, as well as support for individual implementable projects, including for feasibility studies, the negotiation of complex contracts and project management.
7. We call on multilateral and regional development banks to support LLDCs and transit countries in developing bankable implementable infrastructure and transport projects that are financially viable, environmentally friendly and accepted by the local communities.

## **Promotion of Structural Transformation, Diversification and Value-Addition**

8. We underline that, in order for LLDCs to fully utilize their export and trade potential, it is important to undertake measures that promote structural economic transformation capable of reducing the negative impact of their geographical disadvantages and external shocks, creating jobs and ultimately leading to the eradication of poverty in all its forms and dimensions and inclusive and sustainable growth and development.
9. We reaffirm our commitment to intensify our efforts to build productive capacities in manufacturing, agriculture and the services sectors, pursue structural economic transformation, industrialization and encourage export diversification, as a means to poverty eradication, employment generation, inclusive economic growth and sustainable development. We stress that the national development efforts of LLDCs need to be supported by an enabling international economic environment.



10. We stress the critical importance of industrial development for LLDCs, an important source of economic growth, economic diversification, and value addition, as a means to achieve structural and economic transformation and call on development partners, the UN system, including UNIDO to provide support in implementing our industrial and trade policies.
11. We recognize that LLDCs are still heavily dependent on export of primary commodities, which often have low value addition, and their economies remain undiversified, thus making them vulnerable to volatile prices of commodities and external shocks. We call upon the international community to enhance efforts to support LLDCs in diversifying their export base and enhancing value addition to their exports, through—inter alia—the transfer of relevant technologies, support to develop and strengthen their productive capacities and capacity building in developing relevant policies.
12. We stress the importance of LLDCs integrating into regional and global value chains and call on development partners, transit countries and international organizations to help the LLDCs to strengthen their capacity to participate in regional and global value chains and in identifying the best opportunities for developing new products and export markets, given their comparative advantages.
13. We emphasize the full operationalization of the International Think Tank for Landlocked Developing Countries to enhance the analytical capabilities of LLDCs, provide home-grown research to cater for their specific needs and support the development efforts of the LLDCs as well as strengthen their collective voice at global level.

#### **Trade and Trade Facilitation**

14. We underscore the importance of international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals, as recognized by the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda.
15. We recognize the need to “promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda” to achieve the SDGs as stated in Goal 17.10. We will also seek to promote the concepts of fairness and inclusiveness.
16. We are concerned with the current threats to the Multilateral Trading System including the stalemate in the Doha Development Agenda negotiations and the increase in the adoption of protectionist measures by major trading partners. This situation can further marginalize the LLDCs

from the global trade. We therefore call on the WTO Members to strengthen and preserve the multilateral trade system and the negotiating function of the WTO, and to resist all forms of protectionism to promote common prosperity.

17. We underline the importance of addressing the trade-related challenges of the LLDCs that includes reducing trade costs at the border, between borders and behind borders, and addressing other supply-side constraints in order to increase the LLDCs’ trade competitiveness; improving the market access for their products; and enhancing structural transformation in order to help diversify their product and markets.
18. We emphasize that trade facilitation is critical to address the high trade cost faced by the LLDCs. We recognize that the WTO Trade Facilitation Agreement (TFA) creates a significant opportunity to improve the speed and efficiency of border procedures, thereby reducing high trade costs faced by the LLDCs and enhancing their participation in the regional and global value chains. We call on all the WTO Members to expedite the implementation of the WTO Trade Facilitation Agreement. We encourage the LLDCs and transit countries that have not yet notified their category C measures and their capacity needs to do so to take advantage of the technical assistance opportunities.
19. We call on the LLDCs that have not done so to accede to and ratify relevant international, regional and sub-regional conventions and other legal instruments related to trade facilitation and ensure their effective implementation, with a view to reducing trade costs and delays for the LLDCs and we also encourage transit countries to fully comply with their obligations under the international law related to freedom of transit and trade facilitation.

#### **Acknowledgment**

We thank the Government of the Republic of Kazakhstan for its generous financial support, for hosting this meeting and for its hospitality extended to us during our stay in Astana;

We express our sincere appreciation for the efforts undertaken by Paraguay in its capacity as the Global Chair of the Group of LLDCs and in its capacity as Coordinator for trade and development issues of the Group of LLDCs in Geneva;

We express our gratitude to the substantive support and financial contribution of the UN Office of the High Representative for LDCs, LLDCs and SIDS (UN-OHRLLS) to the Meeting;

We express our appreciation to the active participation and substantive contributions of the development partners, UN system organizations, international and regional organizations, the private sector, civil society and other stakeholders.

# INTRODUCTION

## 1. BACKGROUND

Lack of territorial access to the sea, isolation and remoteness from world markets and high transport and transit costs impose serious constraints on the overall socio-economic development and trade competitiveness of the 32 landlocked developing countries (LLDCs). LLDCs have to pay more than double what coastal countries incur as well as require about double the time taken by transit countries to export and import their goods. The high trade costs erode the competitive edge of the LLDCs as well as the trade volumes resulting in an enormous negative impact on their overall sustainable development. They are also not able to fully tap on the benefits of trade such as investment finance, technology and services needed to further improve productive capacity in agriculture, industry and services that are needed for structural transformation of economies. As a result, the level of development in LLDCs is, on average, 20% lower than what it would be were they not landlocked.

Reducing the high costs and improving the export competitiveness of the LLDCs requires improving the “hard” physical infrastructure such as roads, railways and addressing the “soft” infrastructure that involves the transit issues between the LLDCs and the transit countries such as enhancing the legal framework; simplification of customs and border procedures; automation of processes; transparent and consistent fees and charges; harmonization of policies between the LLDCs and transit countries and between the institutions involved and the private sector.

To address the challenges of the LLDCs the First International Ministerial Conference of Landlocked and Transit Developing Countries and Development Partners was hosted by the Government of Kazakhstan in August 2003. The Conference adopted the Almaty Programme of Action (APoA) to address special needs and challenges faced by the landlocked developing countries in achieving their development goals. The Vienna Programme of Action (VPoA) for LLDCs for the Decade 2014-2024 which was adopted in 2014 is the successor programme of the APoA. The VPoA identifies fundamental transit policy issues, infrastructure development, international trade and trade facilitation, regional integration, structural economic transformation and means of implementation as its key priority areas.

The VPoA, under its priority area on fundamental transit policy issues, sets specific, ambitious objectives of reducing travel time along corridors with the aim of allowing transit cargo to move 300-400 kilometres per 24 hours; significantly reducing the time spent at land borders; and improving intermodal connectivity. With regard to infrastructure development, the VPoA reiterates the importance of physical infrastructure in reducing trade costs and stresses the importance of the development and maintenance of transit transport infrastructure in both LLDCs and transit

countries and also that the development of information and communication technology (ICT) and energy infrastructure is also crucial and should be given priority attention.

On trade facilitation, the VPoA calls for further simplification, harmonization and streamlining of border crossing and transit procedures and improvement of transit facilities and their efficiency with the aim of reducing port and border delays and transaction costs for LLDCs. The VPoA stresses the importance of the implementation of the WTO Trade Facilitation Agreement which has a great impact on effective transit procedures and if fully implemented will be beneficial to both the LLDCs and the transit countries.

The 2030 Agenda for Sustainable Development underscores the importance of international trade as an engine for inclusive economic growth and poverty reduction, and as an important means to achieve the Sustainable Development Goals (SDGs). VPoA is an integral part of the 2030 Agenda for Sustainable Development. Sustainable transport is crucial for the achievement of all the SDGs and is specifically noted in SDG 3 on health; SDG 9 on resilient infrastructure and industrialization; and SDG 11 on making cities inclusive, safe, resilient and sustainable. The 2030 Agenda acknowledges that the most vulnerable countries, including LLDCs deserve special attention and particularly emphasises the need for trade-related capacity-building and promotion of regional economic integration and interconnectivity.

The Addis Ababa Action Agenda (AAAA), which is an integral part of the 2030 Agenda, also recognizes the special challenges and needs of the LLDCs and stresses the need to support the LLDCs to enable them to structurally transform their economies, harness benefits from international trade, and develop efficient transport and transit systems.

The LLDCs have held recent relevant meetings on trade and transport that include the High-level meeting on sustainable transport of LLDCs that was held in October 2016 in Santa Cruz, Bolivia; the fifth meeting of trade ministers of LLDCs that was held in June 2016 in Geneva, and the High-Level Meeting for the Euro-Asia Region on Improving Cooperation on Transit, Trade Facilitation and the 2030 Agenda for Sustainable Development that was held in Hanoi, Viet Nam in March 2017. These meetings have reaffirmed the importance of enhancing sustainable transport, international trade and trade facilitation for lowering transaction costs and for the achievement of the SDGs in the LLDCs and stressed the need to accelerate the implementation of the VPoA.

Several other developments have taken place over the past two years that the Ministerial meeting needs to review and identify areas that the LLDCs should pursue in order to ensure better



outcomes. The Global Conference on sustainable transport, was held in November 2016 in Ashgabat, Turkmenistan and the outcome—the Ashgabat Statement on Commitments and Policy Recommendations—notes the importance of addressing the special needs of LLDCs by establishing and promoting efficient transit transport systems that link them to international markets, by developing, upgrading and maintaining all modes of transit transport infrastructure, by promoting and harmonising enabling environment, regulatory frameworks and institutional arrangements for transit, and by forging genuine partnerships between landlocked and transit developing countries and their development partners at the national, bilateral, sub-regional, regional and global levels.

The WTO Trade Facilitation Agreement (TFA) which entered into force on 22 February 2017 marked an important milestone for the multilateral trading system as it has potential benefits particularly for the LLDCs. The WTO TFA when fully implemented is expected to expedite the movement, release and clearance of goods, including goods in transit and thereby significantly cutting the costs of trade by 14.5% on average. The WTO TFA underscores the importance of provision of adequate infrastructure to facilitate transit.

At the 2017 Global Infrastructure Forum, the multi-lateral development banks agreed to deepen their collaboration to encourage private sector investment in infrastructure development, by joining forces to co-finance projects, helping to generate interest among private sector investors in Public-Private-Partnerships and the development of infrastructure as an asset class for institutional investors.

The Belt and Road Initiative by China is making progress that is important for the LLDCs. The initiative includes six corridors along the land-based Silk Road Economic Belt and the Maritime Silk Road linking Asia with Europe and Africa. LLDCs and transit countries in the initiative would benefit overall from improved connectivity in infrastructure, trade, finance, and policies. At the Belt and Road Forum held in May 2017, some of the relevant achievements of the initiative were highlighted to include: China-Laos railway, Addis Ababa-Djibouti railway and aligning of the Belt and Road with the development strategies of the Eurasian Economic Union, ASEAN, Kazakhstan, Turkey, Mongolia, and Vietnam. The initiative has also created financing mechanisms specifically to carry out the Belt and Road vision, including the multilateral Asian Infrastructure Investment Bank and China's Silk Road Fund.

Efficient transit transport systems are key enablers for the LLDCs to integrate into the global economy and to facilitate the attainment of the SDGs by the LLDCs. Enhanced investment, and capacity building are required to ensure improved transit cooperation that can result in reduced trade costs and a transformative change in the LLDCs and their achievement of the SDGs.

It is in this context, the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small

Island Developing States (UN-OHRLLS), and the Government of Kazakhstan jointly organized a Ministerial Meeting of the LLDCs on trade and transport that was held on 16 and 17 May 2018 in Astana Kazakhstan.

The meeting was also held as the first activity of the preparatory process of the Mid-term Review of the VPoA. In that regards, the outcome of the meeting will feed into the preparations of the Mid-term Review of the VPoA.

## **2. OBJECTIVES**

The key objectives of Ministerial meeting included to: review the progress made by the LLDCs on transport, trade facilitation and trade and the related SDGs and identify the challenges; share knowledge, experiences and innovative approaches of promoting national and regional connectivity including mobilization of financing for infrastructure development and maintenance; share knowledge, experiences and best practice examples of promoting international trade and trade facilitation including on the implementation of the WTO Trade Facilitation Agreement; and identify recommendations and opportunities for enhancing transport infrastructure development and maintenance in LLDCs, scaling up of international support on transport and how to strengthen cooperation on transport connectivity and trade for the benefit of LLDCs with a view to accelerate the achievement of the SDGs.

## **3. ATTENDANCE**

The Meeting was attended by Ministers and senior officials from Ministries responsible for Transport and Trade from the landlocked developing countries and some donor countries. The meeting was also attended by representatives of UN system entities and of other international, regional and sub-regional organizations and financial institutions, private sector representatives, non-governmental organizations, the academia and other stakeholders.

## **4. ORGANIZATION OF THE REPORT**

The rest of the report is organized in two parts. The first part is a presentation of thematic background notes that highlighted the key issues for the main areas that were considered in the meeting: Strengthening Transport Connectivity for the LLDCs; Promotion of Structural Economic Transformation, Diversification and Value-Addition in LLDCs; and Promoting International Trade in the LLDCs and enhancing the implementation of the WTO Trade Facilitation Agreement.

The second part presents a report of the Ministerial Meeting of Landlocked Developing Countries on Trade and Transport that was held in Astana, Kazakhstan on 16 and 17 May 2018. An annex presents the list of participants who attended the meeting.





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# PART 1: THEMATIC BACKGROUND PAPERS

## I. STRENGTHENING TRANSPORT CONNECTIVITY FOR THE LLDCs

### 1. Introduction

Transport connectivity is a key issue for the LLDCs who lack direct access to the sea. The average distance to the nearest seaport for the LLDCs is 1,370 km. The LLDCs are dependent on their transit neighbours' infrastructure and administrative procedures for transportation of their exports and their imports. However, transit transport infrastructure is inadequate to support their greater integration into regional and global trading networks due to poor maintenance, missing and substandard links and lack of integration between networks. Furthermore, complex and non-harmonized cross-border and transit transport documentation, formalities and procedures affect the connectivity of LLDCs. As a result, LLDCs pay more than double what the transit countries incur in transport costs and take longer time to send and receive merchandise from overseas markets.

The establishment of a secure, reliable and efficient transit transport system is critical for LLDCs to be able to reduce transport costs and enhance their competitiveness and become fully integrated in the global market. In this regard, the development and maintenance of physical infrastructure including the development of the transport infrastructure in both landlocked and transit developing countries, closing of the missing links, development of ancillary infrastructure and soft infrastructure which includes the legal and regulatory framework and institutions is important as indicated in Priority Areas 1 and 2 of the Vienna Programme of Action. In 2015 the Sustainable Development Goals were adopted—aimed at improving all dimensions of development economic, social, and environmental—end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 2030 Agenda for Sustainable Development acknowledges that LLDCs deserve special attention and that sustainable transport is crucial for the achievement of all the SDGs. The Addis Ababa Action Agenda also recognizes the special needs of the LLDCs on transport connectivity.

Trade is an important means to achieve the SDGs through revenue generation from exports and imports; mobilization of private sector finance and foreign direct investment; technology transfer and other means. However, the high trade costs make it difficult for the LLDCs to fully utilize trade as a means for achieving their sustainable development. Improving transport connectivity can help lower transport costs and support the achievement of the SDGs by the LLDCs.

It is in this context that this background note provides highlights on the progress that has been made towards improving trans-

port connectivity for the LLDCs. It first presents the status of development of the physical or hard transport infrastructure in LLDCs and transit countries. It then presents progress in improving the soft infrastructure issues that facilitates transit of transport for the LLDCs to the seaports. In each of the sections, the note identifies the key challenges and priority areas for action for improving transport connectivity. In the last section, the note highlights efforts aimed at closing the infrastructure gap and the implications for partnerships.

### 2. Status of transport infrastructure development

In terms of transport infrastructure, landlocked developing countries lag behind almost every other group of countries. The topography of LLDCs includes many high and steep mountain ranges, extensive deserts, flood prone river valleys, and other features that can pose physical obstacles and make the construction of transport infrastructure particularly challenging and costly. Tunnelling is often not possible or too costly, and mountain roads or rails are treacherous, if not outright dangerous. In most LLDCs the population density is very low and this can make the costs of providing access to rural roads disproportionately high. Many LLDCs are therefore negatively affected by their topography and their geography, which can cause higher than average costs of constructing the necessary transport infrastructure.

#### Road transport

The road transport system is the leading mode of transport for most LLDCs, followed by rail. The LLDCs have relatively poor road network when compared to their transit neighbours and they lag behind the averages of all developing countries, developed countries and world.

In Asia, the Asian Highway network consisting of 143,000 km plays a key role in fostering coordinated development of regional roads and connect many LLDCs to internationally recognized transport networks. Member countries have made progress in upgrading Asian Highway routes during the period 2006-2014, the proportion of the network that falls in class III (regarded as the minimum desirable standard) or better increased from 91% in 2006 to 92.1% in 2014. The 2015 update of the Asian Highway Database showed that about 10,147 km, representing 8% of the network, do not yet meet the minimum desirable standards.

While substantial progress has been made in the development and upgrading of the Asian Highway network in LLDCs, 55% of the network in these countries is still at the standard of class III (38%) or below class III (17%). A particular concern is that many of the Asian Highway sections below the minimum standard of class III are also those that connect with neighbouring countries.



The LLDCs in Asia are working on different projects to modernize and upgrade sections of the Asian Highway that fall in their territories in order to improve connectivity and several countries commissioned road highway projects.

In Africa, the Trans-African Highway, which is at the heart of regional connectivity for the continent has a total length of 54,120 km distributed along nine corridors. However, it is characterized by missing links and poor maintenance in some key segments. The percentage of paved roads is still low in sub-Saharan Africa where most of the LLDCs are located -it was estimated to be about 13% in 2015. To provide a meaningful level of continental connectivity, between 60,000 and 100,000 km of regional roads are required. Efforts to improve the road network in Africa include the implementation of the Programme for Infrastructure Development in Africa (PIDA) that provides a long-term vision for Africa's infrastructure development as well as a platform for African countries to engage with investors and development partners. A total of 51 priority regional projects were identified in PIDA Priority Action Plan (PAP) as the continental framework for infrastructure development from 2012 to 2040. To emphasize the strategy of corridor development, PIDA includes 16 projects geared towards corridor development out of the 24 transport infrastructure projects in PAP. Some road network projects under PIDA have been completed or are under construction in some LLDCs and transit countries and details are available on <http://www.au-pida.org/pida-projects/>.

In the Latin America region, efforts are underway to improve the road network—nationally within the LLDCs and in their transit neighbours. Both Paraguay and Bolivia are working on road transport infrastructure development projects to improve their connectivity.

Overall, despite the progress in all regions with LLDCs, more is needed to establish a transit road network that improves the connectivity of the LLDCs to the global markets.

### **Rail transport**

With regard to railway infrastructure in the LLDCs, some efforts are being made in all regions to expand and improve the existing network. 9 LLDCs do not have a railway network. The Asian LLDCs are engaged in implementing several projects to improve and modernize their railway systems and improve their connectivity with their neighbours and transit countries under the framework of the Intergovernmental Agreement on the Trans-Asian Railway Network) as well as by the Euro-Asia inland transport links (EATL) project. The Trans-Asian Railway networks cover over 118,000 kilometres and some progress has been made in improving the railway network through closing of some of the missing links. However according to ESCAP, 2017 note by the Secretariat on Building the missing links in the Trans-Asian Railway network, the Trans-Asian railway network still has more than 12,400<sup>1</sup> km

of missing links representing 10.5% of the network. This is the sum of the line sections which have been nominated by member States to be part of the network but have yet to be constructed. The total investment required to put in place these missing links is estimated at \$75.6 billion.

The African railway network of 74,775 km has very low density and is mostly in North Africa and Southern Africa. There are over 26,362 km of missing links in the rail network. Part of the network is closed due to war damage, natural disasters, or general neglect and lack of funds. 17 African countries are without railways, five of which are landlocked countries. Some railway projects are underway under the PIDA programme and corridor development by the subregions.

In Latin America, Bolivia and Paraguay signed a memorandum of understanding in 2017 for the rail project that will connect the two countries. The railway segment will interface with the bio-oceanic railway corridor that will connect the Atlantic and the Pacific Oceans via a 3,700km line starting from Port of Santos, Brazil, through Bolivia, and ending in Ilo, Peru.

The major challenges facing the development and maintenance of railway network in all the regions include aging track—insufficient ballast, rail wear, deteriorating earthworks, and formation; inadequate maintenance—most structures are in poor condition; and rail signalling and telecommunications—obsolete equipment and a lack of spare parts. The closing of the missing links is important as is harmonizing different infrastructure standards, including railway gauges. The slow interchange of rolling stock between railway networks not only holds up goods in transit but also results in poor utilization of railway assets, thus reducing their revenues.

### **Air Transport**

Air transport is particularly important for the LLDCs because it is a mode of transport that provides them with direct access to international markets without having to pass through transit countries. However, in most LLDCs, connectivity by air is very limited. According to the United Nations SDG Indicators Global Database, the volume of passenger traffic transported by air from LLDCs rose from 11.2 million to 30 million between 2000 and 2015. However, it still represents just 0.9% share of the world's passenger volume. Use of airfreight has also increased in some LLDCs. Freight volume by air transport for LLDCs was 1.6 billion tonne kilometres in 2015 and accounts for just under 1% of global freight volume. While there has been growth in passenger and freight volumes, LLDCs lag behind other countries in the quality of their air transport infrastructure.

LLDCs are often in the flight path of long distance aircraft shuttling between global commercial centres in Europe, East Asia, North America, or South Africa, but most airports in LLDCs receive

1 - 5th meeting of the ESCAP Working Group on the Trans-Asian Railway Network on Building the missing links in the Trans-Asian Railway network held in Busan, Republic of Korea, 13-14 June 2017, E/ESCAP/TARN/WG(5)/4



only limited number of flights a week, and costs of air travel per passenger are disproportionately high. The other challenges faced in improving air connectivity include: high scale of investment that is needed for infrastructure development, maintenance, rehabilitation and replacement of aged fleet, and upgrading of airports and terminals and need for skilled manpower, new technologies and capacity building.

With the global air traffic projected to double by 2030, the pressure on existing aviation infrastructure will increase in LLDCs. They therefore need support towards both the physical infrastructure, and the soft infrastructure which includes the policies, legal and regulatory frameworks and institutions. Larger investments will be needed to modernize and expand aviation infrastructure in LLDCs. To maximize the benefits from aviation, LLDCs are encouraged to incorporate the aviation sector into the integrated transport system and prioritize aviation in their development plans. The special needs and structural characteristics of LLDCs should be taken into account in the coordination, prioritization, facilitation and implementation of assistance programmes.

### **Inland water transport**

Inland water transport offers competitive freight rates for low-value, high-bulk commodities and is particularly important for accessing the markets. Inland waterways are particularly used in LLDCs in Latin America, South-East Asia and Central Africa. The major challenges of inland waterways include: the reduction in water level at low periods; silting; and other physical/material constraints as well as operational/management-related and regulatory issues. To realize its potential and safeguard navigational safety and environmental protection, inland water transport involved in transit trade need improvement in infrastructure to improve navigability. It is also important to effectively implement multilateral agreements that are on paper. The further development and maintenance of inland transport is important to enhance the implementation of the VPoA.

### **Sea Ports**

The share of port throughput for the transit developing countries as measured by the number of containers that pass through the port has increased by more than 37% from 2010 to 2015, while the world's throughput was by 25%. Asian transit countries' ports dominate for port throughput at 38% while Latin America and Africa grew by 1.3% and 1.5% respectively during the same time period. China continues to lead the world in terms of port throughput and efficiency and increasingly as a provider of expertise in port construction and management.

Major challenges to port infrastructure include natural disasters and the impact of climate change in particular coastal flooding. This heightens the need for adaptation strategies to improve the resilience of port infrastructure and systems.

### **Dry ports**

More recently, strong attention has been paid to the development of dry ports, which is of great importance for landlocked developing countries as they are very useful for facilitating customs clearance procedures intermodal transfers and for other diverse cargo handling, warehousing, and logistics services. ESCAP defines dry port to be—a secure inland location for handling, temporary storage, inspection and customs clearance of freight moving in international trade.

The major benefits of dry ports include—helping bring economic development from coastal area to hinterland, improved supply chain logistics leading to reductions in transportation costs, relief of capacity constraints at seaport especially associated with customs clearance of goods and modal shift to a more efficient mode of transport. Thus, overall dry ports will allow greater integration between infrastructure networks and increase the efficiency of transport in the region.

Many LLDCs have or are making progress in establishing dry ports in all regions. For example: Burkina Faso, Ethiopia, Botswana, Uganda, Zambia, Zimbabwe, Bolivia, Paraguay, Afghanistan, Armenia, Azerbaijan, Bhutan, Mongolia, Kazakhstan, Kyrgyzstan, Uzbekistan, Lao Peoples Democratic Republic, Nepal, and Tajikistan. For example, the “Khorgos-East Gate” free economic area located in the south-east of Kazakhstan and a kilometre away from Kazakhstan's border with China is one such example. Expected to be completed by 2020 at an estimated cost of US\$3.5 billion, the project will go a long way in prompting cross border trade and contribute significantly to regional integration. The major challenges facing development of dry ports include: high costs for establishing the facility, availability of land, lack of efficient logistics facilities and support systems, shortage of skilled manpower and lack of coordination between different stakeholders.

### **Impact of climate change on transport infrastructure**

Climate change and its impacts poses additional risks, challenges and costs for LLDCs, which further compromise the limited available resources for development. In line with precautionary principles, any future construction of transport infrastructure in LLDCs will need to be planned and built in a climate resilient manner in line with the Paris Agreement. Investments in climate-resilient and sustainable infrastructure can serve as a foundation for economic development and growth, help lift families out of poverty and make communities more resilient to climate change. While cost-effective in the long-run, resilient infrastructure would add significant costs to current development plans. Decarbonization of transport is also a priority, through higher vehicle efficiency, low emission sources of transport, and low-to zero-emission vehicles. There is need to continue promoting integration of science, technology and innovation (STI) in transport



systems, including for the promotion of green transport, to ensure sustainable transport and assist to achieve of the SDGs.

### 3. Progress in improving soft infrastructure for transport connectivity

Flow of transport from LLDCs can face substantial difficulties accessing the seaports due to various non-physical barriers such as roadblocks and weighbridges, cumbersome procedures or regulations at the borders and along transit routes, poor transport services, environmental restrictions, licensing or permits, insurance, visas, and others. Improved administrative procedures which form the soft infrastructure have a significant role to play to facilitate the efficient and smooth movement of goods, passengers and vehicles by road and rail from LLDCs through the promotion of transport facilitation measures, including at border crossings, and between the borders. Thus, investment into the policy and regulatory reforms including making transit and border regulations more transparent, streamlining administrative procedures, harmonising and standardizing rules and documentation and simplifying border control and procedures are important and necessary.

#### Legal framework to improve transport connectivity

LLDCs need agreements with not only their immediate neighbours, but also all other transit countries en-route to the market for their goods. The legal instruments are important for facilitating collaboration, cooperation and management of transit issues between the different parties at different levels –international, regional, sub-regional and bi-lateral levels. The Vienna Programme of Action for the LLDCs recognizes the importance of freedom of transit for the LLDCs and the need to reduce the high transit and trade transaction costs that the LLDCs incur. One of the important objectives in the VPoA is to “promote unfettered, efficient and cost-effective access to and from the sea by all means of transport, on the basis of freedom of transit”. The VPoA stresses that the ratification of the relevant international and regional legal instruments is crucial for the successful implementation of the programme.

Ratification and effective implementation of the relevant international conventions and agreements to improve transit and border crossing procedures for LLDCs by both the LLDCs and the transit countries is necessary for simplifying, harmonizing and standardising transit operations and therefore plays a significant role in reducing transit delays and costs. For over 100 years, international agreements have been developed to provide freedom of transit for the landlocked countries. The principle of freedom of transit has been enshrined in international conventions including the Barcelona Statute on freedom of transit (1921), Article V of the GATT 1947, the New York Convention on Transit Trade of Landlocked Countries (1965), and the United Nations Convention on the Law of the Sea (UNCLOS) (1982). The UNECE

managed Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) of 1975, implemented in Europe and parts of the Middle East, North Africa and Asia, is usually considered a successful example of an international treaty that promotes transit. The TIR Convention facilitates border crossing through an internationally recognized and harmonized procedure with a single internationally valid customs document and guarantee, while providing governments with simple and secure revenue protection. The LLDCs that are party to the TIR Convention benefit from faster transit from the TIR system.

The World Customs Organisation (WCO) manages the International Convention on the Simplification and Harmonization of Customs Convention (the Revised Kyoto Convention). The Revised Kyoto Convention provides a set of comprehensive Customs procedures to facilitate legitimate international trade while effecting customs controls, including the protection of customs revenue and society. It deals with key principles of simplified and harmonized customs procedures, such as transparency and predictability of customs actions, standardization and simplification of the goods declaration and supporting documents, simplified procedures for authorized persons, coordinated interventions with other border agencies, and minimum necessary customs control to ensure compliance with regulations. The Revised Kyoto Convention has also modernized the customs procedures by incorporating risk management techniques and use of information and communication technology.

The entering into force of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) on 22 February 2017 was an important step forward in ensuring a common platform for improving freedom of transit and increased implementation and widespread use of trade facilitation measures at the global level. The Agreement has as its main objectives to reduce the bureaucracy in trade, improve the flow of goods through borders and reduce trade transaction costs. It has provisions for expediting the movement, release and clearance of goods, including goods in transit and clarifies and improves the relevant articles V, VII and X of the General Agreement on Tariffs and Trade (GATT) 1994. Of particular importance for LLDCs are the provisions covering goods in transit, as well as the requirements on customs-related fees, procedures and documentation; transparency; trade facilitation measures; and improving cooperation between different countries' customs authorities and border agencies. Additionally, the Agreement contains innovative special and differential treatment provisions for developing countries, which will be related to the capacity of each country.

Table 1 presents the status of ratification of selected key international legal instruments promoting transit interests of the LLDCs and transport and trade facilitation and the status of their ratification by the LLDCs and the transit countries.

**Table 1: Status of Ratification of Key International Conventions on the Rights of Transit of the Landlocked Countries and to promote International Trade and Transport Facilitation**

Convention	LLDCs	Transit Countries	World Total
World Trade Organization Trade Facilitation Agreement (2013)	21	25	135
The Revised Kyoto Convention (2006) (WCO)	19	23	113
United Nations Convention on the Law of the Sea (1982)	20	29	168
Customs Convention on the International Transport of Goods under Cover of the TIR Carnets (1975)	11	7	73
Convention on Transit Trade of Landlocked Countries (New York, 1965)	18	5	43
Convention on freedom of transit (Barcelona, 1921)	7	7	53

Source: UN OLA Treaty Collection, UNECE, WCO, WTO.

Data was updated on 20 April 2018.

When landlocked and transit developing countries become party to relevant conventions and effectively implement them, both parties will tend to benefit from the mutual cooperation. While progress is being made to ratify relevant international conventions, more needs to be done. Both LLDCs and transit countries face challenges such as: lack of awareness about the legal instruments; limited information on the potential benefits from ratification; information on conventions not available in the language that can be easily utilized; cumbersome domestication; lack of sharing of experience; and capacity constraints.

More work is needed to create greater awareness and understanding of the implications of accession to the international conventions through capacity building among policymakers and administrators, in-depth studies on the costs and benefits of joining the conventions and guidelines for the implementation of the conventions. Mainstreaming of the conventions at the national level is also important as it will allow their incorporation in national development plans and budgetary allocations. Guidelines could be developed for the implementation of the conventions and agreements. The WCO launched transit guidelines in July 2017 to assist their member states on how to apply the standards set in international conventions in order to facilitate faster customs and border procedures and reduce the high trade costs that the LLDCs face.

Regional agreements and bilateral transport or transit transport agreements are important for facilitating transit and improving transit connectivity. It is important to stress that regional and sub-regional agreements should reflect the standards that are set in the relevant international conventions such as the WTO Trade Facilitation Agreement, Revised Kyoto Convention, UNCLOS and others. It is also important to ensure that the regional and bilateral transit agreements are effectively implemented.

### Corridor arrangement approach

During recent years a complementary approach to transit agreements that has been used is transit corridor and cluster arrangements. Although limited to a certain geographical area, they tend to be inclusive and offer approaches which allow for the development of a good physical infrastructure and harmonized and simple procedures along a transit corridor between several countries, including all stakeholders, public and private. The corridor approach for the integration and coordination of different transport modes is essential to the region's economic integration, in particular for landlocked countries and remote hinterland areas.

It allows countries to identify projects of common interest, thereby aligning national initiatives with regional priorities. Experiences in the Asian region show that the concept of international intermodal transport corridors is now well accepted across the region and some major initiatives include the Euro-Asian Transport Links (EATL), Central Asian Regional Economic Cooperation (CAREC) corridors and Greater Mekong Subregion (GMS) economic corridors. One of the most recent inclusive frameworks for such corridors to be developed is the Belt and Road initiative put in place by the Government of China to instil new forces in realizing economic integration through enhanced intercountry connectivity. In recent years, in collaboration with a range of international partners including train operators and logistics companies, the railways of China have launched a number of new intermodal services to demonstrate the potential of such corridors.

Some of the corridors that have a multi-lateral agreement in place in Africa include the Northern Corridor Transit Agreement and Central Corridor whilst other corridors could be operating under a memorandum of agreement. The agreements could be on the ports, transit, road or rail or inland waterway transport. The Maputo Corridor is one corridor that has been noted to be successful. It has experienced tremendous growth, attracted large industrial and transport investments, and strengthened ties between neighbouring countries.

### Progress on Vienna Programme of Action indicators on transit

The priority area on fundamental transit policy issues of the VPoA has a specific objective aimed at reducing travel time along corridors with the aim of allowing transit cargo to move 300-400 kilometres every 24 hours. Data that can be used to monitor this



specific objective is available only for some corridors that will be highlighted below. Data on overall road corridor performance in the Central Asia Regional Economic Cooperation Program (which serves eight LLDCs) shows an overall average of 550 km/24hrs in 2014 that increased to 556 km/24hrs in 2015 indicating that the region has already achieved the target.

In Africa, data from the Northern Corridor Transport Observatory Report Coordination Authority collected between October 2015 to March 2016, show that the transit speed in km/24hrs from Mombasa to: Kampala was 205; to Juba 164; and Kigali 127. All the routes on that corridor were much less than the VPoA target indicating that more needs to be done to achieve the VPoA target. Data from the 2015 Central Corridor Transport Observatory Annual Report show the average transit speed in km/24hrs from Dar es Salaam port to Bujumbura: 393; Kigali: 398; and Kampala: 432. This data shows that this corridor region has achieved the VPoA target.

In Latin America, according to ECLAC, the average travel time for transit cargo for the LLDCs in the region is below the VPoA target, due to the transport infrastructure constraints in both landlocked and transit countries and inefficient procedures at border crossings. Overall there is need for specific studies to determine the travel time along corridors used by the LLDCs.

Another specific objective of the VPoA priority area on Fundamental transit policy issues is aimed at reducing the time spent at intermodal points—the transfer from port to rail or road. Although data to measure progress on this specific objective is not readily available, World Bank studies indicate that the average cargo dwell time in most ports in East Asia or in Europe is close to 4 days. In Africa, some progress has been made to reduce cargo dwell time from 14 in 2012 to 9 days in 2016 at Dar es Salaam port and 11 to 6 days for Mombasa port over the same period. The port dwell times were: in Durban—4 days; Douala -19 days; Lomé 18 days and Tema—20 days. More efforts are needed to reduce the port dwelling times and there is need to capture data and regularly update it in order to monitor this specific objective.

#### 4. Closing the infrastructure gap to improve transport connectivity

The investment needs for hard and soft infrastructure development to support the connectivity of LLDCs to the global markets are high. The need for higher levels of Infrastructure financing is critical in terms of both quality and quantity. The Addis Ababa Action Agenda notes that the annual infrastructure gap in developing countries is about \$1 trillion to \$1.5 trillion. For the Africa region, US\$93 billion is needed annually for infrastructure development and maintenance. According to ECLAC data and analysis Latin American countries should invest around 6.2% of their annual Gross Domestic Product (GDP) to meet their infrastructure needs. However, according to 2015 data released

by ECLAC, investment in the region only amounts to 2.3% of GDP. In the Asian region the Asian Development Bank's latest report on "Meeting Asia's Infrastructure Needs" indicates that, from 2016 to 2030, developing Asia would need to invest \$26 trillion—or \$1.7 trillion a year—to maintain the region's growth momentum, and eradicate poverty.

Closing the existing infrastructure gap in LLDCs and transit countries is critical for the successful implementation of the VPoA. This requires all sources of infrastructure financing including public, private, public-private partnerships, official development assistance and innovative sources of financing such as infrastructure investment funds.

The Inter-American Development Bank has more than doubled its loan approvals in terms of US dollars per inhabitant to the landlocked borrowing member countries between the period 2004-2013 and 2014-2016. In per capita terms, sovereign-guaranteed loan approvals to landlocked countries were nearly seven times those to non-landlocked countries for 2014–2016. In the area of infrastructure development and maintenance, average annual sovereign-guaranteed loan approvals for landlocked countries rose from US\$127 million for the period 2004-2013 to US\$319 million for 2014-2016.

In Africa, several programmes are supporting infrastructure development including: PIDA and the NEPAD Infrastructure Champion Initiative (PICI), consisting of eight projects championed by African Heads of State and Government drawn mostly from PIDA projects. Under South-South cooperation, China has supported infrastructure investment in several African LLDCs. Other sources of infrastructure resources are from the development bank led by Brazil, Russia, India, China and South Africa and Power Africa, a US initiative that has so far received US\$20bn worth of pledges from public and private institutions. The Africa 50 Fund was created under the African Development Bank (AfDB) and held its constitutive session in 2015, where 20 countries and AfDB subscribed for an initial aggregate amount of US\$830 million in share capital. Africa 50 started developing and financing projects by the end of 2015. The Africa region is also undertaking the 5% Agenda campaign aimed at increasing the allocations of African asset owners to African infrastructure from its currently low base of approximately 1.5% of their Assets Under Management (AUM) to an impactful 5% of AUM. The purpose of the 5% Agenda campaign is to work with Pension and Sovereign Wealth Funds including Ministers of Finance to gradually increase infrastructure investments, using financial resources available on the continent and strengthen public-private partnerships to mobilize financial and global institutional investments. There is need therefore, for policy makers to create an environment for pension and SWFs which will enable them to invest in large-scale infrastructure projects in Africa under the appropriate reform of national and regional regulatory frameworks that will guide institutional investment in Africa.



In the Asian region several sources of infrastructure funding including the following: the Asian Development Bank; the Asian Infrastructure Investment Bank (AIIB) which in its first year of operation 2016 approved more than \$27million for a project in the transport sector in Tajikistan; the ASEAN Infrastructure Fund. The contribution of China to transport infrastructure development in LLDCs, particularly through its one road one belt initiative is very important especially in Central Asia.

The other challenge for the LLDCs and neighbouring countries is to ensure that investment in sustainable and resilient infrastructure in transport, would be the prerequisite to further economic development and achieving SDG targets. The infrastructure needs will be greater so as to respond to climate change.

The World Bank mobilized resources for IDA 18 which closed at US\$75 Billion from 52 donors, an increase compared to IDA 17. What does this mean for LLDCs: In total, IDA-eligible LLDCs (23 out of the 32 LLDCs) would receive an indicative allocation of about US\$17.4 billion in Concessional Core financing during IDA18. This represents over a USD5 billion increase from IDA17 commitments. In addition to the concessional core financing, additional resources would be available to all IDA countries under the non-core regimes (e.g. Crisis Response Window, Regional Program, and Private Sector Window).

At the 2017 Global Infrastructure Forum, the multi-lateral development banks agreed to deepen their collaboration to encourage private sector investment in vital infrastructure needed to support sustainable and inclusive economic growth. The multi-lateral development banks pledged not only to leverage their resources by joining forces to co-finance projects, but also to help generate interest among private sector investors in Public-Private Partnerships and the development of infrastructure as an asset class for institutional investors.

Development partners on a bilateral level have provided support for infrastructure development. To make an impact on the ground, sharing of best practices on policy development and implementation, improving access to financing, building of an enabling environment, strengthening regional cooperation, streamlining administrative procedures, harmonising and standardizing rules and documentation and simplifying border control and procedures and technological innovation are all crucial steps in moving forward. It is also important to foster transit solutions that can enable the LLDCs to be better integrated into the international market.

## **II: PROMOTION OF STRUCTURAL ECONOMIC TRANSFORMATION, DIVERSIFICATION AND VALUE-ADDITION IN LLDCs**

### **1. Introduction**

Structural economic transformation can be identified as relocation of resources from low- to high-productivity sectors, often involving industrial development. Structural economic transformation can dramatically increase the income levels of poor countries, supporting poverty eradication and sustained economic growth. Historically, as countries structurally transform, the demand for manufactured products rises, the share of employment in agriculture declines and employment in industry or urban-based services rises, accompanied by productivity increases. Then, as services become more prevalent with rising incomes, the share of manufacturing and agriculture tends to fall while share of the services sector rises, sustaining countries' economic growth.

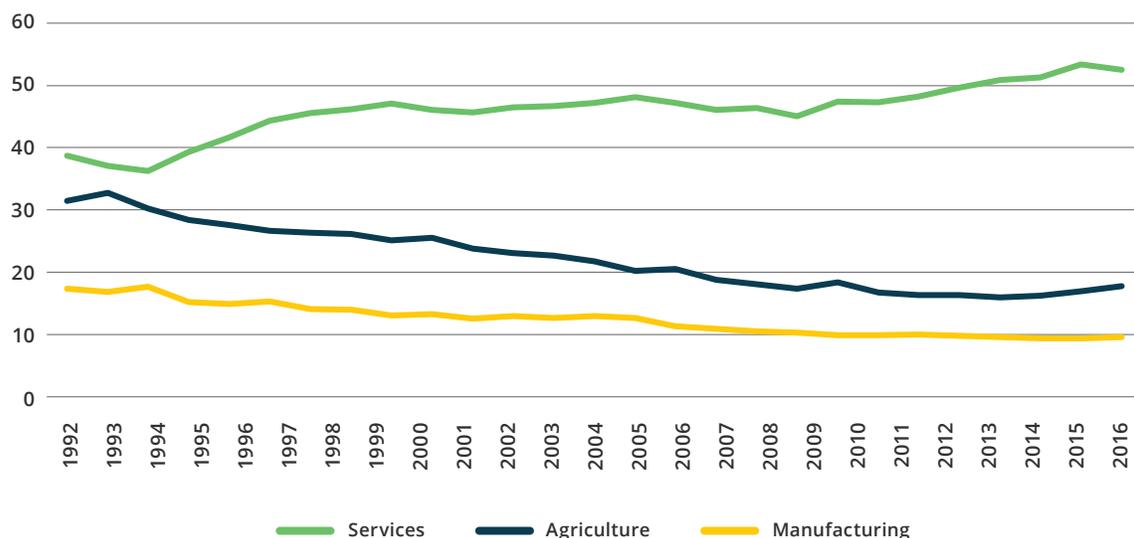
Undergoing structural transformation is important for all developing countries if sustained economic growth and poverty eradication are to be achieved. For LLDCs, which remain reliant on a few export commodities, structural transformation, diversification and value-addition is essential for successfully integrating into the global economy, reducing the negative impacts of landlockedness and external shocks.

### **2. Trends in value-addition and industrialization in LLDCs**

In the 1990s, the value-added share of manufacturing in GDP of LLDCs declined from 17.4% in 1990 to 12.6% in 2000 (Figure 1). Between 2003 and 2013, the share was on average 10.7% in the LLDCs, declining to 9.5% in 2014-2016. Since 2003, only five LLDCs experienced an increase in their manufacturing share in GDP. The value-added share of agriculture in GDP also declined in the LLDCs, from a high of 32.8% in early 1990s, to a low of 16% in 2013, before rising slightly to 17% in 2016. In contrast, the value-added share of services in GDP increased significantly from 38.7% in 1990 to 45.7% in 2000 and 52.5% in 2016.



**FIGURE 1: Value-added share of sectors in economic activity in LLDCs (percentage of GDP)**



Source: World Bank World Development Indicators

This indicates that LLDCs are experiencing premature de-industrialization. Their share of manufacturing seems to have peaked at an earlier stage in their development than today's advanced economies, removing the main channel through which productivity benefits and rapid growth have taken place in the past. Their limited level of industrialization can also be observed in the low share of employment in industry, which the International Labour Organization estimates to be 11%, as compared to 21% in developing countries overall. The fact that agriculture accounts for around 50% of employment in the LLDCs, according to the FAO, but its value-added share in the economy is less than 20% suggests low relative levels of productivity of agriculture in the LLDCs in comparison to the other sectors. Additionally, the productivity of the LLDC agricultural sector has not since 2000 converged to the levels of OECD countries.

According to UNIDO's Competitive Industrial Performance (CIP) index<sup>2</sup>, which depicts a country's overall measures of industrial performance, 11 LLDCs ranked in the bottom fifth of the rankings in 2015. Furthermore, none of the LLDCs ranked in the two top quintiles but four ranked in the middle quintile (Kazakhstan, Macedonia, Swaziland and Botswana). Between 2010 and 2015, two LLDCs improved their rankings to move to higher quintile: Botswana—from the lower-middle to the middle quintile and the Republic of Moldova—from the bottom to the lower-middle quintile.

The data also suggests that LLDCs' combined impact on world manufacturing is negligible. As measured by their share of world manufacturing value added and world manufacturing trade, LLDCs accounted for only 0.39% and 0.31%, respectively. This suggests that LLDCs have very limited capacity to produce and export manufactured goods.

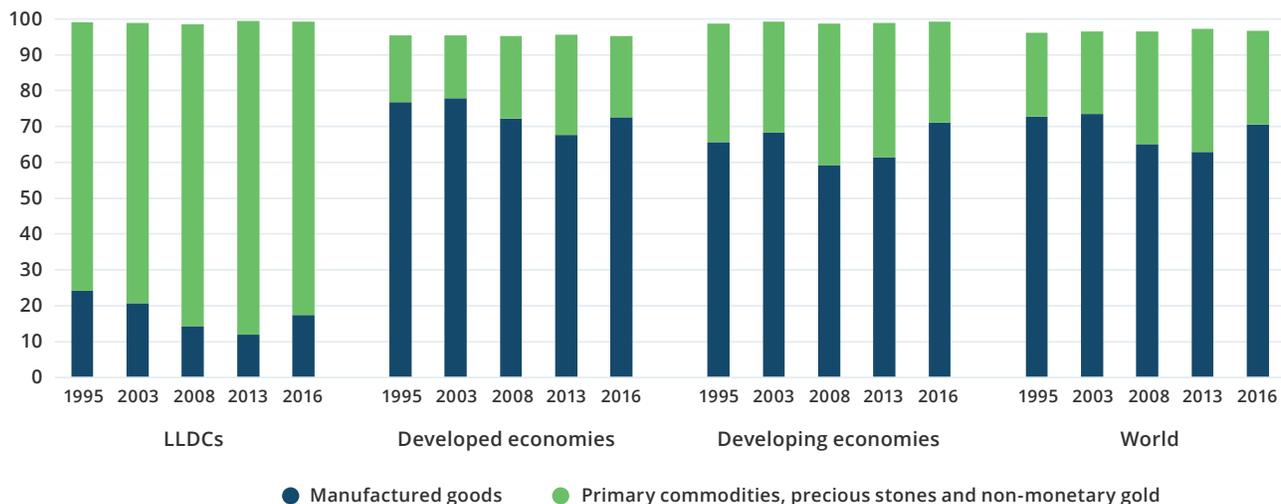
### 3. PROGRESS IN DIVERSIFICATION OF LLDC EXPORTS

This phenomenon can also be observed in the declining share of manufacturing goods in total LLDCs' merchandise exports (Figure 2). The share gradually fell from 24% in 1995 to 12% in 2013. Since then, an increase to 17.5% in 2016 can be observed and the share of manufactured goods increased in 20 LLDCs.

In comparison however, the share for developing countries stood at 71.1%, with only one LLDC (Macedonia) exceeding this. At the same time, the share of primary commodities, precious stones and non-monetary gold in LLDCs' exports, while decreasing in recent years likely due to falls in commodity prices, remains high at 81.9%. In comparison, these products account for only around 18% of exports of developing countries and 26% of world exports, showcasing LLDCs' dependence on primary commodities, which have low value-addition.

2 - The latest 2015 CIP ranking includes 148 economies, including 22 LLDCs.

**FIGURE 2: Share of primary commodities and manufactured goods in exports (percentage)**



Source: UNCTADStat

Not only are LLDC exports focused on primary commodities, they are also concentrated in a limited number of products. LLDC exports became more concentrated in a fewer products in the 2000s, as measured by the concentration index (Herfindahl-Hirschmann Index)<sup>3</sup>, which reached a high of 0.38 in 2013. Since then, the index has fallen to 0.22 in 2016, but it is still considerably higher than the 0.09 reported for developing countries. At the same time, the diversification index<sup>4</sup>, which measures the deviation of the trade structure from the world structure, has remained at around 0.63 since 1995 and even slightly increased in 2014-2016 to 0.65. In contrast, developing countries as a whole had a diversification index of 0.2 in 2016, and this has fallen from 0.27 in the late 1990s and early 2000s. This indicates that the trade structure of LLDCs has not become more diversified, in comparison to the global average.

High concentration of exports in a few products, in particular raw primary commodities with low value addition, makes LLDCs vulnerable to external shocks and limits their competitiveness, compared to other countries. The World Economic Forum's Global Competitiveness Index<sup>5</sup>, which assesses the competitiveness landscape across countries, ranked four LLDCs in top half (second quarter) of the countries examined in the 2017-2018 edition. But at the same time, 11 LLDCs ranked in the bottom quarter.

#### 4. SUPPORTIVE BUSINESS ENVIRONMENT AND THE ROLE OF BUSINESS

Country's ability to develop an industrial base is reliant on the business environment. Data from the World Bank's Doing Business database compare 190 countries in the ease of doing business, with high ease of business indicating that the regulatory environment in a country is more conducive to the starting and operation of a local firm. The data indicates that majority of LLDCs have shown improvements in their regulatory environment for the local private sector, pointing to improvements in their economies. Between 2009 and 2013, all of the LLDCs experienced improvements in their regulatory environment, but since 2013, 10 LLDCs have experienced setbacks in their regulatory reform efforts.

In 2016/2017<sup>6</sup>, one LLDC, Macedonia, ranked in the top 20 countries in terms of their business regulatory environment and with 41 business regulation reforms, has carried out the second highest number of reforms among the top 20 since 2003. Three more LLDCs also ranked in the top quarter of the countries. At the same time, 19 LLDCs ranked in the bottom two quarters of the rankings. In addition, the 2018 edition of Doing Business also identifies countries that implemented regulatory reforms in 2016/17 making it easier to do business in three or more of the 10 areas covered. Amongst the 23 economies, there were 8 LLDCs and 3 of these (Malawi, Uzbekistan and Zambia) were on the list of the top 10 improvers. This is indicative of these economies undertaking ongoing, broad-based reform programs.

3 - A value closer to 1 indicates a country's exports or imports are highly concentrated on a few products.

4 - A value closer to 1 indicates greater divergence from the world pattern.

5 - The 2017-2018 edition of the index has information available for 137 countries, 23 of which are LLDCs.

6 - From 2 June 2016 to 1 June 2017.

### Examples of LLDC efforts to diversify and transform their economies

Several LLDCs are making efforts to diversify and transform their economies. For example, Uzbekistan attempts to follow import-substitution industrialization focused initially on labour intensive industries with a gradual increase in their technology intensity. Kazakhstan's development targeting is currently aimed, among others, at transport services, energy efficiency and agriculture. Mongolia's National Development Strategy 2030 targets agriculture, tourism, energy and industrial materials processing as priority sectors for economic development. Kyrgyzstan's economic diversification includes developing textile industry. Lao PDR saw the establishment of many new manufacturing firms in Lao PDR's special economic zones, with the cooperation of China. The key objective of the national development plan of Ethiopia is bringing about a structural change in the economy by broadening the industrial base, supporting small and medium-sized enterprises, increasing productivity and strengthening linkages among industries. Botswana is undertaking reforms to promote the development of services, industry, tourism and agriculture.

*Source: National reports submitted for the preparation of the 2017 Report of the UN Secretary-General on implementation of the VPoA*

The structural economic challenges faced by LLDCs can be addressed more effectively with the participation of business. While the value of domestic credit provided to the private sector in LLDCs by financial corporations has increased from an average of 19% of GDP in 2000 to 35% in 2016, LLDCs still lag greatly behind other developing countries in this regard. For developing countries as a whole, the value is close to 100%. According to World Bank Enterprise Surveys, on average, 30% of LLDC firms identify access to finance as a major constraint. Since public sector funds in the LLDCs are limited, the private sector needs to be strengthened and supported, in particular SMEs.

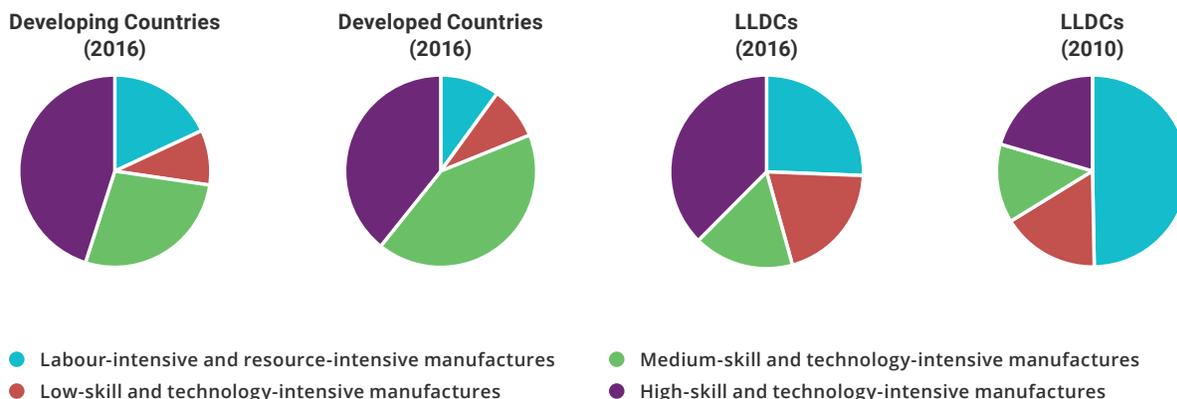
## 5. OPPORTUNITIES FOR ENHANCING STRUCTURAL ECONOMIC TRANSFORMATION IN LLDCs

In order to foster structural economic transformation, LLDCs should strive to shift productive resources away from low-productivity sectors such as agriculture and commodity extraction towards modern higher value added and high-productivity sectors, such as manufacturing and technologically sophisticated production. In LLDCs where agriculture accounts for large proportion of employment and remains a major contributor to GDP, in particular in African and several Asian LLDCs, efforts should be made to raise agricultural productivity and industrialize agriculture, including through employing industrial production methods and expanding value chains for agri-business and agro-processing.

New efforts in promoting agricultural trade and facilitating climate resilience agriculture products are also important for the economic diversification of LLDCs. Adding value to their products can be achieved with greater use of modern technology. However, utilizing technology in the production of manufactured products is an area where LLDCs are still facing some challenges. According to World Bank data, the high-technology content of manufactured exports was below 10% of manufactured exports in 16 of the 20 LLDCs where data is available for 2015-2016. In contrast, this share amounts to around 19% for high and middle-income countries. According to UNCTAD data, LLDCs lag behind in technology-intensive manufactures exports compared to developing countries and in particular developed countries (Figure 3). However, the data also indicates that LLDCs as a group made a large leap in employing skill and technology in the production of their manufactures since early 2000s. They have moved away from labour-intensive and resource-intensive manufactures, whose share in manufactured products has almost halved since 2000. In contrast, the share of high-skill and technology-intensive manufactures has increased by 83% by 2016.

The services sector also presents another opportunity for the LLDCs to diversify their economies. Given the geographical obstacles, remoteness and isolation from markets, high transit costs and inadequate trade and investment, tourism is increasingly being recognized as an important sector for the LLDCs in creating entrepreneurship opportunities as well as full and productive employment and decent work for all and providing a platform to foster economic growth. The development of airline routes and sustaining their economic viability through tourism also contributes to diversifying market access for various economic activities of LLDCs.

**FIGURE 3: Resource-intensive versus technology-intensive manufactures exports**



Source: UNCTADStat

### III. PROMOTING INTERNATIONAL TRADE IN THE LLDCs AND ENHANCING THE IMPLEMENTATION OF THE WTO TRADE FACILITATION AGREEMENT

#### 1. Introduction

International trade drives inclusive growth and poverty reduction. The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda (AAAA) underscore the importance of international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs). By connecting developing-country producers and consumers to global markets trade provides a critical channel for the flow of finance, technology and services needed to further improve productive capacity in agriculture, industry and services. However, the progress of integration in the global trade has been uneven.

LLDCs remain marginalized largely due to long distances from the nearest seaports which translate into unsustainably high transit transport costs and delays. The participation of LLDCs in international trade depends on transiting through other countries. Additional border crossings and long distances from major markets, coupled with cumbersome transit procedures and inadequate infrastructure increases the total expenses for transport and other transaction costs.

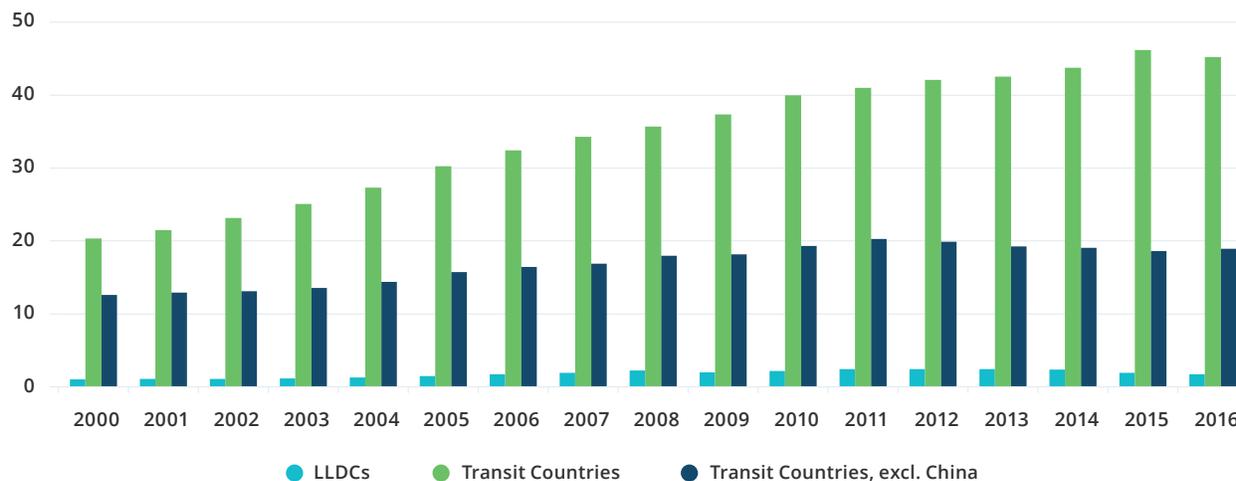
To address the trade related challenges of the LLDCs, the Vienna Programme of Action (VPoA), which is an integral part of the 2030 Agenda, identifies international trade and trade facilitation as one of its priority areas. The VPoA recognizes the importance of addressing high trade costs incurred by the LLDCs, and the need to integrate the LLDCs into the global value chains. The VPoA sets several objectives aimed at integrating the LLDCs into the global trade and improving the trade performance of the LLDCs. These objectives include: to significantly increase the participation of LLDCs in global trade, with a focus on substantially increasing exports; to significantly increase the value added and manufactured component, with the objective of substantially diversifying their markets and products.

#### 2. LLDCs Participation in International Trade

The thirty-two (32) LLDCs account for less than 1% of global merchandise trade. The LLDCs' participation in international trade, measured as the share of their merchandise exports in global exports reached a peak of 1.22 per cent (2013), before suffering a decline to 1.19 per cent in 2014 and 0.86 per cent in 2016. The decline in the LLDCs' share of their merchandise exports is attributed mainly to declining commodity prices. In 2017 the estimated share of the LLDCs merchandise trade slightly increased to 0.91 per cent. Figure 1 below shows this trend as compared to a group of 34 transit countries that includes China



**FIGURE 1: Share of LLDCs and transit countries in global merchandise exports (%)**



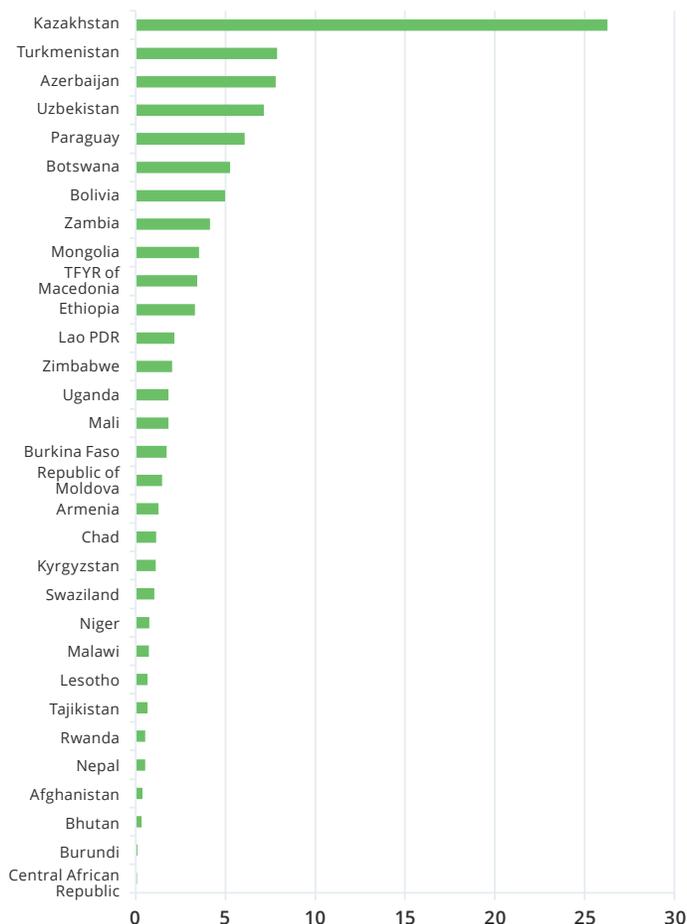
Source: UNCTADStat

and India. In all, transit countries share of merchandise trade was around 23% in 2016 and when China was excluded, the share of these countries stood at 9.5%.

A closer look at the disaggregated data at country level shows a clearer insight into the group. Figure 2 shows that only four LLDCs accounted for about 49% of the group merchandise exports. The majority of LLDCs accounted for no more than 2%. The LLDCs' share of merchandise exports is not only meagre compared to the other developing countries but their exports remain highly concentrated in a few products, in particular, primary commodities with very little value added. The volume and product composition of a country's commodity trade determines its vulnerability to commodity price volatility. The LLDCs are therefore greatly affected by the volatility in the global demand and prices. Price movements of internationally traded goods, as well as changes in the volume and product composition of trade, affect the gains an individual country can reap from international trade. The high export concentration of the LLDCs' exports also demonstrates that the LLDCs are not integrated into the regional and global value chains. Integration into the value chains is vital as it serves as a conduit for industrial transformation and economic diversification.

While the LLDCs are marginal players in trade at global level, international trade is of critical importance to their economies. In 2016, the exports and imports of goods and services constituted approximately 62 per cent of the countries' GDP compare to the world average of about 56 per cent. In a number of the LLDCs, the trade-to-GDP ratio is higher than 100 per cent.

**FIGURE 2: National merchandise exports' share of total LLDC exports (%) (based on 2016 data)**



Source: UNCTADStat



Regional integration and cooperation is important for the development of landlocked developing countries through improved connectivity, enhanced competitiveness and trading capacity, market expansion and upgrading of value chains. The deeper integration of regional markets can reduce trade and operating costs as it reduces the distance to markets. According to the OHRRLLS' Global Report on Improving transit cooperation, trade and trade facilitation in the LLDCs (2017), the LLDCs overall participation in the intra-regional trade, was less than 5% in 2015 having declined from 7.3% in 1995. It remains important that the LLDCs are integrated into the regional markets and regional value chains to address the high trade costs they face as well as to diversify their markets. Addressing the infrastructure challenges including the missing links in the transport infrastructure connecting the LLDCs needs to be addressed to facilitate their integration in regional trade.

### 3. The role of multilateral trading system

The multilateral trading system and the WTO are designed to bring predictability, security and fairness to international economic relations. This is particularly important for the smallest and the most vulnerable Members of the system such as the LLDCs. Currently the WTO is faced with significant challenges as Members were unable to reach consensus on many issues under negotiation especially on the DDA during the Eleventh WTO Ministerial Conference(MC-11). Despite the serious efforts by all the Members, no agreement was reached on many substantive issues under discussion, including the one on public stockholding for food security purposes and other issues under the Agriculture pillar as well as on special and differential treatment.

At MC-11 some large groups of members came together to advance issues of interest to them and to the global economy. Three proponent groups announced new initiatives to advance talks at the WTO on the issues of electronic commerce, investment facilitation and micro, small and medium size enterprises (MSMEs). The proponent groups, each representing many WTO members, and encompassing participants from developed, developing and least-developed countries, unveiled their plans to move forward with discussions in the three areas. Some LLDCs are part of the groups and participating in the discussions. The LLDCs group has not taken a group position on these issues.

One of the major challenge faced by the multilateral trading system is the increase in trade restrictive measures, including new or increased tariffs, customs procedures, quantitative restrictions and rules of origin restrictions. According to the WTO, a total of 42 new trade-restrictive measures were applied by G20 economies during the review period (mid-October 2016 to mid-May 2017). The increase in trade restrictive measures is a great concern to the LLDCs as these limit market access for goods and services. To enhance market access for the LLDCs, efforts should

be made to avoid implementing new trade-restrictive measures and to reverse existing measures. Efforts should also be made to address the capacity challenges of the LLDCs to meet new requirements introduced by trading partners.

### 4. Aid for Trade and Trade Finance

Targeted technical assistance and trade related capacity building are essential for integrating the LLDCs into global trade. Aid for trade is the most important means of support for the LLDCs, for whom the most important priority areas for support are export diversification, network infrastructure, and trade facilitation. The Aid for Trade disbursement to the LLDCs declined from about 6.2 billion US\$ in 2015 to about 5.9 billion US\$ in 2016. The Aid for Trade disbursement to the LLDCs constituted about 15% of the total Aid for Trade to developing countries in 2016.

Aid for Trade assistance is having an impact on trade in LLDCs. Empirical evidence has shown that support provided for trade policy reform has been effective in reducing trade costs in LLDCs because of a focus on "soft" infrastructure and investment in enhancing institutional capacity. However, it has been difficult to achieve a transformative shift in LLDCs' trade because support towards strengthening institutional capacity is not sufficient to produce desired results without addressing infrastructural or supply-side deficiencies.

Trade finance plays a key role in enabling global trade flows, creating economic value and driving inclusion by helping the developing countries participate in global trade. According to the World Trade Organization, up to 80 per cent of global trade is supported by some sort of financing or credit insurance. However, there are significant gaps in provision especially to companies in developing countries including the LLDCs as many of these companies cannot access the financial tools that they need to engage in global trade. Without adequate trade finance, opportunities for growth and development are missed; businesses are deprived of the fuel they need to trade and expand.

The availability of trade finance is often cited by businesses around the world—particularly SMEs—as a major barrier to their capacity to trade. According to International Chamber of Commerce survey on trade Finance of 2016, 44% of proposed trade finance applications had been submitted by SMEs, 40% by large corporates and 16% by multinational companies. Many of these trade finance proposals were declined by banks, but SMEs were hardest hit. Of all the declined trade finance proposals, over half of them (58%) were submitted by SMEs. According to the report, the results show a worsening global shortage of trade finance. Easing constraints on the supply of trade finance and supply chain finance, including credit and risk mitigation in areas where the trade potential is the greatest, could help integration of the LLDCs into global trade.



## 5. Digitalization and international trade

The ongoing digital revolution represents far-reaching gains in innovation, competitiveness and growth, all of which offer new opportunities for the LLDCs to integrate into the world trade and value chains. The WTO/OECD 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development identifies several main ones: firstly, e-commerce is associated with reduced transaction costs, shorter customs clearance times and better supply chain management which offers firms the possibility of reaching new markets and new customers, enhanced productivity, increased inclusiveness, and greater consumer choice. E-commerce therefore has the potential to boost firms and countries' participation in regional and global trade. This potential is said to be even greater for the LLDCs which face additional constraints, including among others geographical location and small size of their markets.

Cross border e-commerce currently accounts for about 12% of the globally traded goods. Whilst the digital economy and e-commerce continues to present great opportunities globally, its benefits are not shared equally. There is a huge gap between the developed countries and the developing countries, including the LLDCs. Several factors act as potential constraints on the use of e-commerce by the LLDCs. These include, inadequate ICT infrastructure, unreliable and costly power supply, underdeveloped financial systems, weak legal and regulatory framework, and lack of knowledge related to e-commerce. OHRLLS' analysis on the status of the legislation or draft legislation on key areas of cyber law in LLDCs shows that a lot of gaps in the legal framework of many LLDCs need to be addressed for them to fully participate and benefit from e-commerce. For the LLDCs to utilize the opportunities of e-commerce, it is also necessary to address the capacity challenges of the LLDCs, including reducing the digital divide, improving knowledge and skills, assuring sound payment and delivery services, and improving trade facilitation.

## 6. WTO Trade Facilitation Agreement and the LLDCs' performance

Trade facilitation eases the cross-border movement of goods by cutting costs and simplifying trade procedures. It rests on four pillars: (i) transparency, (ii) simplification, (iii) harmonization, and (iv) standardization. The WTO defines trade facilitation as the simplification and harmonization of international trade procedures covering the activities and practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade and accordingly, the WTO Trade Facilitation Agreement covers issues such as freedom of transit, fees and formalities related to

importing and exporting, and transparency of trade regulations covering border procedures such as customs and port procedures, and transport.

Trade facilitation is of great importance to the LLDCs as their participation in international trade is severely constrained by inefficient procedures inside as well as outside of their territorial borders. Delays at the ports and border crossings, coupled with cumbersome procedures and inefficiencies hold negative implications for governments, businesses, customers and the entire economy as they are costly. The WTO's Trade Facilitation Agreement (TFA) is characterized as an important innovative method to creating an international framework for reducing delays at the borders and reducing trade costs which are among the biggest challenges faced by LLDCs. Different economic studies demonstrate that the TFA will have trade cost reduction effects. The 2015 OECD Trade Facilitation Indicators (TFIs) report indicates that the implementation of the TFA could reduce worldwide trade costs by between 12.5 and 17.5 percent. It is also estimated that developing countries would receive two-thirds of the 1 trillion US\$ gains/trade expansion from the TFA. In addition, it is expected that the TFA will likely reduce the time needed to import goods by over a day and a half and to export goods by almost two days, representing a reduction of 47 per cent and 91 per cent respectively over the current average.

The TFA is unique in its implementation as it is the first WTO agreement in which developing countries and LDCs members determine their own implementation schedules, and the requirement to implement the agreement is directly linked to the capacity (technical and financial) of the country to do so. The Trade Facilitation Agreement Facility (TFAF) was also created to ensure that developing and least-developed countries can access the assistance they need to reap the full benefits of the TFA. There are also facilities established by development partners to support the implementation of the TFA.

As at end of April 2018, one hundred and thirty-six (136) Member States of the WTO had ratified the TFA. Out of the twenty-six (26) LLDCs that are WTO Member, twenty-one<sup>7</sup> (21) had ratified the TFA and twenty-four (24) had submitted their Category-A<sup>8</sup> measures. This demonstrate the importance and the commitment that the LLDCs attach to the TFA. Sixteen (16) LLDCs have submitted their category B<sup>9</sup> and 15 LLDCs category C<sup>10</sup> notifications.

The most notified measures under category A are articles: 5.2 (Detention), 9 (movement of goods), 10.5 (Pre-shipment inspections), 10.8 (Rejected goods) and 10.9 (Temporary admission of goods). Whilst some of the LLDCs have made

7 - Afghanistan, Armenia, Bolivia, Botswana, Central African Republic, Chad, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Lesotho, Macedonia, Malawi, Mali, Mongolia, Nepal, Niger, Paraguay, Moldova, Rwanda, Swaziland, Zambia

8 - Category A measures are those measures that developing Members will implement by 22/02/2017 (entry into force of the TFA) and for the LDCs by 22/02/2018

9 - Category B measures are those that Members will need additional time to implement the measure

10 - Category C measures are those that Members will need additional time and capacity building support to implement the measure

**Table 1: Rate of implementation of commitments**

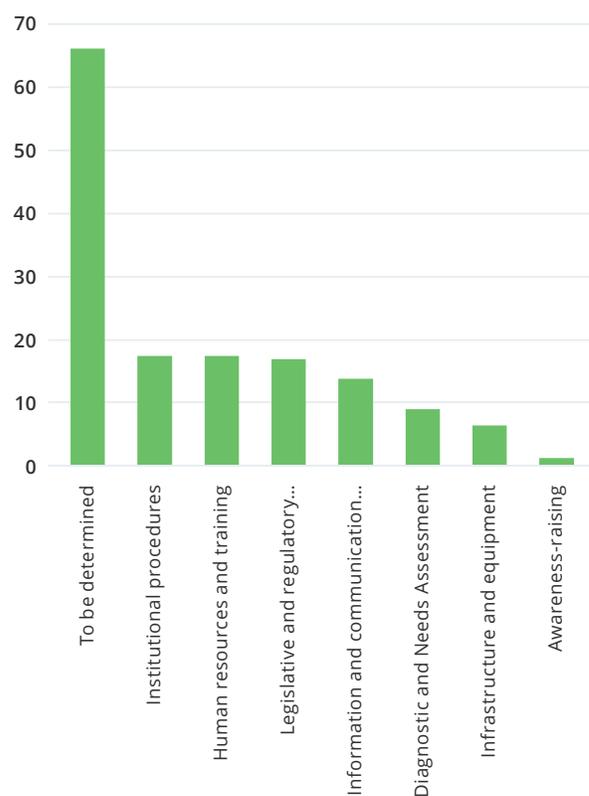
	Rate of implementation of commitments as at end of April 2018	Rate of implementation of commitments from June 2018 to February 2038 without capacity building support	Rate of implementation of commitments from June 2018 to February 2032 upon receipt of capacity building support	Rate of implementation of commitments yet to be designated
All WTO Members	59.7%	6.9%	10.4%	23.1%
Developing Countries	58%	7.6%	9.3%	25.1%
LLDCs	32.5%	15.3%	22.2%	30.1%

Source: UN-OHRLLS compilation using data from WTO Trade Facilitation Agreement database

great progress in the implementation of the TFA, some are still lagging behind as demonstrated by the proportion of measures notified under category-A. Only seven LLDCs have notified over 50% of the measures as their category-A measures. The rate of implementation by the LLDCs is therefore relatively low compared to other developing countries and their rate is also lower than the global rate of implementation as shown in table 1 above. More needs to be done to facilitate the implementation of the TFA by the LLDCs.

For category-B the most notified articles include: 10.2 (Acceptance of copies), 2.2 (Consultations), 6.3 (Penalty Disciplines), 2.1 (Comments and information before entry into force), 6.1 (General disciplines on fees and charges). Under category-C, the most notified articles are: 10.4 (Single window), 5.3 (Test procedures), 8 (Border Agency Cooperation), 7.7 (Authorized operators), 7.6 (Average release times). To implement these measures the LLDCs require financial and technical assistance. According to the TFA database, if assistance is provided, the rate of implementation of category-C measures from June 2018 to 2030 will be 22.2 per cent.

Figure 3 below shows the most frequently and least frequently types of assistance requested compared to the total number of requests. The “to be determined category” refers to the category C notifications of which a member has not yet provided the type of assistance it requires. The high percentage of measures under “to be determined category” may be an indication that the LLDCs require technical assistance to assess their capacity needs to fully comply with the measures under this category. It is therefore important that the LLDCs are assisted to undertake diagnostic and needs assessment to determine their capacity needs. Other areas of assistance where the LLDCs have indicated include, institutional procedures, human resources and training, legislative and regulatory reforms, ICT, infrastructure and equipment and awareness raising.

**FIGURE 3: Type of Technical assistance requested (%)**

Source: WTO Trade Facilitation Agreement database



## 7. Trade Facilitation Performance of the LLDCs and Transit Countries

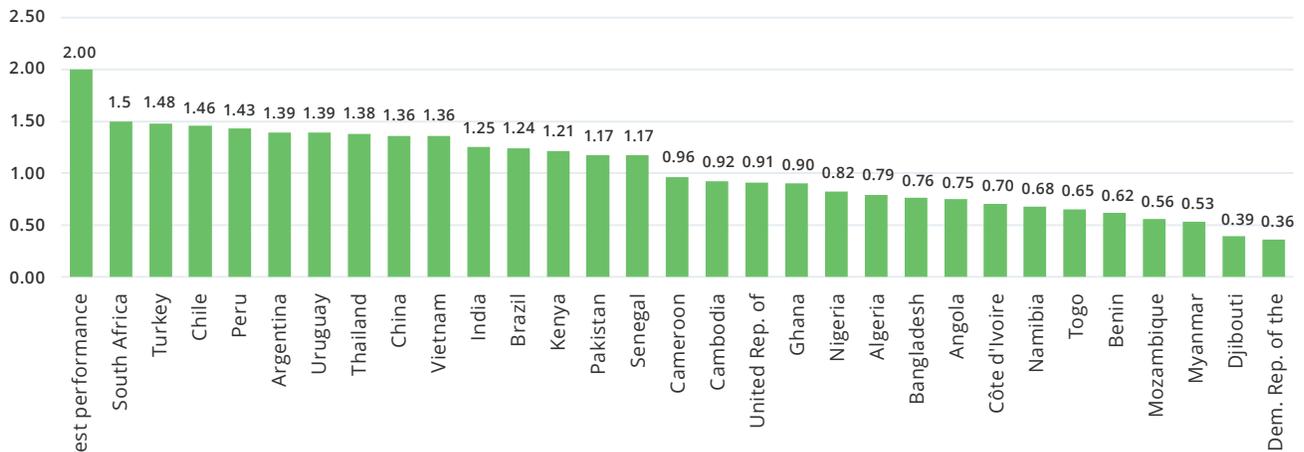
Transit countries play a crucial role in addressing the high trade costs faced by the LLDCs. It has been realized that substantial part of the transport cost of the LLDCs can be attributed to border crossings. Transit operations often involve delays which substantially add to the transportation cost. These induced costs include the financial charges related to the guarantees, the cost of transport equipment held up by these transit procedures, as well as the requirement to maintain high inventories. Poor functioning transit operations also increase the vulnerability of transported goods to theft. As a result, the implementation of the TFA by transit countries is quite crucial for the LLDCs.

As at 31 March 2018, twenty-five (25) transit developing countries out of 30 that are WTO Members, had ratified the TFA and twenty-five had submitted their category-A notifications. The OECD developed the Trade Facilitation Indicators (TFIs) to help governments to measure the trade facilitation performance based on the implementation of various policy areas and measures included in the WTO Trade Facilitation Agreement.

The OECD trade facilitation indicators cover the full spectrum of border procedures for 163 countries across income levels, geographical regions and development stages. The border procedures assessed are: information availability, involvement of the trade community, advance rulings, appeal procedures, fees and charges, documents, automation, procedures, internal border agency co-operation, external border agency co-operation and governance and impartiality. The TFIs take the values 0-2 where 2 denotes the best performance that can be achieved. Using the OECD 2017 Trade Facilitation Indicators (TFIs) Simulator to assess the trade facilitation performance of the transit countries, more than half of the transit countries for which data was available, recorded TFIs that are below 1 (see figure 4 below). Out of these 16 transit countries, 14 are in Africa.

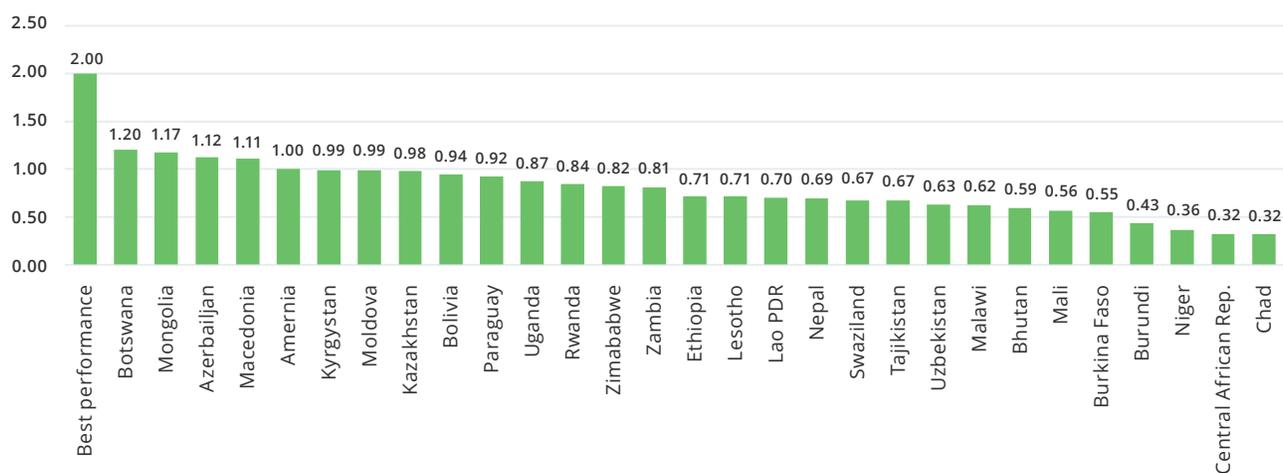
Compared to the transit countries, the LLDCs trade facilitation performance is relatively lower. Only five (5) LLDCs had TFIs of above 1. The best performance for the LLDCs is 1.2 (Botswana) compared to 1.5 (South Africa) for the transit countries. In both categories of countries, most of the African countries had the lowest TFIs.

**FIGURE 4: 2017 Trade Facilitation Indicators for transit countries**



Source: OECD Database

**FIGURE 5: 2017 Trade Facilitation Indicators for the LLDCs**



Source: OECD Database

Whilst all the provisions are key for the successful implementation of the TFA, there are those which have been found to have the potential to have greater impact on facilitating trade in LLDCs. The OECD study on Trade Facilitation indicators, identified freedom of transit, automation, and information availability as key measures that can have greater impact on facilitating trade in LLDCs if implemented. Implementation of these measures by transit countries would yield better results for the LLDCs. In the TFA these issues correspond to article 1 on publication and availability of information, article 10.4 on Single Window and article 11 on freedom of transit. Other measures that have been identified as being important to facilitate transit include: Article 6 (Disciplines on Fees and charges imposed on or in connection with importation and exportation and penalties), Article 7(Release and clearance of goods), Article 8(Border Agency Cooperation) and Article 10 (Formalities connected with importation, exportation and transit).

Using the category-A notifications to assess the level of implementation of these measures by the transit countries, it can be observed that the implementation of these measures is quite low in the transit countries. The status of implementation of these measures by transit country Members that have ratified the TFA and notified their Category A measures is depicted in table 2. Out of the 30 transit countries that are members of the WTO, only 9 are fully implementing article 11 on transit, only 8 are implementing article 1 on Publication and availability of information and only 5 are fully implementing measures under article 5 on formalities. These measures need to be given due consideration in order to achieve significant reduction in delays and transit costs faced by the LLDCs.

**Table 2: Status of implementation of key measure that can facilitate transit by Transit developing Countries (number of countries)**

Articles	Status of implementation			
	Fully implementing	Partially Implementing	Not Implementing	Not Notified
Article 1 (publication)	8	11	3	5
Article 6 (Fees and Charges)	10	11	1	5
Article 7 (Release and Clearance)	5	18	1	3
Article 10 (Formalities)	5	22	0	
Article 11 (Freedom of Transit)	9	11	2	5

Source: UN-OHRLLS compilation using data from WTO Trade Facilitation Agreement database



## 8. Transparency and Trade Facilitation

Transparency is one of the key features of the TFA. Members are mandated to make public various information to help traders. Members must submit/notify the WTO Trade Facilitation Committee of this information. These notifications refer to the publication of information for governments and traders on Art.1.4 (import, export and transit procedures), Art.10.4.3 (the operation of the single window), Art.10.6.2 (the use of customs brokers) and Art.12.2.2 (contact points for the exchange of information). The notification for these measures remain low. Only three (3) transit countries: Argentina (all), Brazil (1.4) and China (1.4, 10.6.2) had submitted notifications and only four LLDCs submitted their notifications: Kazakhstan (1.4, 10.4.3, 10.6.2), Kyrgyzstan (all), Malawi (1.4) and Macedonia (1.4).

## 9. Key recommendations for enhancing implementation of the TFA in LLDCs

While some of the measures in the TFA might be relatively easy and straightforward to implement, there are those that may be more complicated and or costly for the LLDCs to implement. These include border agency cooperation, formalities associated with importation, exportation and transit, availability and publication of information. In addition, those measures that need technical assistance such as single window, advance rulings, average times studies and authorized operators are considered as being particularly not easy to implement. In the absence of an appropriate legal framework, many specific trade facilitation measures (including those which are already applied informally), hinder countries from maximizing their potential. The other challenge that has been identified in numerous studies is lack of resources or organizational framework, limited or no understanding and knowledge of various trade facilitation measures, lack of cooperation, mistrust and the non-existent communication between the different government agencies and the private and public sector/stakeholders.

LLDCs can overcome some of these challenges through policy related actions. This will involve showing their commitment to improve the trade facilitation by mainstreaming the TFA in their national and regional strategies. To the extent possible, there is need to ensure a regular and harmonized legal regime across the region.

Information and Communications Technology (ICT) plays a key role in the facilitating trade. The value of ICT for trade facilitation goes beyond concepts such as Single Windows. Automated business processes, digitalization of procedures, simpler interaction and transmission of data, and faster decision-making abilities deliver advantages in many trade facilitation areas. It is therefore necessary that ICT connectivity in LLDCs is also given due consideration when dealing with trade facilitation challenges in the LLDCs.

The LLDCs need technical and financial assistance to effectively implement the TFA. To facilitate the acquisition of assistance the LLDCs need to indicate their capacity needs for the measures notified under category-C to take advantage of the available assistance. Information on the available capacity building support is notified to the TFA Committee and its available on the <https://www.tfadatabase.org/notifications/assistance>. Below are also some of the facilities offering assistance aimed at facilitating the implementation of the TFA:

- World Bank–Trade Facilitation Support Program (TFSP)
- WTO Trade Facilitation Agreement Facility
- World Customs Organization–WCO TFA Working Group
- The Global Alliance for Trade Facilitation
- UNCTAD

## PART 2:

# REPORT OF THE MINISTERIAL MEETING OF LANDLOCKED DEVELOPING COUNTRIES ON TRADE AND TRANSPORT

### SECTION I: FOSTERING THE ACHIEVEMENT OF THE SDGs IN LLDCs

#### Statement by H.E. Mr. Zhenis Kassymbek, Minister of Investments and Development of the Republic of Kazakhstan

On behalf of the Government of the Republic of Kazakhstan, I am honored to welcome you at the Ministerial Meeting of Landlocked Developing Countries on Trade and Transport. Today the meeting hosts more than 100 participants from 30 countries around the world and 10 international organizations. We have an opportunity not only to discuss the issues of the transportation capabilities and international trade development in the landlocked countries, but also to find solutions in addressing the challenges: How to promote transit policies; How to develop infrastructure, facilitate international trade, regional integration and enforce structural economic transformation.

There are 48 landlocked countries cut off from the opportunities of the maritime trade. I have to notice that maritime trade accounts for the major part of the global trade-almost 90%. Meanwhile, Kazakhstan demonstrates trade growth thanks to development of the modern transport infrastructure. If we look back at our history, after independence, Kazakhstan took over a poor transportation system that could not provide neither access to international market nor complex goods supply domestically. We had not just to build new roads, pipes, and power lines, but to create a new coordinated system.

Over the last decade, Kazakhstan has made great efforts in enhancing the transport component of its economy. In the years since independence, the investment inflow totaled US\$300 billion, of which US\$30 billion went to infrastructure, transport and logistics development. During this period, we built 2.5 thousand kilometers of railways, reconstructed 6.3 thousand kilometers of roads, expanded port facilities on the Caspian Sea to 23.5 million tons, reconstructed 15 airports. We adopted a number of the specialized programs addressing the new social and economic reality. We managed to create a playing field for the transport services.

Kazakhstan using its favorable geographical position was able to create the transit LAND corridors. Through these corridors, from the East to the West and from the North to South, we secured access to the markets of Europe, South East Asia, China, Russia, Turkey and the Gulf states. Today, it takes only 15 days for Chinese goods to travel to Europe via Kazakhstan. For comparison, by sea it is up to 45-60 days. Kazakhstan ensured a full container flow from the seaports. Today, we offer the

transport and logistics services with regular train container lines China-Europe-China. Since 2011, the container transit traffic along this route doubles annually.

The ongoing work of Kazakhstan fully complies with the 2030 Agenda for Sustainable Development whose goals and targets encompass progress and future of the developing countries. We understand that sustainable transport is a key factor. Therefore, it is important to follow the recommendations by the High-level Meetings that have taken place in the past two years. Together, these meetings allow us to broaden the forms of cooperation and overcome the barriers of remoteness and costs.

We warmly welcome you as our dear guests at the Astana Economic Forum Global Challenges Summit, which is becoming a significant platform for economic dialogue in Eurasia. I am sure that this meeting will once again confirm our efforts to improve lives and well-being of the millions of people worldwide, environment, and mitigate climate change in the long term. I wish you to have fruitful discussions and rich exchange of views.

#### Statement by H.E. Ambassador Federico Alberto González Franco, Vice Minister of Foreign Affairs of Paraguay and Chair of the Group of LLDCs and Coordinator of the Group of LLDCs on matters related to trade and development in Geneva

For Paraguay, it is an honor to give the welcoming remarks in a new Ministerial meeting of the Group of Landlocked Developing Countries; on this occasion, the meeting dedicated to Trade and Transport. Precisely on these issues, the Landlocked Developing Countries face the greatest challenges; our growth and development goals are largely related to our ability to advance in physical and virtual connectivity, as well as in the structural transformation of our economies.

Likewise, the 2030 Agenda emphasizes the importance of international trade as a driver of inclusive economic growth, poverty reduction, and as an important tool to achieve the Sustainable Development Goals (SDGs). For its part, the Vienna Programme of Action is an integral part of the 2030 Agenda for Sustainable Development, and it has specific objectives on the subject of our meeting.

It is worth noting that the Vienna Programme of Action identifies the fundamental issues of transit policy, infrastructure development, international trade and trade facilitation, regional integration, structural economic transformation and means of implementation as its key priority areas. Specifically, on key



issues of transit policy it sets ambitious goals to reduce travel time along corridors, significantly reducing the time spent at land borders, and improving multimodal connectivity.

In addition, the Vienna Programme of Action reiterates the importance of physical infrastructure for reducing commercial costs, and emphasizes its development and maintenance, both in landlocked developing countries and in transit countries. On the other hand, we must not forget the importance of promoting the development of information technology and energy infrastructure.

For all these reasons, I believe that this meeting is taking place very timely, as it will give us momentum to begin with the mid-term review process of the Vienna Programme of Action, scheduled for 2019. In that context, the issues that have been carefully selected to be discussed today represent all the edges that we need to strengthen to achieve the objectives set in Vienna, such as trade facilitation and connectivity.

Finally, I would like to highlight that less than a month ago, at the ECOSOC meeting on the occasion of the Follow-up Forum of the Finance for Development program of the Addis Ababa Agenda, a specific recognition was given to the special challenges and needs of landlocked developing countries which stressed the need to support these countries so that they can structurally transform their economies and develop efficient transport and transit systems.

I will end by expressing my sincere gratitude and congratulations to the Government of Kazakhstan and to the Office of the High Representative for Landlocked Developing Countries for their efforts to hold this meeting.

**Statement by Ms. Fekitamoeloa Katoa 'Utoikamanu, Under-Secretary-General and High Representative, UN-OHRLS**

15 years ago, in 2003, the Government of Kazakhstan hosted the first International Ministerial Conference of Landlocked and Transit Developing Countries. The conference produced the Almaty Programme of Action (APoA). 15 years ago, this action program identified the special needs and challenges faced by the LLDCs in achieving their development goals. This was pathbreaking. This fostered international support and partnership for the LLDCs to effectively participate in the international trading and development system. Your continuous and consistent commitment and generosity to the LLDCs are widely recognized within the United Nations system.

In 2017, at the 72nd Session of the United Nations General Assembly, the resolution was adopted to hold a High-Level Comprehensive Mid-term Review of the Vienna Programme of Action in 2019.

What is the purpose of this review? The purpose is to assess the progress made in implementing the Vienna Programme of

Action. That means, we must identify achievements, obstacles and constraints. That means we must look at actions that worked, actions that did not work and initiatives needed to accelerate the implementation of the Vienna Programme of Action and also what we need to do to better support the LLDCs for the achievement of the Agenda 2030 goals.

Our meeting today marks the beginning of this midterm review process. Our meeting assumes a special significance. The outcome, the quality of the outcome of this meeting is very important. Our meeting's findings will feed directly into the outcome of the midterm review. This is our opportunity for a frank dialogue, our opportunity to share experiences—both good and less good—and best practices.

I am very heartened to see this great participation and interest. I extend my sincere appreciations to the LLDCs, transit countries, development partners, UN and international institutions as well as the regional and sub-regional organizations for your participation in this meeting. We need your participation and partnership and we must pursue vigorously our dialogue!

Since the 2003 ministerial conference, progress has been made! Since 2003 also a lot of change has taken place- and this may be an understatement of mine! I tend to look at the glass half full rather than half empty and I do believe in the spirit of "JUST DO IT"

The LLDCs continue to face considerable challenges. Let us take a look at a few key development indicators. As a group, the LLDCs have experienced a deceleration in annual GDP growth from 6.6% in 2013 to 4.1% in 2017. This is disturbing.

A key tenet of Agenda 2030 is to leave no one behind. So, it is important that we look at the causes of this or the WHY this is so and what concerted efforts we ought to make to reverse this situation. The VPoA offers us a comprehensive framework for action. The VPoA is also the expression, the commitment of the international community not to leave the LLDCs behind.

The priority areas of action of the VPoA are the transit policy issues, infrastructure development and maintenance, international Trade and Trade Facilitation, and Regional Integration and Cooperation, with the aim to trigger sustainable structural transformation.

The 2030 Agenda and the Addis Ababa Action Agenda build on that. They also explicitly recognize the challenges LLDCs face. Most importantly, by signing off on Agenda 2030, the international community once more confirmed the need for continuing and enhanced support to the LLDCs in overcoming their specific challenges on a path toward a sustainable and inclusive development. For the LLDCs, trade has been identified as key engine for inclusive economic growth and poverty reduction.

We all do know about the role trade plays in development. Presently, the LLDCs remain marginalized from global trade.



The LLDCs share in global trade declined from about 1.2 per cent in 2013 to an estimated 0.9 per cent in 2017. The LLDCs share of exports is negligible. Exports are concentrated on a few commodities, mostly natural resources, exported at low value addition and low technology content. I do not need to tell you that this makes the LLDCs highly vulnerable to external shocks and limits their competitiveness. We certainly must take a close look at what it will take to support governments in fostering structural economic transformation and in the shift of productive resources towards higher value added and high-productivity sectors. What support is needed for the LLDCs to improve productive capacities through innovation, technology transfer, experience sharing and encouraging FDI in high-value added production lines?

A key issue related to this question is the issue of trade and transport infrastructure. The trade performance of the LLDCs is severely hampered by excessive trade costs. The high costs are a result of long distances from seaports, poorly developed transport and transit systems and cumbersome border procedures. In short, the transport infrastructure is characterized by missing links in all of the modes of transport.

Infrastructure development and maintenance remain a top priority and are high on the agenda of the LLDCs. Needs cannot be addressed through domestic resources alone. The Addis Ababa Action Agenda estimates the annual infrastructure gap in developing countries at about \$1 trillion to \$1.5 trillion.

We must support the LLDCs' domestic efforts and mobilize resources for infrastructure development and maintenance and partnerships to address capacity constraints. We must look much more into this. Let us be inspired by Kazakhstan's success story on transforming from being landlocked to being land linked. We all must work together, as partners on this from public to private actors, from multilateral to regional development banks, and other financial institutions—the key is working together and partnership!

I come to my final two areas of concern: trade facilitation and regional cooperation. Excellent hard infrastructure alone will not suffice. It is a pre-condition but not the sole determining factor. Soft infrastructure as I call it is as important. This means we must look at how we can support improvement in administrative procedures for the more efficient movement of goods.

How can we strengthen transport and trade facilitation measures? How can we accelerate ratification and effective implementation of international and regional conventions? How can we simplify, harmonize and standardize procedures that facilitate efficient movement of goods?

The WTO Trade Facilitation Agreement (TFA) provides an opportunity to improve administrative procedures connected to importation and exportation. The agreement has the potential to facilitate transit by the LLDCs.

I am heartened to see that to date twenty-one LLDCs and twenty-five transit developing countries have ratified the TFA. The implementation of the TFA is expected to reduce trade costs by around 15% in LLDCs and help address transit challenges.

But—and there always is a BUT—the overall implementation of the TFA by the LLDCs and transit developing countries remains low. We must look at the causes for this. We must look at the support we ought to extend. I also wish to encourage the LLDCs to submit the technical assistance needs to the WTO to facilitate acquisition of assistance for implementation of the TFA.

Regional cooperation is another key area for action. I am highly encouraged by the regional integration efforts made in all regions with LLDCs. Again, let us build on that momentum and be partners! I wish to encourage development partners, multilateral and regional development banks, and financial institutions to enhance support towards regional initiatives that can link the LLDCs to regional and global markets.

In concluding, I must once more stress how important the High-level Midterm Review of the VPoA is. This is YOUR chance to take stock, to get heard and to focus on ACTION to take. The challenge is the challenge of Agenda 2030—leave no one behind. I look forward to our dialogue. I look forward to true partnerships so that we together effectively can support the LLDCs and their peoples in realizing their needs and aspirations.

**Statement by Mr. Mukhisa Kituyi, Secretary General, the United Nations Conference on Trade and Development**

A substantial piece of what I wanted to say has been successfully and competently explained by my predecessor, and I will not repeat it except to just re-emphasize a number of key trends she really touched on. One: LLDCs' share of global export trade has declined very dramatically; in fact, statistics show a decline of over 30% in the last four years alone. Secondly: FDI flows to LLDCs have fallen sharply from \$32 billion in 2011 to \$24 billion in 2016. Third: even with these depressing statistics, we are in reality discussing a more difficult situation because some countries, like Kazakhstan and its neighbors in this region, are much better off than others, and therefore they pull up the statistics and this does not show us what the picture really is. I want to spend more of my statement looking at what could be done, in the context of the discussions we have set up for this meeting.

Two things have to be addressed. One, in the Midterm review of the Vienna Program of Action, we should be looking at how to work concretely to align the Programme of Action with the ambitions of the 2030 Agenda. Two, in the aftermath of the very dramatic decline of fortunes because of the collapse of commodity prices around the world over the past decade, what can we do to drive greater diversification?



Let me now turn to some of the things that I want to suggest concretely. There is inadequate attention across the board being paid to the challenges of trade and transport facilitation in a systematic way. And yet, more than any group of countries, the landlocked developing countries have the most severe and most costly challenges, and the largest enumeration of cross-border challenges to trade and transport facilitation. In this regard, I think it is appropriate to applaud some initiatives that have already been underway. One, there has been a growing awareness that developmental regionalism should be enhanced as a core concern for making trade possible and profitable. In this regard, I want to appreciate and applaud the preparations that have been done first within the region itself around this area on transport operations and logistics; we had a very successful meeting last year in Ashgabat, Turkmenistan, getting donor and country commitments to raise ambitions. Secondly of course, we should applaud the emerging Belt and Road Initiative, which should substantially influence the landlocked countries of this region when it comes into fruition.

In Africa, we had been helping a number of LLDCs and transit corridors to design and implement infrastructure facilitation projects. Specifically, we have been helping to develop sustainable transport strategies for the Northern Corridor, and have worked on corridor transit facilitation in countries mainly in Eastern-Central Africa like the DRC, Zambia, Burundi, Rwanda and South Sudan. We believe that these efforts have to be more systematically used as learning experiences and we want to scale up these activities to cover more regions with similar challenges. Secondly, the Aid for Trade Initiative—supporting trade facilitation and infrastructure in developing countries—is a sound initiative but unfortunately the proportion of Aid for Trade funds to most vulnerable countries, particularly landlocked countries, remains awfully inadequate. Third, while a significant number of LLDCs have adopted the WTO Trade Facilitation Agreement, the establishment and capacity-building of national trade facilitation committees remains inadequate; in fact, way below average. Yet, these are the countries with the greatest need for establishing such facilities. One of the things I would like to recommend is increased political support towards establishment and functioning of Trade Facilitation Agreement committees for members within this group of countries.

We also recommend that LLDCs and transit developing countries take advantage of legal instruments to ratify, implement, and apply stronger reforms at national and regional levels. This includes the legal instruments like the World Customs Organization World Revised Kyoto Protocol, the TIR Convention, and the Framework Agreement on the Facilitation of Cross-Border and Paperless Trade in the Asia-Pacific Region.

We at UNCTAD stand ready to continue some of the work we have been doing with some of the members. We are working to deepen the diversification of domestic economies and working on promotion of domestic value addition. We all know

Uzbekistan, the fifth largest producer of cotton in the world, has very limited value addition to its cotton for export. The potential of cotton as a source of sustainable employment means that there is an important consideration, and we want to work with countries to strengthen this. Similarly, we support deepening the entrepreneurial skills of the weakest members of the society. Our tech support program, which now is operated in 40 countries, has only 9 LLDCs that are among its beneficiaries. It will succeed like it did in Latin America; it has been a game-changer particularly for women entrepreneurs. Our support program on simplifying/standardizing customs procedures is a success story that I was sharing; it is now present within 99 countries. We installed the UNCTAD customs management platform in Afghanistan, which in eight years reduced the transaction time for clearing goods from 18 hours to 1.5 hours and increased customs revenue.

I think that strengthening such methods of domestic revenue mobilization is an important consideration at a time when the rest of the world is saying that more has to be raised domestically. Finally, if LLDCs, being vulnerable and finding difficulties attracting FDI, are willing to work on domestic resourcing for the ambitions of the VPoA and the Agenda 2030, I think it is a collective responsibility around the world that we work with the governments of LLDCs to stem illicit flows, whether that be through invoicing, tax evasion and tax avoidance, and other forms of illicit flows that are limiting the vulnerable fiscal space available to the LLDCs.

**Statement by Mr. Yonov Frederick Agah, Deputy Director-General, the World Trade Organization**

The WTO is deeply committed to supporting the sustainable development of its Members, in particular the LLDCs. Trade has proven to be an engine for development and poverty reduction by boosting growth. For this reason, trade is recognized, both in the 2030 Agenda and in the Vienna Programme of Action, as an important engine for inclusive economic growth and poverty reduction that contributes to the promotion of sustainable development.

Over the past 15 years, accelerated economic growth in developing countries has resulted in narrowing of the income gap between developing and developed countries. This growth explosion has greatly contributed to an unprecedented reduction of poverty levels leading to an early achievement of MDG 1 in some developing countries.

Today, trade plays an important role in the economy of developing countries. To have an idea, trade now represents 34 per cent of developing countries' GDP on average—compared to 20 per cent for advanced countries. And by increasing growth, trade can also make available the necessary resources to implement other development targets in the social and environmental spheres.

Trade also contributes directly to poverty reduction by opening up new employment opportunities, and reducing prices of goods and



services for poor consumers, including foodstuffs. For all these reasons, trade and the WTO will continue to play a key role in the achievement of SDG:1 on ending poverty, as well as SDG:8 on decent work and sustainable economic growth.

Given the importance of trade in achieving the SDGs, the WTO has recently issued a publication entitled “Mainstreaming trade to attain the SDGs”, which looks at how engaging in international trade can help countries gain access to new markets and new investments, thereby boosting growth, raising living standards and promoting sustainable development.

The report presents a very comprehensive analysis on various aspects of how trade can contribute to the cardinal objective of reducing poverty through economic expansion. It also outlines how countries can get organized to mainstream trade to expand economic opportunities for poverty reduction. This is very important because trade has cross-cutting effects in the economy and significant linkages to other sectors. So, in order for countries to fully reap the benefits of trade, it is necessary for governments to adopt approaches which aim to mainstream trade into their national sustainable development strategies.

The booklet looks at the SDGs from the economic, social and environmental perspectives; and outlines how trade is contributing to making progress in each of these areas, including through reducing poverty, improving health and tackling environmental degradation. It also looks ahead; and attempts to identify those emerging issues that require the attention of the international community. These include keeping up with the evolving character of international trade, and ensuring access to technology for ICT enabled trade.

Finally, the publication concludes by outlining a number of steps directed at both developed and developing countries, which would help to ensure that international trade contributes to accelerating progress in achieving the SDGs. These include the following: Mainstream trade into national, regional and sector development strategies; strengthen the multilateral trading system so that it can continue supporting inclusive growth, jobs and poverty reduction; continue reducing trade costs, including through full implementation of the WTO’s Trade Facilitation Agreement, build supply-side capacity and trade-related infrastructure in developing countries and LDCs; focus on export diversification and value addition; enhance the services sector; apply flexible rules of origin to increase utilization of preference schemes; ensure that non-tariff measures do not become barriers to trade; make e-commerce a force for inclusion; and support micro, small and medium-sized enterprises to engage in international trade.

As outlined in the second recommendation, further efforts to strengthen and reform the WTO can help to support measures at the national level and ensure that the benefits from trade are spread more widely. The successful outcomes reached at the WTO in recent years, illustrate how the multilateral trading system can help to tackle priority trade issues for developing countries. The

Trade Facilitation Agreement, the expansion of the Information Technology Agreement, the amendment of the TRIPS Agreement easing access to medicines, and the agreement to abolish agricultural export subsidies will all deliver important benefits.

Moreover, the different approaches represented by these agreements show that the system is both adaptable and dynamic, in its response to the changing international trade landscape, including the emerging challenges.

By delivering and implementing trade reforms, which are pro-growth and pro-development, and by continuing to foster stable, predictable and equitable trading relations across the world, the WTO will play an important role in delivering the Sustainable Development Goals, just as it did with the Millennium Development Goals (MDGs) before them.

## **SECTION 2: MINISTERIAL LEVEL EXCHANGE OF VIEWS ON NATIONAL EXPERIENCES ON IMPROVING TRANSPORT CONNECTIVITY AND TRADE FACILITATION FOR THE ACHIEVEMENT OF THE SDGs**

### **Statement by His Excellency Mr. Humayoon Rasaw, Minister of Industry and Commerce of Afghanistan**

I am pleased to note that this session is focused on progress made by LLDCs in improving their trade, share best practice experiences and identifying the outstanding challenges and suggested recommendations. It will also discuss how to accelerate the implementation of the WTO Trade Facilitation Agreement.

Today, landlocked developing countries underscore the importance of international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals, as recognized by the 2030 Agenda for Sustainable Development. However, I believe we need to declare that the continued marginalization of the LLDCs from global trade should be recognized and there is an urgent need to address the trade related challenges of the LLDCs.

In particular, the high trade and transport costs, supply side constraints, undiversified products, limited technological advancement, infrastructure and market access challenges and recognizing the important role of the WTO in facilitating the integration of the LLDCs into the global trade. Furthermore, there is need to adopt general and specific support measures for LLDCs in the Multilateral Trading System, as well as in other relevant trade fora, taking into account the particular needs and special problems of these countries. Prior to that, I would like to stress that full attention should be given to the interests of landlocked developing countries on the remaining Doha issues.

The Vienna Programme of Action has given us a comprehensive framework to address the special development needs and challenges of the landlocked developing countries. I trust, there



is a need to mainstream and effectively implement all the priority areas set in the Programme of Action in conjunction with globally inclusive and transformative 2030 Agenda for Sustainable Development.

The World Trade Organization Trade Facilitation Agreement (TFA) is important in accelerating the flow of goods between countries, in improving transparency and in reducing the high trade costs faced by the LLDCs. In this regard, we welcome the entry into force of the TFA, we call for its full and timely implementation by all members of the World Trade Organization, and call upon those members that have not yet done so to deposit their instrument of acceptance, as soon as possible.

Afghanistan ratified the TFA on 29 July 2016, becoming the 90<sup>th</sup> WTO member and the 9th LDC to ratify this agreement. Afghanistan believes the rules set in the TFA address the trade facilitation challenges. Implementation of the contents of this Agreement should be complemented by initiatives aimed at addressing infrastructure related challenges for tangible results and impact. It is important that transit countries guarantee free, unrestricted and efficient transit through their territories for landlocked developing countries, allowing the enjoyment of free and direct access to seas.

According to the OECD-WTO 2017 aid-for-trade monitoring exercise on the implementation of the various substantive provisions of the TFA, there is need to improve coordination between public authorities within and between countries in particular to build on progress achieved in aligning working days and hours as well as alignment of procedures and formalities. LLDCs need support to identify capacity needs as well as develop trade facilitation implementation strategies and further call for enhanced technical, financial and capacity-building support on a sustainable basis to facilitate the implementation of the trade facilitation strategies by the LLDCs and transit countries. The support should also cover the development of both soft and hard infrastructure as well as strengthening of national and regional institutional arrangements.

I would like to close on a note that, with no doubt landlocked developing countries are facing extreme challenges and obstacles such as high transit cost, delay and long waiting time for exportation and importation, border delays, multiple clearance processes and many more. It is also obvious that only transit neighbors and the synergy of regional and global enabling environment of partnership and cooperation can play an important role and create a condition to improve the situation of landlocked developing countries.

At the end I reaffirm the commitment of landlocked developing countries to play a vital role in international trade and their effortful contribution in achieving the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

**Statement by His Excellency Mr. Lekey Dorji, Minister of Economic Affairs, the Kingdom of Bhutan**

The achievement of the 2030 Sustainable Development Goals is imperative for every country and in particular, for the Landlocked Developing Countries, in order to end poverty, promote equality, protect the planet and ensure prosperity for all. Bhutan became one of the early mover countries in the Asia Pacific region for SDG localization into mainstream development plans, recognizing its importance. Improving transport connectivity and enhancing trade facilitation plays a vital role in achieving the SDGs.

Bhutan, a small country of less than 1 million people, is almost engulfed by two giant neighbours, India and China, which together have 2.7 billion people, and therefore, our trade facilitation and transit arrangements is mainly dependent on regional and bilateral trade agreements which require the member states to work on harmonization of standards, customs clearance procedures including customs classification and promote transit facilities for efficient intra-SAARC trade, especially for the landlocked member countries. Accordingly, all relevant agencies in the country are actively involved in the regional trade talks and technical working groups on trade facilitation and transit issues under the South Asian Free Trade Agreement (SAFTA) framework.

Landlocked Developing Countries around the globe are associated with the lack of direct territorial access to the sea and remoteness from world market. Our dependence on other countries for international trade via transit is an element that adds on to these various challenges. Kazakhstan, as the largest landlocked developing country, has taken lead for the landlocked developing countries. Almaty Programme of Action and the Vienna Programme of Action have brought these developing countries together, under UN umbrella, for our own good. Bhutan recently became a member of the Think Tank for Landlocked Developing Countries initiated by Mongolia. All these are positive developments for landlocked developing countries.

For Bhutan, India is the single transit country that connects us to the global market through its access to the nearest Indian seaport, Kolkata. The bilateral free trade agreement with India confers transit rights for Bhutanese exports and imports without customs duties or trade restrictions of the Government of India. Annual bilateral consultations between the two countries are held regularly to review and address any trade impediments and bottlenecks. Bhutan also signed an agreement with Bangladesh for the use of their river transport for export of Bhutanese goods into Bangladesh and outside via Chittagong port.

In addition, the South Asia Subregional Economic Cooperation (SASEC) Program which aims to promote regional prosperity by improving cross-border connectivity and boosting trade among member countries has started bringing some tangible benefits through trade facilitation and transport projects in Bhutan. As part



of the SASEC project, the National Transport and Trade Facilitation Committee was instituted in 2013, which now serves as an important body for coordination of trade and transport related matters in the country.

Some of the notable projects geared towards improving connectivity and facilitating cross border trade under SASEC include construction of the country's first Mini dry port facility and a land customs station near our most important Industrial Estate bordering India. Several entry/exit land customs stations have been opened in the last few years to ease the flow of trade between Bhutan and India, and Bhutan and the rest of the world through India.

On the Air Transport Connectivity, three new domestic airports have been established in central, eastern and southern parts of the country. Initiatives to improve infrastructure including runway asphalt overlay, all-weather access roads, security infrastructure, flood protection, terminal expansion, hillside leveling and runway strip drainage repairs have been undertaken at all the airports. We have expanded direct air routes to several Indian cities, to Bangkok in Thailand, to Dhaka in Bangladesh, to Mangmar, to Singapore, to Kathmandu in Nepal, and we have signed air service agreements with other countries.

Several other Road Network Projects were also initiated which includes construction and improvement of national highway sections, bypasses and also feeder roads for communities to be accessible to motorized transports. During this 5-year plan period, the Government focused on connecting regions, districts and the previously unconnected, through road network spreading across all over the country.

In addition, there are several feasibility studies and the related analytical studies for improving trade and transport. Moreover, with the mainstreaming of trade into the national development agenda, trade facilitation programme is now reflected as an annual plan of action under all relevant Departments and Ministries.

**Statement by Honourable Michael Chakanaka Bimha, Minister of Industry, Commerce and Enterprise Development of the Republic of Zimbabwe**

Zimbabwe as you are aware, is landlocked and has faced challenges like all landlocked countries. This conference therefore is very important for us as we share experiences and ways of improving the movement of trade and persons. Let me give a brief on what steps Zimbabwe is taking in implementing various initiatives that assist our business people and those transiting through our country.

Transport connectivity and trade facilitation in Zimbabwe is being implemented as a bundle of solutions targeted to respond to the needs of our traders' profile, to ensure that trade is inclusive and its benefits are shared among large and small-to-medium enterprises (SMEs) and vulnerable groups that include women and youth in both urban and rural areas. Public good, quasi-public good and

non-reciprocity characteristics of transport connectivity and trade facilitation interventions are being exploited to engender deep integration and manipulate trade to be inclusive and amenable to achieving SDGs.

Transport connectivity is being addressed in two fronts, by harmonising transit policies and infrastructure development. The transit policies include: Regional Customs Bond Guarantee Scheme (RCTG); use of Single Administrative Document (SAD) used by most regional member states; COMESA carrier license; harmonization of road transit charges; standardised axle load limits with regional requirements; standardised vehicle (truck) dimensions; established electronic cargo tracking system; party to the corridor management institutions of Beira and North-South-Corridors; yellow Card Insurance Scheme; and use of the regional NTB online reporting portal. The above initiatives have enabled seamless flow of transit traffic in Zimbabwe and the region.

On infrastructure development, Government is engaged in road infrastructure development and rehabilitation along major trade corridors that serve the East and Southern Africa. The Mutare-Harare-Bulawayo-Plumtree was completely rehabilitated. According to the Cost-Time-Distance study by Government in 2017, this rehabilitation increased the average speed of heavy trucks to 48km/h from 33km/h between the Harare-Mutare section. Government is now working on dualisation of the Beitbridge-Harare-Chirundu road which is along the busiest North-South-Corridor from the border with South Africa to Zambia. The project is projected to significantly reduce transit times and costs. As a key transit route along the North-South Corridor, the Harare-Beitbridge dualisation project is expected to start soon.

In terms of trade facilitation interventions, Government of Zimbabwe demonstrated political will in the furtherance of the trade facilitation agenda. A basket of solutions that together reduce transit time and costs are being implemented and these include:

- Establishment of a National Trade Facilitation Committee and notification of Category A commitments under the WTO Trade Facilitation Agreement (WTO TFA). The ratification of the WTO TFA is now awaiting Presidential Assent.
- Zimbabwe is progressing in modernizing Customs through automation programmes. Our Customs use the ASYCUDA World system which enables electronic risk management, electronic pre-lodgement of Customs declarations and supporting documents and e-payment. Non-intrusive inspections have been deployed through the use of baggage and heavy-duty scanners. Electronic Single Window System is work in progress.
- The government recently launched the e-licensing systems for import and export licenses.
- We are implementing the COMESA regional Simplified Trade Regime for SME cross borders. There is also regional desire to undertake the same at SADC.



- We are piloting Single Payment System at Beitbridge border post. The ultimate intention is to do the same with other borders throughout the country.
- The Country is finalising its Trade Facilitation Roadmap (2018-2022). This will help in ensuring a systematic and planned manner in the way Category B and C Commitments are implemented.
- Government rolled out the Authorised Economic Operators programme to promote self-regulation and expedite clearance and release of goods at the ports of entry and exit.
- Border modernisation and establishment of One Stop Border Posts to improve border facilities and streamline border crossing procedures and formalities are work in progress.
- Rapid Result Initiatives are being undertaken to ensure legislation affecting business operations are reviewed. This will make Doing Business easy, promote exports and economic growth.

Zimbabwe has also launched a Trade Information Portal that provides comprehensive, single-point access to market intelligence, current trade news and information on trade regulations, duties, taxes, and other services that facilitate trade.

The above interventions are assisting greater participation in trade by large firms, SMEs, women and youth in both urban and rural areas resulting in improvements in government revenue, household income, profitability and reduction in poverty incidences and income inequality. Chirundu OSBP reduced border crossing time from 2-3 days to 24 hours. This saw the commercial traffic at the border increasing by 65% and the time saving was valued at around US\$ 600,000 a day and between US\$ 2.1 and US\$ 3.1 million annual exports to Zambia were induced. The Simplified Trade Regime for SME cross borders that was implemented has enabled SMEs and vulnerable groups that include women and youth in rural and urban areas to engage in trade with COMESA member states. This has also helped increase their income and reduced inequality and poverty incidences. Development of both feeder and trunk roads in Zimbabwe has enabled unlocking expected values of rural agricultural produce as they are able to access intended customers.

**Statement by Honourable Moiserale M. Goya, Assistant Minister, Ministry of Investment, Trade and Industry of the Republic of Botswana**

The theme of this Ministerial meeting “Achieving the SDGs in Landlocked Developing Countries through Connectivity and Trade Facilitation” is an intriguing one as it gives us an opportunity to interrogate and reflect on challenges we face as LLDCs as the world continues to be inter-connected, whilst the LLDCs remain marginalized. Our countries are still faced with challenges emanating from landlockedness. The LLDCs are faced with high cost of trade due to weak transport infrastructure coupled with

delays and inefficiencies associated with border management, including customs procedures and cumbersome documentation requirements. Implementation of the WTO Agreement on Trade Facilitation and the development of infrastructure are essential to mitigate the challenges of the LLDCs and to connect them to global markets. Botswana has undertaken, and continues to make efforts to address the challenges associated with landlockedness.

Allow me to share Botswana’s national efforts aimed at improving interconnectivity and competitiveness. At the forefront of the national development priorities is inclusive growth and economic resilience, economic diversification, employment creation and poverty alleviation. Botswana is actively pursuing policies and programmes to achieve these objectives.

Furthermore, infrastructure development, including ICT, transport, and energy infrastructure have been afforded more prominence in the development of our National Development Plan 11. To this end, my Government is also actively pursuing strategies for regional cooperation on infrastructure development and integration as a means of creating more active trade routes and expanding market access. Botswana together with Namibia and South Africa have developed a Trans Kalahari Corridor, which is a highway aimed at facilitating faster and cheaper movement of goods between the three countries. Botswana has also signed a Memorandum of Understanding for the development of the North–South corridor, which will further link Botswana to other trading partners in the north and south.

Botswana and Zambia are in the process of constructing the Kazungula Bridge which is a joint project between the two countries aimed at further facilitating movements of goods and persons along the north-south corridor as well as to facilitate trade among the Southern African Development Community (SADC), Common Market for East and Southern Africa (COMESA) and East African Countries (EAC) regional economic communities. Botswana further envisages the development of a Trans Kalahari Rail line to Namibia that will also link to Zambia via the Kazungula Road and Rail Bridge. Botswana and Zambia are also in the process of establishing a One Stop Border Post facility as part of the Kazungula Bridge Project. These projects are expected to reduce transport costs and link Botswana to regional and global markets.

Botswana attaches great importance to the WTO Trade Facilitation Agreement as attested by the fact that Botswana was one of the first countries to ratify the Agreement. Botswana is undertaking reforms to facilitate the implementation of the Agreement. We have a committee set up specifically to deal with trade facilitation issues. In this regard, we are in the process of finalizing the review of our customs legislation to align it with the WTO TFA and the Revised Kyoto Convention. Botswana and South Africa are in the process of interfacing their customs IT systems with a view to facilitate trade. Botswana is also working on implementing a National Single Window.



At the regional level, the Southern African Custom Union (SACU), which Botswana is a Member of, is in the process of finalizing a Regional Trade Facilitation Programme, whilst the Southern African Development Community (SADC) adopted the Trade Facilitation Programme in March 2016 and its implementation is ongoing. SADC through its Industrial Development Programme is also making efforts to develop regional value chains. These efforts are aimed at facilitating regional integration which is one of the key priorities of the Vienna Programme of Action for the LLDCs. We reverently believe that building synergies at the regional level will greatly aid integration of the LLDCs into the multilateral trading system.

As LLDCs, and countries with special needs, the support of development partners remains important to address the persistent challenges of our countries. Infrastructure development including transport, Information and Communication Technology, strong technological and research base, the advancement of functional intellectual property systems amongst others, remain fundamental to the development of LLDCs. These initiatives require huge financial investment as well as legal, regulatory and administrative reforms. In this regard, we call for increased, predictable and consistent international support in these areas.

As I conclude, allow me to share with you that Botswana has developed a National Aid for Trade Strategy, with the assistance of the Commonwealth Secretariat. The Strategy outlines strategic areas aimed at improving our trade performance and integration into the global value chains. I therefore call upon development partners to support this important initiative and finally allow me to express my Government's appreciation to our development partners and international organizations for their continued support. We are most grateful to them.

**Statement by His Excellency Mr. Viengsavath Siphandone, Vice Minister of Public Works and Transport of Lao People's Democratic Republic**

Lao PDR has put efforts and incorporated all Vienna Programme of Action (VPoA) priorities and the 2030 Agenda for Sustainable Development into its national development strategy, especially in the area of infrastructure development, trade regulations and transit transport system. Throughout its implementation, we have made considerable progress which has contributed to increased social-economic development and well-being of the people as well as enhanced integration of the country into regional and global economic system.

In terms of infrastructure development, the Lao government adopted and introduced a policy with an aim of turning the country from a "land-locked" to a "land-linked" country. This idea rests on the belief that the country can become an inland transit route for countries in the region to use as a trade and communications hub among them.

In order to realise this transformation, the Lao Government has heavily invested in the improvement of its transport infrastructure and transport service and developed several programs and policies on infrastructure development, especially the development of an efficient and reliable transport system for transit transport routes, development of a competitive transport industry with multi-modal transport options as well as the facilitation of cross-border transport of goods and people.

In terms of trade and trade facilitation, our trade policy is largely shaped by its bilateral and regional trade agreements, especially ASEAN Free Trade Area (AFTA) and its accession to the WTO. Despite positive developments, the Lao PDR has faced a lot of disadvantages in terms of its geographical remoteness from international markets, and high transport and trade transaction costs, and cumbersome customs and border crossing procedures, inadequate and poor transport and logistics facilities namely dry ports, distribution centers. We also faced small size of economy, low productive capacity, low technology, insufficient human resources both quantity and quality, limited export diversification and lack of export competitiveness.

As a less developed member of ASEAN, the Lao PDR has to endure even greater competition in the region where development gap exists and where its neighbors are much larger economies like China, Viet Nam and Thailand. We therefore need to make every effort to create enabling conditions and explore various potentials for sustainable growth and poverty eradication.

In terms of ways forwards, I would like to propose the following: Firstly, we should further build and promote a genuine partnership between the public and private sectors and between landlocked and transit developing countries and their development partners at the national, sub-regional, regional, and global levels in order to establish efficient and reliable transit transport systems and develop cross-border facilities.

Secondly, we should further strengthen efforts to simplify and harmonize laws, rules, regulations, procedures and transport related documents of a LLDC and transit countries.

Thirdly, we should further improve and maximize the utilization of existing road networks and economic corridors while ensuring that in promoting connectivity through East-West Economic Corridor and North-South Economic Corridor, mutually beneficial arrangements of these economic corridors are properly implemented.

Fourthly, we should further promote sub-regional and regional cooperation frameworks which have significantly contributed to enhanced regional integration and connectivity as currently taking place in Southeast Asian region.

Finally, it is of critical importance that we receive sufficient financial, technological and capacity-building assistance from the



development partners, the UN system, international organizations and private sector while LLDCs and transit neighboring countries should commit themselves with stronger political will in order to achieve the SDGs.

**Statement by Mr. Sakhil Saifnazarov, Deputy Minister of Foreign Trade of the Republic of Uzbekistan**

My statement today is devoted to the ongoing work in Uzbekistan on further integration of the country into regional transport and transit systems with the aim of facilitating trade procedures.

The Republic of Uzbekistan has taken a course towards further liberalization of the economy in recent years, development of cooperation and strengthening of good-neighborly relations in the Central Asian region which are among the priorities of the country's foreign policy. An important area is the improvement of transport infrastructure and the establishment of optimal transport communication routes.

In particular, the formation of the "Uzbekistan-Turkmenistan-Iran-Oman" transport corridor (under the Ashgabat Agreement) was completed. It is the most economically efficient corridor for the countries in the region, due to the short distance to the sea, availability of tariff preferences, as well as the minimum delivery times for goods (7-10 days). To this end, Turkmenistan has opened a new rail and road bridge "Turkmenabat-Farab" over the Amu Darya river, which constitutes an important section of the corridor.

Along with the existing Transport Corridor Europe Caucasus Asia (TRACECA) "Tashkent-Turkmenbashi-Baku-Poti-Burgas/Constanta" with a rail ferry connection to the countries Southern Europe (which was practically not used in recent years), new promising opportunities are provided with the commissioning of the "Baku-Tbilisi-Akhalkalaki-Kars" railway.

Along with numerous traditional corridors, a new corridor on the route "Andijan-Osh-Irkesham-Kashgar" is very promising in the field of road transport. Road transportation on this route began on 25 February 2018, with direct participation of the Ministry of Foreign Trade.

Of no less strategic importance is the construction of the "Mazar-i-Sharif-Herat" railway (Trans-Afghanistan Corridor), which will become the logical completion of establishing the transcontinental transport corridor "China-Central Asia-South Asia-Middle East".

The construction of new "Uzbekistan-Kyrgyzstan-China" railway will allow the creation of new transcontinental corridors "China-Central Asia-Caucasus-Europe" and "China-Central Asia-Afghanistan-Iran". The successful launch of the 19-kilometer tunnel and electrified "Angren-Pap" railway line through the Kamchik mountain pass will allow this route to become the most important link in the future of the new international transit railway corridor "China-Central Asia-Europe".

In this regard, a tripartite expert group consisting of China, Kyrgyzstan and Uzbekistan has been established to coordinate issues related to the implementation of the "China-Kyrgyzstan-Uzbekistan" railway project, which will be the shortest and most effective route with access to the countries of South Asia, Middle East and Europe.

The leadership of Uzbekistan has repeatedly noted the need to use the transit and logistics potential of the region more effectively and ensure enhanced development of transport infrastructure. In this regard, in order to coordinate common regional approaches, we plan to hold an international conference in September 2018 in Tashkent on the topic "Central Asia in the system of international transport corridors: strategic perspectives and unrealized opportunities". I think that holding of this conference reflects a common approach with the UN in strengthening regional cooperation in the transport sector and will also serve as a good platform for achieving the Sustainable Development Goals for landlocked countries. We hope for active participation of all our partners.

For information, I would like to add that at the initiative of the Republic of Uzbekistan, the 10<sup>th</sup> meeting of the Ad Hoc Working Group on Development of the Transit Potential of the Shanghai Cooperation Organization (SCO) was successfully held on 11–12 April 2018. Within the framework of the event, representatives of the SCO member countries discussed the prospects for the development of transport systems in the countries of the region, further harmonization and simplification of cross-border transport procedures, as well as other thematic issues on the agenda.

The transport sector plays an important role in the development of the economy of the Republic of Uzbekistan and remains a priority for the country's leadership. The reforms implemented in the country in this area are informed by the best practices of other countries. We understand that we have a long work ahead and that it is necessary to apply the best international experience in order to fully implement all our goals. In this respect, we see the tremendous support from the United Nations.

**Statement by Mr. Chandra Kumar Ghimire, Secretary for Commerce and Supplies of the Federal Democratic Republic of Nepal**

This Ministerial meeting will remain instrumental, *inter alia*, to review the progress of Vienna Program of Action (VPoA) and Trade Facilitation Agreement (TFA), to identify the overarching challenges of Sustainable Development Goals (SDGs), to share experiences and innovative approaches employed in developing connectivity and, finally, to diagnose a set of recommendations for the benefit of Landlocked Developing Countries (LLDCs).

The LLDCs often face certain specific challenges that keep the countries remote, isolated and less competitive from/in the international market on account of their expensive transit and



transportation cost. When it comes to Nepal, she suffers from a narrow production base, low productivity, insufficient or poor state of connectivity and high transportation cost, which collectively ostracize the country's trade prospectives in the domestic, regional and global markets. This also has resulted in a relatively high cost syndrome in doing business as compared to our coastal neighbors.

Internationally agreed development roadmaps, such as VPoA, IPoA and TFA, are placed to take care of the special needs of the LLDCs. However, many LLDCs like Nepal are still hungry for better physical and non-physical infrastructures as well as procedural changes to be carried out in the involvement of concerned transit country.

A secure, reliable and efficient transit and transport system reduces transaction cost on the one side and enhances value addition of goods from LLDCs on the other. Therefore, improvement of trade facilitation related infrastructures as well as simplified rules pertaining to trade and transit are indispensable measures to be fixed in this regard.

Trade facilitation is a key driver for the economic growth. Government of Nepal (GoN), thus, is chasing up TFA implementation and other complementary measures for reduction in the time and cost. GoN has already notified the category 'B' and 'C' and implementing the TFA of its own part. An enhanced trade facilitation positively complements achieving the SDGs. As it is generally assumed, the full implementation of TFA could reduce trade costs in LLDCs by over 15 percent on average. In this backdrop, we ought to be and are committed to its true realization.

Nepal was in a big political transition and instability, which has now fully ended after successfully holding election and shaping its three-tier governance. Nevertheless, she has made significant progress in the realm of transport connectivity and trade facilitation during the last decade. It is noteworthy that several initiatives have taken place to the end. For instance, rules and regulation on trade facilitation have been simplified to a certain extent. Trade related infrastructures have been constructed in order to scale up trade competitiveness to a better level. We also have commenced implementation of the SDGs since 2016 in such a way that our aspiration for becoming a middle-income country by 2030 is now leading the whole country. All these are attributed with the global slogan that "no one left behind" while eradicating poverty from the world.

Alone, construction of transport and transit related infrastructures may not be sufficient condition for a country's prosperity. Their proper operation and maintenance are equally critical to harvest potential advantages. In this regard, we are of the view that bilateral and regional approaches to transit and transport cooperation can go a long way in providing more efficient and competitive choices to LLDCs, including my own country.

Furthermore, we believe that concerns and special needs of the LLDCs deserve utmost attention within the umbrella of the Multilateral Trading System on road to the SDGs. To help the

LLDCs fully benefit from the trade facilitation measures, we urge the international community and development partners to go extra mileage, meaning that they have to boost up investment by enhancing assistance for capacity building of these countries.

I would like to touch upon our progress and experiences witnessed over the last some years since one of the chief purposes of this Ministerial Meeting is to review of progress made on the VPoA and TFA. First, in pursuit of taking benefits of e-commerce, Government of Nepal (GoN) is actively engaged in articulating a national action plan. Second, construction of multiple Integrated Check Posts (ICPs) as well as Inland Cargo Depots (ICDs) is underway in various major Customs points on both sides of the border with India and China.

Third, a serious venture is being made to run full-fledged tradable highways and fast-tracks connecting various key markets of the country with transit points. In view of planting a new state-of-arts in trade facilitation as per the spirit of TFA, a Customs Modernization Plan (2017-2021) and National Single Window (NSW) are underway of their implementation. Fourth, railway infrastructure is our other priority wherein GoN is focusing on to enlarge trade and investment to a greater extent. It includes East-West as well as South-North railway wherever it is imperative.

Fifth, following the last visit of Rt Hon'ble PM of Nepal to India, Gol (Government of India) and GoN have jointly agreed to develop Inland Water Ways to access sea for Nepal. Accordingly, the two Governments are expediting the matters so as to ensure infrastructure and transit provision in transit protocol to harness benefits from this new transit window. Sixth, aiming at additional gateway ports, GoN is negotiating with Gol to have more feasible ports in addition to Kolkata and Visakhapatnam Ports.

Seventh, recently during the Commerce Secretary level bilateral meeting between GoN and Gol, it has been a turning point that Nepali side has proposed to Indian side an idea of trilateral transit arrangement, including road, rail and inland waterways, among Nepal, India and Bangladesh, which is now evolving to its logical conclusion. Eighth, GoN is attempting its efforts also to utilize the room of the 'One Belt One Road' initiative of China primarily in infrastructure development.

Ninth, recently both GoN and Gol have made a bilateral understanding that a comprehensive review of Treaty of Trade will be carried out to address Nepal's growing trade deficit with India. Likewise, both Governments have jointly agreed to pave the way towards amendments in the existing Treaty of Transit as well as Rail Services Agreement. Tenth, in line with the Treaty of Transit signed between GoN and Government of China, further works are being undertaken to fully operationalize the transit via Chinese territory for the benefits of Nepal cargo. Finally, development of two more new international airports is another trajectory GoN has created so that future trade capacity of Nepal will be considerably moved up.



Finally, we emphasize that the ministerial meeting would be productive to deliver the recommendations on the areas of implementing issues of IPoA, VPoA, TFA and the SDGs. We must continue our efforts for special recognition of our group in all multilateral forums and processes. We must work for a more robust transit and transport system to integrate LLDCs into the global economy and to fulfill the SDGs in their reality.

**Statement by His Excellency Mr. Julio Cesar Arriola Ramirez, Ambassador and Permanent Representative of Paraguay to the United Nations**

In recent years, landlocked developing countries have gone a long way; we went from the Almaty Programme of Action to the Vienna Programme of Action. As LLDCs, we worked together to conclude the Trade Facilitation Agreement, as well as the 2030 Agenda on Sustainable Development and the Addis Ababa Agenda for Financing for Development. All this shows that our group has reached a high-level of strength, cohesion and determination.

In the instruments just mentioned, we have promoted considerations for and specific actions aimed at addressing the special situation of our countries. We established clear and concrete objectives towards increasing our participation in international trade and reducing transit procedures and formalities. Likewise, objectives have been defined regarding the development of infrastructure and connectivity.

However, there are still great challenges to be overcome: the landlocked developing countries who still pay more than double what the coastal countries incur to bring goods to the global markets, and above all, we require approximately double the time. High trade and transport costs erode our competitive advantages, as well as trade volumes, which has a negative impact on overall sustainable development. This triggers a series of consequences that prevent us from taking full advantage of the benefits of trade, such as investment, technology transfer and the services needed to improve productive capacity and produce the long-awaited structural transformation of our economies. As a result, the level of development in landlocked developing countries is, on average, 20% lower than it would be if they were not landlocked.

Faced with this scenario, our governments must coordinate efforts to carry out projects aimed at the establishment of safe, reliable and efficient transportation and connectivity systems, which include the development of large-scale infrastructure, as well as a legal and regulatory framework that allows for the effective implementation of the actions indicated in Priority Areas 1 and 2 of the Vienna Program of Action. In that sense, closing the infrastructure gap in landlocked developing countries and in transit countries is critical to the successful implementation of the Vienna Program of Action. This requires all sources of infrastructure financing, including public-private partnerships, official development assistance and innovative sources of financing, such as infrastructure investment funds.

I will also briefly refer to the importance of international trade as a key means to achieve the SDGs, through the generation of export and import revenues; the mobilization of private sector financing and foreign direct investment; and the transfer of technology, among others. That is why we must update our agendas and promote within the group and in all international organizations the treatment of new commercial trends, such as electronic commerce, the digital economy and the internationalization of micro, small and medium enterprises.

As we all know here, today's trading patterns are not the same as five or ten years ago. The world has gone from a decentralized and labor-intensive production scheme, to a simplified technological scheme of robotics or 3D printers. Our four traditional modes of trade in services included in the General Agreement on Trade in Services are today challenged by the new parameters imposed by the shared economy, where it is very difficult to determine the boundaries between the producer and the consumer.

In order to face all these changes, the landlocked developing countries need the support of the entire international community, including the donor countries and international organizations, whom we urge to continue to work with us, especially in the context of the mid-term review of the Vienna Programme of Action.

To conclude, all that remains is to thank the government and the people of Kazakhstan for their hospitality, and the office of the High Representative for the efforts made to organize this important meeting. We also renew Paraguay's commitment to the cause of the LLDCs, for which we will continue to promote an active participation of the group in major international discussions, both in New York and in Geneva.

**Statement by Captain David Martin Hassan, Undersecretary of the Ministry of Transport of the Republic of South Sudan**

Our country South Sudan is a new country that got independence in 2011. At the beginning of the road, South Sudan needs very huge development in all sectors of the transport modes, air transport, airports construction, road transport, river transport and rail transport. Practice has proved to us over the past few years of independence that the best way and faster way to build the needed infrastructure country wide is only through inviting large investment in the country. That is why we urge all of you, the international organizations who feel confident and competent to come immediately and join those already on ground to invest in the Republic of South Sudan.

South Sudan, being a landlocked country is already engaged as a member in the NCTTCA. Immediately after the independence, having realized that through togetherness in unity we are able to perform better to develop the general infrastructure required in our country. In that forum and over the last few years South Sudan has achieved good promising projects. The standard gauge railway is already in the pipeline rolling on the top of the Northern Corridor



projects which will link South Sudan to the main port of Mombasa and link the main towns in the country. This is a giant project in the country and progress has been achieved to upgrade and enhance the flow of goods from the port of Mombasa to the country. The same applies to road transport, construction and rehabilitation where state efforts are moving well. Promised plans to improve river transport, improving the river ports, dredging of the White Nile are all available and open for large investments.

I would like to end by wishing a success to this high-level economic meeting. Many thanks to organizers who invited us, thanks for the warm hospitality. South Sudan will be waiting for you, as one hand cannot clap.

**Statement by Mr. Ashot Kocharian, Director of Multilateral and Bilateral Economic Cooperation Department, Ministry of Foreign Affairs of the Republic of Armenia**

The Government of the Republic of Armenia attaches special attention to the multilateral cooperation and implementation of the main objectives of the 2030 Agenda for Sustainable Development. When the Landlocked Developing Countries Group—LLDCs was established within the framework of the United Nations in 1994, the Republic of Armenia became actively engaged in the international processes taking place within the scope thereof, based on the fact that only through international cooperation, coordination and consolidation of efforts it is possible to ensure full integration into the global economy and sustainable development.

Situated at the crossroads of different continents, Armenia has always bridged various civilizations, thus becoming a very important center for cultural and trade exchanges. Modern Armenia adheres to a strategy designed to build bridges among its major trading, economic and political partners. Being a landlocked country with scarce energy resources, under the closed borders with two neighboring states, we have never bent to difficulties. In Armenia a favorable framework for business and investments is created, which is stated by the positive trend in renowned international rankings like the World Bank Doing Business Report, the Economic Freedom Index of the Heritage Foundation etc.

There are three free economic zones in Armenia, specialized in high technology and innovation, as well as in jewelry and watchmaking. The business conducted within these zones enjoys an almost total exemption of taxes and duties, which serves as an effective platform for attracting foreign investments to the named fields of economy. Recently “Meghri” free economic zone was launched in Meghri town, on the border with Iran. It has a broad sector coverage, including agriculture, processing industry, trade, transportation and storage, tourism, entertainment and others. Given its geographical position, commercial and logistical capabilities, as well as Armenia’s multi-vector preferential trade regimes, the free economic zone on the border with Iran can become a bridge between Iran, the Eurasian Economic Union and the EU.

The current policy of the Armenian government is aimed at bypassing the obstacles and limitations and increasing the country’s limited internal market through regional and international cooperation. Today, our geographic location and political and economic arrangements with partner nations enable Armenia’s easy access and trade with markets of more than 300 million consumers, where many Armenian goods and services have already established brand value. As a member to the Eurasian Economic Union, we have customs-free access to more than 180 million consumers. A common border and visa free regime with the Islamic Republic of Iran open up a market of 80 million consumers. Historically friendly relations with Georgia give us access to the Black Sea ports as well as safeguard Armenia’s trade turnover with Russian Federation, other EEU countries and the European Union. The forthcoming opening of the major infrastructure projects such as North-South highway corridor will make Armenia the shortest transit route connecting Persian Gulf to the Black Sea ports. Moreover, the EU-Armenia Comprehensive and Enhanced Partnership Agreement opens new opportunities for economic activities not only for the Armenian but also European business community. Due to the development of productive cooperation in different directions Armenia may serve as a bridge between EEU and other economic blocs—the European Union, countries associated with it, also with Iran and countries of Near East.

2030 Agenda reconfirms that unilateral economic measures are detrimental to sustainable development. The Agenda includes a Goal aiming to reduce inequalities of all kinds, within and between countries which will directly contribute to the enhancement of productive cooperation and regional development. We believe that unimpeded contacts and open borders, free movement of goods and services, as well as equal, inclusive and non-discriminatory regional cooperation are the main prerequisites for the development of the economic connectivity.

### **SECTION 3: SECTION THREE: IMPROVING TRANSPORT CONNECTIVITY FOR THE LLDCS**

**Key issues on improving transport connectivity for the LLDCs, by Ms. Gladys Mutangadura, Senior Programme Officer, UN-OHRLLS**

#### **Why is improved transport connectivity so important for the LLDCs?**

Transport connectivity is the means of enhancing effectiveness of transport networks to facilitate flow of goods, services, and people between countries in the regions and beyond. It also means having (i) the hardware or the physical infrastructure in place, and (ii) the software or the necessary policies and regulatory frameworks. Trade is an important means to achieve the 2030 Agenda for Sustainable Development. However, trade costs for LLDCs are too high, thus, improving transport connectivity is crucial. The Vienna Programme of Action points out the priority areas on the development and maintenance of transport infrastructure,



fundamental transit policy issues; and regional integration and trade facilitation, that are important for reducing trade costs.

### **Road networks**

For the road networks, the Asian Highway network has gained a lot of achievements. However, 8% of the network does not yet meet the minimum desirable standards. Regarding the Trans-African Highway in Africa whose total length is 54,120 km, it still has missing links and poor maintenance in some key segments. The percentage of paved roads in sub-Saharan Africa is low. There was only 13% in 2015. In Latin America, efforts are underway to improve the road network, and both Paraguay and Bolivia are working on road transport infrastructure development projects.

There is some progress made for the sub-regional corridor development, including; the TRACECA; Euro-Asian Transport Links (EATL), CAREC corridors, Greater Mekong Subregion (GMS); ECO Corridors, Northern Corridor Transit Agreement; Central Corridor; Maputo Corridor; Trans Kalahari and others. However, there are also challenges, that include poor maintenance, missing links, huge infrastructure gap, and limited capacity to develop bankable projects.

### **Rail networks**

The Trans-Asian Railway networks cover more than 118,000 kilometres, and progress has been made in closing some of the missing links. For the African railway network, 74,775 km has very low density mostly in North Africa and Southern Africa. There are more than 26,362 km of the missing links in the rail network. Latin America, Bolivia and Paraguay signed MOU in 2017 for the rail project that will connect the two countries. Meanwhile, there are also challenges, such as the poor maintenance, aging track, obsolete equipment. The missing links that the total investment required in Asia estimated at \$75.6 billion. There is also a huge infrastructure gap and limited capacity to develop bankable projects, which needs to harmonize different infrastructure standards, including railway gauges.

### **Air transport**

The Volume of passenger traffic transported by air from LLDCs rose from 11.2 million to 30 million between 2000 and 2015, which represents just 0.9% share of the world's passenger volume. The volume of airfreight has also increased in some LLDCs. High scale of investment is needed for infrastructure development, maintenance, rehabilitation and replacement of aged fleet, and upgrading of airports. Despite these, there are ongoing successful projects.

### **Inland water transport**

The inland water transport offers competitive freight rates for low-value, high-bulk commodities. The inland waterways are particularly used in LLDCs in Latin America, South-East Asia and

Central Africa. The challenges are the reduction in water level at low periods, silting, other physical and material constraints, and the operational and management-related and regulatory issues. There is the need for improvement of the physical infrastructure to improve navigability and the supportive soft infrastructure.

### **Sea ports**

The share of port throughput for the transit developing countries as measured by the number of containers that passes through the port increased by more than 37% from 2010 to 2015, which is larger than the world's throughput of 25%. Asian transit countries' ports dominate for port throughput at 38% while Latin America and Africa grew by 1.3% and 1.5% respectively. The challenges to port infrastructure are natural disasters and the impact of climate change in particular coastal flooding. There is need for adaptation strategies to improve the resilience of port infrastructure and systems.

### **Current Status of dry ports**

Dry ports are very useful for facilitating customs clearance procedures intermodal transfers and for other diverse cargo handling, warehousing, and logistics services. Many LLDCs have or are making progress in establishing dry ports in all regions. The challenges are the high costs for establishing the facility, availability of land, lack of efficient logistics facilities and support systems, shortage of skilled manpower and lack of coordination between different stakeholders.

### **The soft infrastructure issues**

Besides the hard infrastructure, the soft infrastructure issues should also be addressed. These are policy and regulatory frameworks, which includes the standards for road facilities and infrastructure, traffic rules and regulations, operating times, weight and dimensions, axle loads, licensing and permits, drivers license, immigration and visa, customs procedure and the need for effective implementation, regional, international agreements – transit transport, trade facilitation, harmonization.

### **Way Forward**

Closing the existing infrastructure gap is critical, and this requires long-term planning. Efforts and resources from all levels like the national, regional, international levels, and others including ODA, multilateral, private, PPPs and innovative sources. It is also important to look at the capacity building and skills development, as this is one of the constraints in the landlocked countries. Corridor approach is important as well. Enhanced cooperation between LLDCs and transit countries is necessary on hard and soft infrastructure. Data collection is critical to monitor process. At the same time, the recognition of transport has increased, such as the global initiatives of Sustainable mobility for All, UN transport, SDGs related to transport such as SDG 9 and 11, and these will help in promoting transport connectivity.

**Improving Transport Connectivity for the LLDCs: Experiences from the Aviation sector, By Mr. Mitchell A. Fox, Chief Strategic Planning and Regional Affairs Coordination Strategic Planning, Coordination and Partnerships Office of the Secretary General International Civil Aviation Organization (ICAO)**

As you know, there are no dedicated SDGs for transport, or for air transport. Nevertheless, transport and air transport are vital enablers for the achievement of the SDGs, and I think that is most profound in LLDCs. I suspect most of you came to this meeting by air. Many of you crossed oceans; most of you went between continents, and over numerous countries. I think this provides a good illustration of the enabling capability of air transport to bring us together in this ministerial meeting on trade and transport, and to exchange our ideas and our experiences on the way forward in achieving the SDGs.

ICAO was established in 1944 under the Convention on International Civil Aviation. Its mandate is to foster the development of international civil aviation in a safe, secure, efficient and environmentally-friendly manner. Our primary activities, first and foremost, are as a normative organization. The international standards and recommended practices of ICAO allow aviation to flourish throughout the world. ICAO provides a regulatory framework that allows for the free flow of airplanes around the world. We also have a compliance function. As a regulatory body and intergovernmental agency, we audit the regulatory oversight capabilities of all 192-member states and we check their ability to oversight both the safety and security aspects of the aviation system. The third pillar of our rule is implementation with member countries to make sure that no country is left behind in its ability to benefit from aviation. We have done a careful examination of our business plan as a specialized agency of the UN. As an enabler of the SDGs, we have a direct link in our work programs to the implementation of 15 out of the 17 SDGs.

Let us take a look at air transport in the LLDCs. There has been some significant progress within the last six years. From the period of 2010 to 2016 there has been a 58% growth in passenger traffic. I think that is significant when you take a look at the overall worldwide growth of 44%. Nevertheless, it still represents a small market share of world passenger traffic. Freight traffic has also increased and nearly doubled in that same period of time, from 340,000 tons to 648,000 tons. Again, it is still a small percentage of the total freight traffic worldwide. Where there tends to be a bit of a lag is in the development of the hard infrastructure for aviation. 13 of 24 LLDCs, for which the data is available, tend to rank the lowest in terms of their infrastructure development for civil aviation. So, we are lagging behind in infrastructure development in aviation. Overall, in terms of ODA, investment in civil aviation infrastructure is less than 5%.

I should highlight that there are successes in investments in soft infrastructure. Through the compliance function that ICAO

exercises, those states that are unable to meet ICAO standards in terms of their safety and security, regulatory oversight have improved dramatically over the same period of time, with very few of the LLDCs being considered to have significant safety or security concerns. So progress has been made, but it needs to be continued. There needs to be concomitant investment in regulatory procedures at the same time that we have investment in the infrastructure.

Why invest in aviation? Well, connectivity is absolutely essential within LLDCs. Business today is fast-paced, and requires connections between continents in order to facilitate business development. Tourism—I believe there is a lot to be offered in LLDCs, which would attract a tremendous amount of tourism. Tourism is the largest commercial service sector industry in the world. 54% of tourists travel by air, so your investment in air connectivity will have a return, both in terms of generating business and also generating significant employment. For air freight, while it represents a very low volume of transporting goods compared to other modes of transportation by land and by sea, it represents today 35% of the freight transported by value. An interesting statistic shows that e-commerce is growing in importance. From 2010 to 2016, there was a tremendous growth in the transport of goods using B2C e-commerce (“business to consumer” direct e-commerce) by air. The amount of freight delivered using this mode grew from 16% of the e-commerce amount to 83% in the last six years.

There are very good reasons to invest in aviation in LLDCs. Lastly, it might not be a return on investment, but we see that a significant barrier to the achievement of SDGs in the future is the resilience of states to shocks and disasters that can occur in countries. The losses over a 10-year period of time have been significant; 1.7 billion people affected, 700,000 people killed and \$1.4 trillion lost. Air Transport is a vital link for LLDCs and SIDS, and in fact, during times of disaster, they are literally the lifeline for LLDCs and SIDS.

**Improving Transport Connectivity for LLDCs: Experience of a Transport Corridor in Africa, By Captain David Martin Hassan, Chairman of the Executive Committee of the Northern Corridor TTCA and Under Secretary of the Ministry of Transport, Republic of South Sudan**

Africa has a number of Transport Corridors. The Corridors mainly link Landlocked countries to various maritime ports around the continent. Transport Corridors facilitate Trade and boost regional integration, and lots of achievements have been done. Most African Corridors have management and/or coordination authorities to promote efficiency. However, there are still some challenges facing the African Corridors.

Transport corridors play three major roles: In terms of infrastructure, transport corridors provide the infrastructure and capacity to undertake trade (both import and export); and are therefore crucial prerequisite for trade facilitation in the LLDCs. Second, they facilitate integration. Cross-border trade flows and



cooperation, like those taking place in the East African Region often foster integration and faster economic transformation. Third, transport corridors are a market development tool, either on the maritime foreland or on the hinterland.

The Northern Corridor is a Transport Corridor linking the Great Lakes countries of Burundi, DR Congo, Rwanda, South Sudan and Uganda to the Kenyan seaport of Mombasa. The Corridor also serves Tanzania, Ethiopia and Somalia. It is a multi-modal Corridor encompassing: Road, Rail, Pipeline and Inland Waterways. The Corridor is the busiest route in the whole of the East and Central Africa.

### Institutional Framework

The Northern Corridor Transit and Transport Coordination Authority was established in 1985. Partner States signed a Treaty known as the Northern Corridor Transit and Transport Agreement. The Agreement has 11 Protocols aiming at transforming the Corridor into an economic development Corridor. The Legal Framework took into account the three pillars of Sustainable Transport (social, economic and environmental). The highest policy making organs are the Council of Ministers and the Executive Committee.

### Map of the Northern Corridor



The Northern Corridor Secretariat was established through a Treaty known as the Northern Corridor Transit and Transport Agreement signed in 1985 and revised in 2007. The Agreement has 11 Protocols on (maritime port, routes, customs control and operations, documentation and procedures, rail transport, waterways transport, pipeline, multimodal transport, handling of dangerous goods, facilitation of transit and corridor development); all aiming at transforming the corridor into an economic development corridor. The Legal Framework took into account the three pillars of Sustainable Transport (i.e. Social, Economic and Environmental). The highest policy making organs are the Council of Ministers and the Executive Committee.

There are many key initiatives and success stories that the corridor has achieved. For the physical infrastructure, the corridor

has developed One Stop Border Posts (OSBPs), of which there are 7 developed and operational, improvement of road transport infrastructure and network, the development of the Standard Gauge Railways (SGR), the implementation of High Speed Weighing in Motion. The expansion of the Port of Mombasa and development of connecting transport links (road/rail/pipeline), and program for the establishment of Road Side Stations.

For the soft infrastructure, it has led to the harmonization and simplification of customs processes and procedures, as well as the creation of a web-based Northern Corridor Transport Observatory and the GIS component ([www.ttcanc.org](http://www.ttcanc.org) or <http://top.ttcanc.org> and [www.Kandalakaskazi.or.ke](http://www.Kandalakaskazi.or.ke)).

The Northern Corridor Transport Observatory is a monitoring tool that assesses and measures performance of the Northern Corridor and has an online platform to track and disseminate information on various key performance indicators. Its main purpose is to identify areas for improvement in relation to targets; to provide a set of tools for diagnosing problems on the corridor; to measure the evolution of the corridor to gauge efficiency and bottlenecks; and to provide reliable information for policy and decision making. The Observatory Track has 35 Performance Indicators on: 1. Volume and Capacity; 2. Transport cost and rates; 3. Productivity and efficiency; 4. Transit time and delays; 5. Intra-Regional Trade; and 6. The Green Freight Program

The Northern Corridor has also led to the usage of the Single Customs Territory and the Regional Electronic Cargo Tracking System. The corridor has helped the implementation of the EAC Single Customs Territory, promoted voluntary Vehicle Load Compliance, the implementation of the Northern Corridor Green Freight Program, and establishment of the Public-Private stakeholder's consultative forum.

However, there are some bottlenecks and challenges. There has been a slow domestication of some of the provisions of the Northern Corridor Agreement and Protocols; varying national priorities in the Northern Corridor Member States; poor infrastructure/limited capacity and insufficient financing for projects in the Member States; Slow economic growth, low productive capacity and general governance issues; multiple and overlapping memberships in Regional Economic Communities; and the issue of state sovereignty and diverging roadmaps to integration; and inadequate knowledge management on issues of the LLCs and lack of consistent memory, and reliable records and documentation of issues.

Recommendations for the improvement of these issues include: enhancing partnerships between Member States in improving connectivity and infrastructure development; harmonizing and streamlining policy, legal frameworks, and regulations; maintaining strong M&E mechanisms to assist policy makers on informed decisions; encouraging intra-regional and strengthening trade



facilitation instruments; enhancing the productive capacity in LLDCs and promoting enabling environment for private sector participation; building capacity at key national, corridor and regional levels; and implementing strategies that accelerates economic and social growth along the Corridor while ensuring environmental sustainability for the populations.

**Improving transport connectivity in the UNECE region, By Mr. Roel Janssens, Economic Affairs Officer, Transport Facilitation and Economics Section, Sustainable Transport Division, UNECE**

**UNECE's role in the transport sector**

The United Nations Economic Commission for Europe (UNECE) Sustainable Transport Division<sup>11</sup> works to promote sustainable inland transport which is safe, clean and competitive. The Division is the secretariat to twelve working parties that meet regularly to update and amend the UN legal instruments under their responsibility. The 58 UN conventions, agreements and other legal instruments under the purview of the Inland Transport Committee shape the international legal framework for inland transport. This includes road, rail, inland waterway, intermodal transport, as well as transport of dangerous goods and vehicle regulations. The Division pursues these goals through three pillars of work: administration and maintenance of the regulatory framework; analytical work; and advisory services and technical assistance.

**Latest Developments in the UNECE context in support of the Vienna Programme of Action**

**Transport infrastructure**

In the field of transport infrastructure, UNECE is currently responsible for the development of several transport infrastructure Master Plans, including the Trans-European Motorways (TEM) and Trans-European Railway (TER) masterplans; the Pan-European Cycling Infrastructure Master Plan (in cooperation with THE PEP) and the Euro-Asian Transport Linkages (Phases I, II and III).

The Euro-Asian Transport Links Project (EATL) is the most relevant in the context of the Vienna Programme of Action (VPoA) as it is a long-term endeavour and gathers many Landlocked Developing Countries (LLDCs) and transit countries in Europe and Asia. It is supported by international organizations and the transport business community in an aim to improve conditions for trade and socio-economic development on the continent. The mandate of the UNECE Group of Experts on EATL in phase III has now been concluded and a comprehensive report has been finalised and adopted during the 30<sup>th</sup> session of the UNECE (WP.5) Working Party on Transport Trends and Economics which was held in September 2017 and by the UNECE Inland Transport Committee 80<sup>th</sup> session in February 2018.

The report is a particularly useful tool for transport policy-makers from LLDCs and transit countries in the EATL region and beyond, in that it, inter alia: Identifies and describes main commodity groups for the transport of which inland modes of transport can compete with maritime and aviation modes (incl. non-containerised, containerised and high-value containerised cargo); Provides analysis showing the economic advantage (in terms of time and costs) of inland routes compared to air or maritime routes for containerised cargo—particularly important to attract interest of the private sector; and Identifies the current strengths and weaknesses and lists several recommendations to make inland routes more competitive vis-à-vis the other modes.

At a more specific level, it highlights the need for Governments from LLDCs to accede to and implement international agreements and UN Conventions in the field of transport and transit, in particular the International Convention on Harmonization of Frontier Controls of Goods, the Convention on International Transport of Goods under Cover of TIR Carnets (TIR Convention), and the Convention on the Contract for the International Carriage of Goods by Road (CMR) and its additional protocol. It stresses the need to develop institutions and procedures facilitating long-haul container block train operations along selected Euro-Asian routes and advocates for increasing complementarity between road and rail transport rather than increasing competition between these two modes on EATL inland routes and ports hinterlands.

In conclusion of the EATL Phase III, an International Conference on Making Euro-Asian Transport Corridors Operational will be organised, in Geneva on 3 September 2018. The conference targets senior-level representatives of EATL countries (many of which are LLDCs) but also private sector, shippers, rail operators, road transport associations, investment banks as well as representatives of international organisations. Focus of the discussions will be on how to further facilitate the development of Euro-Asian corridors, eliminate if possible any non-physical obstacles and make inland transport a major contributor to the economic development and trade facilitation of the region. Representatives from key private companies that already perform transportation services along those corridors will be invited to share the results of their efforts but also their experience, lessons learnt and challenges that they still face.

One of the key challenges towards sustainable infrastructure development in the Euro-Asian region remains the lack of funding. In response to this, under the auspices of the UNECE an International Transport Infrastructure Observatory is being developed with funding support of the Islamic Development Bank. The observatory will be an innovative example of how government data on new transport infrastructure projects is presented to financial institutions and other donors in a transparent,

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11- Website: <http://www.unece.org/trans/welcome.html>



comprehensive and 'bankable' way. The Observatory is devised as an online platform where (a) governments find the data to prepare, benchmark and present their transport infrastructure projects and (b) financial institutions can consider, analyse and compare projects from a regional/international perspective and identify those they wish to finance.

Bearing in mind that along European and Asian corridors there are currently many different regional initiatives all having transport and border crossing facilitation as their main objective the Observatory is also expected to enhance cooperation among those different initiatives, create economies of scale, maximize efficiency and provide concrete and tangible inputs to Governments. In accordance with the initial project plan, the first phase of the observatory will be ready and operational in autumn 2018.

**Transport facilitation**

A summary list of international UNECE transport agreements and conventions<sup>12</sup> can be accessed on the UNECE website.

**The International Transport Infrastructure Observatory**

The Observatory will be an electronic space developed on a GIS environment, which would permit to all users (Governments, International Financial institutions (IFI)) to retrieve and analyse:

- a. data about all transport networks and modes (road, rail, inland waterways, ports, airports, intermodal terminals, logistics centres and border crossing points)
- b. data on transport corridors (length, services, missing links, time schedules, tariffs)
- c. data about new transport infrastructure projects
- d. data about traffic and cargo / goods flows
- e. results of different regional studies etc.

*Source: UNECE, 2018*

The following recent legal and regulatory developments are especially beneficial to LLDCs:

**A. The TIR Convention enhanced geographical coverage and ongoing computerization efforts**

The Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention) is a unique transport facilitation tool. It is a global United Nations Convention that establishes and regulates the only existing and operational global customs transit system. It has a broad geographic coverage with 74 Contracting Parties, including the European Union. More than 33,000 operators are authorized to use the TIR system and around 1.2 million TIR transports are currently carried out on an annual basis. The TIR Convention facilitates the international carriage of goods from one or more customs offices of departure to one or more customs offices of destination and through as many countries as necessary. As a rule, the vehicle remains sealed throughout the TIR transport and, thus, goods are generally not inspected at border crossings. However, customs authorities remain entitled to perform inspections whenever they suspect irregularities or randomly. To cover the customs duties and taxes at risk throughout the journey, the Convention has established an international guaranteeing chain which is managed by the International Road Transport Union (IRU).

The Convention applies to transports with road vehicles, combinations of vehicles as well as containers and allows for the use of the TIR Carnet across all modes of transport, including railways, inland waterways and maritime transport provided that at least one leg of the journey is made by road. In October 2017, the first successful intermodal TIR customs transit system operation involving road, sea and rail on a corridor linking Europe to the Middle East has demonstrated a 5-day time saving, with significant potential to further reduce costs and enhance trade. The pilot run started in Ljubljana (Slovenia) and arrived in the Caspian Sea port city of Bandar Abbas (Iran), the container transited through Italy and Turkey, crossing the Mediterranean Sea (IRU, 2017).

The latest TIR accessions of Saudi Arabia and Qatar, the activation of the TIR system in China and the United Arab Emirates (UAE) and India's and Pakistan's recent accession open-up significant transit facilitation opportunities for landlocked developing countries. In May 2018, a 5,600km long test-run has taken place from Dalian (Liaoning province) in China to Novosibirsk in the Russia Federation using for the very first time the TIR system which, according to the IRU, could potentially cut customs clearance time along that route with up to 80 percent.

12 - Website: <http://www.unece.org/trans/conventn/legalinst.html#customs>



To keep up with the latest developments in the transport sector and in customs administrations, the TIR system is constantly being updated. Electronic tools, such as the international TIR database and the electronic pre-declaration tool (TIR-EPD), have been introduced to improve risk management. Additional facilities such as authorized consignors and consignees are also under discussion at the Working Party on Customs Questions affecting Transport (WP.30). Most importantly, TIR contracting parties have started the eTIR project, i.e. the computerization of the TIR procedure. The project aims at ensuring a secure electronic exchange of TIR transport data between national customs systems and the management by customs on TIR guarantees data. A step-by-step and corridor-based approach has been adopted for its implementation.

A first eTIR pilot has taken place from December 2015 to February 2017 between Iran and Turkey and involved a limited number of inland customs offices and one border crossing point. To carry out the pilot, the existing electronic procedures of the two countries have been connected, enabling the real-time exchange of information about TIR operations and improved risk management. The successful conduct of this pilot and the satisfaction of all stakeholders led to the decision to continue the conduct of eTIR transport between Iran and Turkey. A second eTIR pilot project, between Georgia and Turkey, was focused on customs-to-customs electronic data exchange of TIR data. Considering the benefits of the real-time exchange of data, both countries also decided to continue to operate the systems developed in the framework of the project. In next phases, additional functionalities will be included, and more countries will be involved. At the intergovernmental level TIR Contracting Parties are still working on finalizing the legal basis of eTIR.<sup>13</sup>

## **B. The CMR and its additional protocol**

The UN Convention on the Contract for the International Carriage of Goods by Road (CMR) and its Additional Protocol concerning the Electronic Consignment Note (eCMR) relates to various legal issues concerning transport of cargo by road. As stipulated in article 1, the Convention applies to every contract for the carriage of goods by road in vehicles for reward if origin and destination are situated in two different countries and at least one of them is a contracting party. It is one of the very few Conventions at UNECE that relates to private law rather than to public law. The CMR Convention concerns the contract conditions, the contract document (consignment note) as well as the carrier's liability limits in case of total or partial loss of the goods carried, or in case of delay.

The Convention also defines the content of the consignment note (also known as CMR consignment note), which confirms the contract of carriage. The electronic version of the CMR

consignment note, the e-CMR, is the subject of an Additional Protocol to the CMR Convention which entered into force in 2011.<sup>14</sup> Accession to the Additional Protocol concerning the e-CMR is possible only for countries that are Contracting Parties of the CMR Convention. At present, the e-CMR has 17 contracting parties. The e-CMR consignment note contains the same particulars of its paper version and the Additional Protocol to the Convention underlines that the procedure used for the electronic consignment note must ensure the integrity of the particulars which implies they must remain complete and unaltered. Integrity of the particulars is a key point for e-CMR application.<sup>15</sup>

Recognising that in transport, digitalisation can significantly improve traffic and transport management through more accurate information on traffic and infrastructure conditions and on the location of vehicles and/or goods, the European Commission launched in 2015 its Digital Transport and Logistics Forum. With the objective of removing technical, operational and administrative barriers between and within transport modes, the Forum provides a platform for structural dialogue, exchange of technical know-how, cooperation, and coordination between the Commission, EU Member States, and relevant transport and logistics stakeholders. One of the possible policy measures under consideration is for EU Member States (MS) to adhere to relevant mode-specific international conventions and protocols where EU MS membership is still low, such as the eCMR (European Commission, 2018). It is acknowledged however that such measures could only be successful when followed by the adoption of national legislation to implement these international rules which in many cases tends to be a time-consuming process.

With the increased success of e-CMR (signatories 8 and parties 17), transport operators may soon be able to input electronically and store logistics information as well as exchange data, in multiple languages, in real time via a mobile phone or tablet. The application of the eCMR will bring transport cost reductions (with handling costs up to three to four times less expensive), faster administration and invoicing, and a reduction of delivery and reception discrepancies. Using the e-CMR consignment note is also expected to increase data accuracy and would be linked to real time information on progress of shipments, including proof of delivery. Testing the feasibility of e-CMR in practical applications is the object of pilot projects between France and Spain, in Belgium—for national transport operations, and in the Benelux—for transport between the three countries. The pilot concerning e-CMR transports between Spain and France started in January 2017. The recent accession, to the Additional Protocol, of the Republic of Moldova, Russian Federation, Armenia, Turkey and Estonia (UNECE, 2018) only further strengthens its road transport facilitation and increased geographical out-reach potential.

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13 - UNECE (2018), "Railways Role in Intermodality and the Digitalization of Transport Documents", July 2018, New York and Geneva

14 - *Ibid*

15 Kern (2017), "e-CMR: Digitalising consignment notes", Presentation delivered at Smart Mobility World, 10 October 2017, Turin, Italy



More information and case studies regarding the use of e-CMR and other digitalised transport documents is available in a recent UNECE publication entitled *Railways Role in Intermodality and the Digitalization of Transport Documents* (UNECE, July 2018, p.p. 55-62).

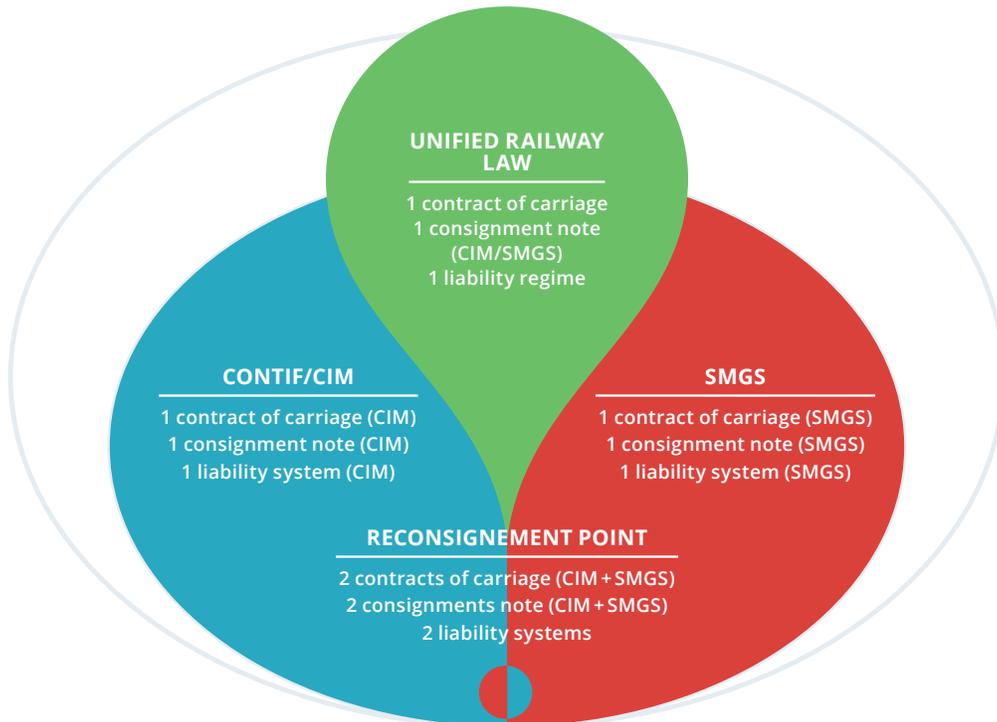
**C. Towards unified railway law in the Pan-European region and along Euro-Asian transport corridors**

Railway shipments from West to East and vice versa frequently travel thousands of kilometres, crossing through many countries, borders and language regimes and thus inter-operability challenges are plentiful. The bottlenecks faced by the railway sector are two-fold. On the physical side, the lack of interoperability puts the railway sector at a significant disadvantage to road and other modes, increasing the cost of transport when trains need to go through gauge changing facilities or goods need to be moved from one train to another at national borders. Lack of interoperability is a significant comparative disadvantage leading to increases in both costs and travel times

Nevertheless, progress is being made when it comes to administrative railway interoperability. In Western and Central Europe, a uniform law applies to rail transport referred to as CIM<sup>16</sup>, whereas in Eastern Europe, Russian Federation, China and parts of Asia another law applies referred to as SMGS<sup>17</sup>. The creation

and gradual introduction of a CIM/SMGS Common Consignment Note from 2007 onwards has become a key railway facilitation tool. It contains all the needed information for the consignment: consignor, consignee, type, weight and special features of the goods. It has simplified and expedited rail shipments between the two legal regimes considerably and by offering a contractual link between those involved in the two regimes it offers legal certainty.<sup>18</sup>

Building further on this achievement, UNECE member States are currently trying to solve remaining administrative issues through the creation of a full-fledged Unified Railway Law. Through the Unified Railway Law, operators will be able to carry out their activity within a single legal regime along the entire East-West axis connecting Europe to Asia. The work is ongoing in the framework of a designated Expert Group which meets under the auspices of the UNECE Working Party on Rail Transport in cooperation with legal experts from all interested Governments, international organizations, such as the Organisation for Co-operation of Railways (OSJD), the Intergovernmental Organisation for International Carriage by Rail (OTIF), the International Rail Transport Committee (CIT), the International Union of Railways (UIC) and the transport industry to work out the required mechanisms and legal provisions.



Source: UNECE, 2018

16 - "Appendix B" to the Convention concerning International Carriage by Rail (COTIF)–Uniform Rules Concerning the Contract of International Carriage of Goods by Rail

17 - Agreement on International Goods Transport by Rail (SMGS)

18 - CIT (2013), Common CIM/ SMGS Consignment Note for Euro-Asian Rail Freight Shipments (Brochure), July 2013, Bern



As of 2017, draft legal provisions of the URL are being tested in real-life. A virtual pilot test took place, in May 2017, along the corridor Germany–Poland–Belarus–Russian Federation. Real pilot tests will be carried out by the railway companies involved in the UNECE Group of Experts towards Unified Railway Law along the corridors agreed and along other corridors if proposed by governments in order to ensure the operational validity and effectiveness of the legal provisions prepared. The ultimate purpose of this initiative is the establishment of a unified set of transparent and predictable provisions and legal rules for Euro-Asian rail transport operations in all countries concerned leading to facilitated border crossing procedures, particularly for transit traffic.

## Conclusion

A well-functioning transport sector is an essential requirement for the economic and social development of all countries, but in particular of LLDCs, as well as for supporting regional and global cooperation and integration. Historically, development of the transport sector has been an indicator of a country's economic welfare and success. Well-developed, efficient, safe and secure inland transport systems offer important access to markets, employment, education, healthcare and other basic services critical to poverty alleviation; at the same time, transportation is a major driving force behind a growing world demand for energy and it has a significant environmental footprint.<sup>19</sup> Transport plays a vital role in the 2030 Agenda for Sustainable Development in that many Sustainable Development Goals are dependent on transport to meet their targets. Transport may not play a major (or obvious) role in any single goal—but to achieve the goal and its targets, transport is often necessary and acts as a vital enabler. Transport is thus not just about the development of infrastructure and services, but rather the ease of reaching destinations in terms of proximity, convenience and safety. In that sense it is a vital enabler for sustainable development.

## Improving Transport Connectivity for the LLDCs: The case of the TIR Convention, By Mr. Viacheslav Vikentyev, Regional Manager CIS, Customs affairs, IRU Permanent Delegation to Eurasia

I represent the International Road Transport Union. It is a road transport organization that promotes economic growth, road safety and prosperity through the sustainable mobility of people and goods. Founded in 1984, IRU has members and activities in more than one hundred countries worldwide. IRU conceived TIR in 1949 and manages the system to this day in accordance of the mandate of the United Nations.

Our organization actively participates in implementing the Vienna Programme of Action. We see the Vienna Program as a core element of the international policy in the field of enabling transport in landlocked countries and the global supply chain. IRU fully supports the implementation of international conventions

on transport and transit in landlocked countries and in transit states as they promote the harmonization, simplification, and standardization of rules and procedures. For example, it was said that countries that recently acceded to the TIR Convention such as China, Pakistan and India are not LLDCs themselves, but they allowed to further expand transit systems and allowed the opportunity to use simplified border crossing procedures, providing opportunities to landlocked countries to deliver their goods to new markets with the use of general recognized documents of TIR.

In 2017 at the 79<sup>th</sup> session of the UNECE Inland Transport Committee a Ministerial Resolution titled "Embracing the New Era for Sustainable Inland Transport and Mobility" was adopted. Recalling the VPoA, this resolution states its commitments to embracing the technological changes in all inland transport modes, specifically by integrating the intelligent transport systems and by digitalizing transport documents. IRU, being one of the actors who performed the digital transformation on transport, develops digital solutions, like digital TIR, eTIR and TIR Intermodal, which allow for the more effective use of TIR applications.

Last year, UNECE-IRU completed a successful joint pilot on using digital TIR, aiming at bringing TIR procedures to a new computerized environment. As a result of the pilot, UNECE issued a report reflecting the main results. The pilot was admitted successfully from multiple perspectives. The project demonstrated that the full computerization of TIR is feasible and can be used in other contracting parties, and that also all contracting parties are welcome to join TIR computerization pilots in their countries. The stakeholders reported numerous benefits, such as faster procedures, decreased costs, and effective risk management through the monitoring of transport. It's a direct contribution to Priority 1 of the VPoA. Another area of IRU work is the development and promotion of TIR usage and intermodal transport. In November 2017, a pilot involving intermodal TIR operation including road, sea, and rail, was organized between Slovenia and Iran. One outcome of the project showed that TIR implementation, in combination with rail and road, allowed to save 5 days in delivery time in comparison with the use of rail only. After the success of eTIR and TIR intermodal, 4 countries – Ukraine, Georgia, Azerbaijan, and Kazakhstan – decided to use both digital and intermodal pilots on their territories with a potential expansion to China and eastern ports.

Other corridors considered by IRU for digital and intermodal pilots are: The International North-South Transit Corridor and India and Afghanistan; Slovenia-Iran via Italy; UAE-EU/Albania/Turkey; Iran-UAE; France/EU-Morocco; Azerbaijan-Georgia-Ukraine-Kazakhstan.

I would also like to mention the North-South Transport Corridor, which will connect India, Iran, Azerbaijan, and potentially Kazakhstan and Russia; and also corridors within the framework of the One-Belt-One-Road initiative, connecting Asia and Europe

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19 - UNECE (2015), "Transport for Sustainable Development: The Case of Inland Transport", 2015, New York and Geneva, p.p. 20-23



through landlocked countries in Central Asia. The effects of TIR implementation are high in most cases; sometimes they can be measured. For example, in accordance with a scientific study on the benefits of TIR in UNESCAP countries, implementing TIR can save over \$35 billion in transit costs over a five-year period. In investigated countries, the economic benefit of implementing TIR is between 0.14% and 1.31% of the national GDP. TIR, being harmonized and standardized under global UN convention, together with eTIR and the TIR model, can provide better access for LLDCs, reduce transport costs, facilitate trade and improve connectivity, transforming landlocked countries into landlinked countries.

### **Summary of Discussion under Improving Transport Connectivity for the LLDCs**

In the ensuing discussion, participants noted that capacity building was important for the successful implementation of the TIR. In this regard participants requested for capacity building support for the LLDCs. The meeting was informed that Afghanistan was talking with Turkey and Iran to sign a bilateral transit agreement and in the meantime, are implementing TIR. The representative of Afghanistan requested for support. He also shared their experience regarding air corridors. He indicated that Afghanistan had opened an air corridor to Mumbai, India and to Kazakhstan. This had opened a new market for the country. In general, there has been a \$20 million increase in exports.

Participants noted that a number of countries have not yet ratified the TIR convention and requested for the details of how to ratify. The meeting was informed that the TIR convention is a convention of the UN, and a ratifying government would need to deposit its instruments of accession to the depository of all UN Conventions, and that is the UN Secretary General. After one accedes to the TIR convention, you must begin its implementation in your own territory. There are 74-member countries of the TIR convention, only 61 are operating. Not all who acceded to the convention have implemented it on its territory. IRU has a specific department working with Africa, and they have a wide knowledge of the region and they can support countries that had acceded to the convention with its implementation.

Participants were interested in knowing if ICAO has any specific program for the LLDCs to implement the VPoA and the SDGs. The meeting was informed that ICAO has a yearly event called the ICAO Air Services Negotiation Event, and bilateral or regional agreements can be entered into at any time. This is done on an ongoing basis. The yearly event provides a forum and central meeting place for states to conduct either regional or plurilateral air services negotiations or consultations. So, this event at many times can be pivotal to open up such air corridors as mentioned by Afghanistan. The meeting was also informed that the primary focus of ICAO is SDG 9 and they work through technical cooperation and technical assistance programs directly within member states. Participants were also informed that within ICAO Office of the Secretary General

there is a unit on partnerships and resource mobilization. In this ICAO works with member states and international organizations in trying to foster partnerships and mobilize resources on behalf of LLDCs.

## **SECTION 4: PROMOTION OF STRUCTURAL TRANSFORMATION, DIVERSIFICATION AND VALUE-ADDITION IN LLDCS**

### **Introduction of key issues by Ms. Fekitamoeloa Katoa 'Utoikamanu, Under-Secretary-General and High Representative of UN-OHRLS**

Why is structural economic transformation so critical for the LLDCs? Why are we advocating for enhancing diversification of the economies of LLDCs and greater value-addition? My office has prepared a background note on the topic of structural economic transformation, diversification and value-addition in LLDCs and I will highlight some of the key issues from there.

Undergoing structural economic transformation is important for all developing countries for achieving sustained economic growth and poverty eradication. For LLDCs, it is even more vital. Diversifying towards higher productivity, value-addition and technology content goods and services can help LLDCs to effectively integrate into and benefit from global and regional supply chains, create meaningful decent jobs and become more resilient to negative impacts of landlockedness and external shocks.

Progress towards structural economic transformation has been limited in most LLDCs. The value-added contribution of the manufacturing sector, which is key component of industrialization, stands at just around 10% of economic activity. And it has been on a declining trend since the 1990s, showcasing signs of de-industrialization. At the same time, the share of primary commodities continues to be high in the economy of most LLDCs and accounts for over 80% of LLDCs exports. There is a staggering difference between LLDCs and the rest of the world. At the global level, the situation is almost reversed, with 74% of global exports being manufactured goods, rather than primary commodities.

The issue is that primary commodities have little value-added. In addition, the exports of LLDCs are concentrated in very limited number of products and their trade structures have not become more diversified over time, in comparison to global average. This not only makes LLDCs vulnerable to external shocks, it also limits their ability for high-value-addition, technology innovation and meaningful productive employment.

So what can be done? One way to enhance the industrial base is to ensure a conducive business and regulatory environment for the private sector, which can be a real driver of structural change. There are signs that some LLDCs are undertaking broad-based regulatory reforms that make it easier for the private sector to do business. LLDCs need to shift from low-productivity activities such as basic agriculture and commodity extraction towards modern



higher value added and high-productivity sectors. This can include manufacturing, technologically sophisticated production or even using industrial methods for agri-business and agro-processing to add value to their products. The services sector also presents another opportunity for the LLDCs to diversify their economies.

**Keynote speech by Mr. Mukhisa Kituyi, Secretary-General of the United Nations Conference on Trade and Development**

While there was generous statement of aspirations to pull people out of poverty in the MDGs era, the main story of success was through building of productive capacities. For example, China was a remarkable success story. How can we now apply this to the challenges of the LLDCs?

Two key messages come out. First, you cannot transform people and lift them out of poverty without building productive capacity. This involves on one level investment in improving productivity of labour, and then moving people into surplus producing sectors, essentially industrializing the subsistence sector.

Second, we have given much attention to trade facilitation, but inadequate attention to investment facilitation. Trade is enabler for progress, but it is based on the idea that you have and need something to trade. You need to be able to effectively produce goods to put into the market place. In an underdeveloped country, typically the side of the main road leading from port to interior is more degraded than the road leading from interior to the port. There is because more goods are coming in than going out. This is critical consideration. We have to address the high costs of trade, but we have to see them in the context of trade as access to other people's markets.

Progress on structural economic transformation has been limited. The manufacturing sector remains constant, between 13 and 15% on average. There are unique champion cases, such as Botswana whose experience with domesticating value addition in the diamonds sector is exemplary. Increasing value addition is a key component of structural transformation. The productive capacity index developed by UNCTAD shows that LLDCs lag behind even other developing countries. This is down to several factors, including the higher than average cost of energy in LLDCs; lowest quality of broadband access, with highest costs and most intermittent; and transit challenges.

One area where we can apply ourselves more concretely is to find concrete areas for action. For example, Kazakhstan identified the energy sector as an area where they can invest more and where business linkages exist. This diversification of the content of their energy exports to the rest of the world is a leading example of how new investments can be applied and how to reduce vulnerability to commodity shocks.

I encourage the LLDCs to first, identify the most viable ways of diversifying; second, strive for balance between trade and investment facilitation; and third, recognize the critical importance of the services sector. On the latter, globally, we are seeing that developing countries are going into manufacturing and the highest return on value is going to pre-production and post-production services (R&D and marketing). We see that when advanced countries are entering global value chains, they are going into those two areas. In contrast, in developing countries, services are primarily concentrated in hospitality services. But the future of services is going to be driven by ICT enabled and ICT services industry. Fastest growing is electronic commerce. Part of the challenge of this new economy is that building productive capacity is going to entail aligning policies with content development, new market requirements and requirements of services enabled by ICT.

We need to avoid boom and bust cycles. We have seen high commodity prices, followed by sluggish decade. We must enrich our discussions with concrete examples in order to achieve the aspirations of the 2030 Agenda.

**UNIDO's assistance towards fostering inclusive and sustainable industrialization in LLDCs, by Mr. Dejene Tezera, Director of the Department of Agri-Business, UNIDO**

**UNIDO's mandate and programmatic focus**

The mission of the United Nations Industrial Development Organization (UNIDO), as described in the Lima Declaration adopted at the fifteenth session of the UNIDO General Conference in 2013, is to promote and accelerate inclusive and sustainable industrial development (ISID) in Member States. The relevance of ISID as an integrated approach to all three pillars of sustainable development was recognized by the 2030 Agenda for Sustainable Development and the related Sustainable Development Goals, in particular SDG 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

UNIDO's programmatic focus is structured in four strategic priorities: creating shared prosperity; advancing economic competitiveness; safeguarding the environment; and strengthening knowledge and institutions. UNIDO's four enabling functions are technical cooperation; analytical and research functions and policy advisory services; normative functions and standards and quality-related activities; and convening and partnerships for knowledge transfer, networking and industrial cooperation. UNIDO uses all four enabling functions to address industrial development challenges, including those particular to LLDCs.

We currently run a portfolio of over 800 technical assistance projects worth together close to \$1.0 billion; we employ to that end over 1,600 project personnel in a hundred countries and interact on a daily basis with government and industry across the developing world. This gives us both a deep understanding of field realities, and the outreach to rapidly deliver effective solutions. All of UNIDO's activities are voluntarily grant funded.



### **LLDCs and structural transformation/manufacturing**

Being landlocked is a major reason why 16 of the world's 32 LLDCs are among the poorest in the world. LLDCs face a set of challenges. They are primarily affected not only by a high cost of freight services, but also by the high degree of unpredictability in transportation time. The main sources of costs are not only physical constraints but widespread rent activities and flaws in the implementation of the transit systems, which prevent the emergence of reliable logistics services.

With growth impeded in part by lack of access to sea ports, accelerating structural change is extremely important in LLDCs. Structural transformation is key to long-term economic development. This refers to the reallocation of labour from a low productivity sector to a higher productivity sector and the growth the results from this shift. Agriculture is often the sector with the lowest levels of productivity. In 2016, agriculture accounted for roughly 60% of all jobs in Africa. It is clear that moving a greater number of that 60% into industry will be critical for productivity in the coming years.

A robust manufacturing sector is vital to inclusive and sustainable economic growth and long-term development. A growing manufacturing sector can help to achieve rapid average growth rates, longer periods of growth and less volatility in growth, thus sustaining growth in the long run. In its 2016 publication, "The Role of Technology and Innovation in Inclusive and Sustainable Industrial Development", UNIDO outlines five features that give manufacturing a special role as an engine of growth and facilitate catch-up at lower levels of economic development:

- Productivity in manufacturing is higher than in other sectors, and productivity growth is faster.
- Manufacturing provides special opportunities for capital accumulation, spatial concentration, agglomeration economies and dynamic economies of scale.
- Manufacturing goods are internationally tradable, so the sector can profit from both domestic and global demand.
- Manufacturing has a special role as a driver of technological change, and it has more opportunities to profit from global technology and knowledge flows.
- Its spillovers and linkages are stronger than those in other sectors.

### **UNIDO's support to the LLDCs through Program for Country Partnership (PCP)**

UNIDO has a number of policies to foster inclusive and sustainable industrialization that drives structural change and economic growth. The Programme for Country Partnership (PCP) is UNIDO's innovative model for accelerating inclusive and sustainable industrial development in Member States. Aligned with the national development agenda and focused on sectors with high

growth potential, the programme supports a country in achieving its industrial development goals. The PCP rests on a multi-stakeholder partnership led by the host government. It builds synergies with ongoing government and partner interventions relevant to industrial development, including the private sector and other international organizations. The PCP is also designed to leverage additional investment in selected priority sectors. As such, it is a model that facilitates the mobilization of partners and resources to achieve larger development impact.

The PCP is currently being implemented in six countries, including two landlocked countries: Ethiopia and Kyrgyzstan. In the PCP for Ethiopia, UNIDO is bringing together partners – under the leadership of the national Government – to help achieve the goals set out in the country's industrial development strategy and Growth and Transformation Plan II for the period of 2015 to 2020. The PCP focuses on three light manufacturing sectors: agro-food processing; textiles and apparel; and leather and leather products. These sectors were chosen due to their prospects for job creation, strong linkages to the agricultural sector, high export potential and capacities to attract private sector investment. They will act as a springboard for the transformation of Ethiopia's economy from one based on agriculture to the one driven primarily by light industries. In 2017, for example, 73% of the population was involved in the agricultural sector, though only accounted for 36% of GDP output that year. By comparison, only 7.4% of Ethiopians were involved in the industrial sector, though they accounted for 22.2% of GDP output.

UNIDO also provides technical assistance and policy advice to support the realization of large-scale industrial projects. Through its convening role and relationships with the public and private sectors in counties, UNIDO is able to link key actors in development. In Ethiopia, UNIDO is supporting the government of Ethiopia in negotiating to secure 100 million Euros for the establishment of the Modjo Leather City, an industrial park focused on the leather industry and equipped with a common wastewater treatment plant.

### **Industrial Park Development as effective policy instrument**

Industrial parks are a useful instrument for attracting investment, fostering technological learning and innovation, and for creating jobs. A major advantage of industrial parks is that they provide an institutional framework, modern services and a physical infrastructure that may not be available in the rest of the country.

UNIDO has also been instrumental in the establishment of agro-industrial parks. They come under different names, such as special crop processing zones, centre agropole, and integrated agro-industrial parks. It is the latter that UNIDO is spearheading in Ethiopia. The development of integrated agro-industrial parks is a key policy instrument developed by UNIDO to support the shift from agriculture to industrialization. The integrated agro-industrial parks focus on adding value to locally-sourced agricultural products and



address a range of constraints to private sector development, whether related to business services, utilities or infrastructure. At the same time, they will serve as a platform for catalyzing investment and job creation in rural areas. Through linking farmers to large-scale agriculture value chains and providing opportunities outside of major urban centers, such initiatives can help reduce the pressures of urbanization, a phenomenon putting increasing pressure on stretch infrastructure and resources in major urban centers.

**The preconditions for successful economic transformation as based on ADB's experience and lessons learned for LLDCs, by Mr. Hong Wei, Deputy Director General of Central and West Asia Department, Asian Development Bank**

Of the total 32 LLDCs in the world, 12 are ADB developing member countries. On one hand, they vary significantly in terms of per capita GDP, from upper middle-income economies (three including Kazakhstan, Azerbaijan, Turkmenistan), to lower middle income (seven: Armenia, Bhutan, Kyrgyz Republic, Lao PDR, Mongolia, Tajikistan, Uzbekistan), and to low-income economies (two: Afghanistan, Nepal). On the other hand, these economies share some common features, apart from being landlocked.

For example, they are highly reliant on exports of primary commodities and other mineral resources and on remittance inflows from the neighboring countries. As such, they are very vulnerable to external shocks, as vividly demonstrated since mid-2014 after the fall in global oil prices and the economic slowdown in the region of Central Asia and beyond. Employment in agriculture in these economies remains high as a percentage of total employment, averaging 44% in 2016 across all the 12 ADB LLDCs, while its contribution to total GDP is low. Share of manufacturing as a percentage of GDP is low, averaging only 11.4% in 2016. These low shares are indicative of low productivity, and in some cases, deindustrialization and highly undiversified economic structure.

To transform these economies, it is essential to integrate them with the global economy, especially through trade and investments, transforming them from being landlocked to being land-linked. There are many successful factors worth noting for such transformation and let me mention a few.

First, it is important to connect these economies with the global-value-chain trade both physically and economically. Transport costs to sea ports, through which most of the current global trade are taking place, are apparently higher for LLDCs than for non-LLDCs. But trade barriers are related to more than physical transport of goods and services. Non-physical factors, such as custom procedures, border crossing, sanitary and phytosanitary quarantines, play an increasingly important role in determining the competitiveness of a country's trade. It is in these non-physical areas where LLDCs must excel and do better than others while

continuing to improve their physical connectivity. To be effective, such connectivity should be planned, implemented and monitored at regional level, and investments prioritized in line with the underlying trade flows.

Second, diversification must be pursued as a long-term development objective, with necessary legal and institutional arrangements in place to ensure it is implemented in both good and bad times of global commodity markets; and public investments and capital expenditures need to be prioritized for support of achieving economic diversification. Diversification should be well sequenced. Growth drivers based on existing resources, human capital endowments and potential for value-chain upgrades need to be prioritized; and a conducive enabling environment for private sector with complementary steps like sector-specific policies, urban growth nodes, connectivity with markets, and access to finance need to be in place to explore development of new areas where export potential is high, such as tourism.

Third, development of a vibrant financial sector is key for support of small and medium enterprises where most employment opportunities are generated which can help absorb the excess labor in the low productivity sector.

Fourth, one cannot overemphasize the importance of human resource development; education, especially in the field of science and technology; and needed development in information, communication and technology infrastructure. With increasing digitalization, competition of future trade will likely occur more in know-how, such as research and development, ideas and design, than in productions, and will likely rely more on labor with good education than traditional machines. If you like, it is in these areas where LLDCs can compete with all other economies on an equal footing basis.

ADB contributes to the development of its 12 LLDCs in many ways, addressing the abovementioned economic diversification issues and physical and economic connectivity at both regional and country levels.

At the country level, ADB develops a country partnership strategy (CPS) jointly with each of these countries that elaborates the ADB operational priorities for a five-year period, and then prepares a three-year rolling country operational plan to implement the respective CPS. For example, one of ADB's priorities in its Central Asian LLDCs has been infrastructure investments, including development of six multimodal transport corridors and regional energy projects like the Turkmenistan Afghanistan Pakistan and India (TAPI) natural gas pipeline project, Turkmenistan Uzbekistan Tajikistan Afghanistan and Pakistan (TUTAP) and Turkmenistan Afghanistan and Pakistan (TAP) power interconnection initiatives that aim to further develop a regional power exchange market and export excess natural gas and power from Central Asia to South Asia.



At the regional level, ADB supports development of these countries through three regional cooperation and integration programs, the Central Asia Regional Economic Cooperation (CAREC); Greater Mekong Subregion (GMS); and South Asia Subregional Economic Cooperation (SASEC) where ADB serves as the secretariat. CAREC covers 8 Central Asian LLDCs including Mongolia. SASEC includes 2 LLDCs; while GMS has 1 LLDC.

CAREC is in its 17<sup>th</sup> year of operation. ADB has supported a total of 185 projects of more than \$30 billion since its establishment, with ADB's own financing amounting to more than \$10 billion in four strategic priority areas: transport, energy, trade facilitation and trade policy. Apart from investment projects, ADB has provided a lot of support for capacity building and policy reforms through its technical assistance projects on a grant basis. Recent technical assistance project initiatives include a diagnostic study of the Kyrgyz Republic's and Kazakhstan's free economic zones and industrial parks, and a strategic framework for special economic zones and industrial parks for Kazakhstan and Kyrgyz Republic, respectively, as well as a technical assistance project on CAREC's sanitary and phytosanitary issues. The long-term CAREC 2030 strategy approved in 2017 deepens its operations in the four traditional priorities, and at the same time, plans to expand its focus on new approaches to support diversification through cross-border, private sector investments in agriculture, agribusiness development, manufacturing, tourism, education, health and service sectors.

GMS was established in 1992. Prior to 2012, key elements of the GMS Program in Lao PDR were hydropower, power transmission and transport connectivity. After 2012, the focus is to transform transport corridors into economic corridors through trade and transport facilitation, border corridors town development, tourism, investment promotion and enterprise development. SASEC was founded in 2001. It is a project-based partnership and includes Nepal and Bhutan. Economic corridor development is an operational priority in addition to transport, energy and trade facilitation.

ADB is committed to support LLDCs through trade and transport and is open to work with all development partners and stakeholders in this endeavor.

**ITC's experience in supporting the promotion of private sector development as a driver of structural change and economic and trade growth in the LLDCs by Mr. Jean Sebastien Roure, Senior Officer, Trade Facilitation and Policy for Business, International Trade Centre**

Investments in 'hard' physical infrastructure alone are not enough. Connectivity, especially in the case of LLDCs, needs corresponding soft infrastructure, including policies, institutions, systems, procedures, rules, laws and regulations, to make the physical assets that make up hard infrastructure work effectively.

**Institutional framework**

To successfully promote greater physical connectivity, it is necessary to develop effective national, subregional, and create an appropriate institutional framework for effectively identifying, designing, and implementing projects and policies through proper coordination among various stakeholders. On a broad level, all government policies, such as trade, investment, industrial, financial, agricultural etc. should be aligned with one another and ensure that they follow a common national and/or regional strategy.

LLDCs require technical assistance for not only domestic policies mentioned above but also for acceding, ratifying and effectively implementing international conventions and agreements (including on transport and transit). The LLDCs need assistance to reinforce local market integration into value chains and to develop regional industrial chains. They will need support to address issues such as regional integration bottlenecks and the need to increase transparency of trade facilitation information and predictability in the application of laws and regulations. There must be greater transparency for border agencies and higher levels of compliance by SMEs and the private sector. LLDCs will need assistance in adapting current trade and investment policies by promoting and further developing competition policies and a greater degree of willingness to trade. Not only that, they also need assistance in formulating, negotiating and implementing trade agreements and resulting policies in line with national strategic objectives and inputs from all stakeholders including the private sector.

ITC builds the capacity of policy makers to formulate trade and investment policies with enhanced inter agency coordination and inputs from the private sector. Institutionalized public private dialogue mechanisms are established and position papers are used to form common positions on key national, regional and multilateral issues. Such approaches have been used in various countries including LLDCs such as Afghanistan where such approaches usually focus on trade facilitation, transport and logistics.

**Diversification and value-addition**

For sustainable economic growth, it is important that LLDCs diversify their export structures and increase value-added manufactured component of exports in order to link into regional and global value chains and enhance their competitiveness. Integration of SMEs into regional and global value chains is a pressing need in an increasing globalising economy; SMEs in LLDCs are particularly affected by their reality and increased transit costs. Figures show that 85% of manufactured products are produced in three or more locations. The structure of the current market effectively excludes LLDCs and developing countries. Excluding these countries from regional and global value chains elevates social and economic risks and instabilities; it also effectively stunts the development of non-commodity producing industry in LLDCs. Therefore, the exclusion from lucrative value



chains has limited these countries to producing commodities as their principle export. However, commodity production can provide an opportunity for industrialisation and diversification at different levels with the proper support.

This strategy was implemented in Zimbabwe. The ITC helped Zimbabweans in some sectors to reach new markets with transformed, value added products. This success was achieved through the Zimbabweans increased access to trade information in addition to an improved understanding of trading procedures and branding. ITC has also developed export management guides for selected sectors and target markets and trained SMEs to comply with them to access regional and global markets. Recently, ITC implemented a project in Asian LDCs (many of them LLDCs such as Nepal, Laos, Afghanistan) to enhance their capacities to export to China. ITC selected sectors with most potential in the Chinese markets and developed guides to document all export and import procedures. As a next step, B2B events were held to connect suppliers from Asian LDCs with buyers from China and other countries.

### **Non-tariff measures**

As tariffs have continued to fall and LLDCs benefit from preferential schemes, the key to unlocking value-added regional and global markets is by addressing the non-tariff trade barriers such as rigorous requirements, red tape, time spent at customs, certification procedures, arbitrary behaviour of officials or informal payments. These add an added and unnecessary cost for businesses and hurts their competitiveness against regional and global competitors. These are particularly harmful for SMEs as they lack the resources to navigate the complex web of procedures and prefer to focus on the domestic markets only.

ITC has conducted NTM business surveys in over 30 countries, many of which are landlocked developing countries (including Burkina Faso, Kazakhstan, Paraguay, Uganda, Mali, Malawi, Nepal, Kyrgyzstan among others) which included over 15,000 interviews with exporters of varying sizes and from different sectors. The key challenges reported by exporters in these countries are related to quality requirements (conformity assessment in agriculture and rules of origin and manufacturing), supporting compliance infrastructure such as laboratories and regulations, and trade facilitation issues in domestic and transit countries (such as long delays at borders, complex documentation, informal payments etc.). ITC is implementing a number of current and forthcoming projects to improve the business (and investment) climate and address NTMs. These include projects such as CEFTA, Lao PDR, EAC, PIGA.

### **Regional integration**

LLDCs are highly dependent on regional markets for export and generally on regional integration for their connectivity with the world. Regional integration is imperative for LLDCs as it can help in harmonizing policies and programmes particularly in the areas of information sharing, transport, quality and customs. As LLDCs

depend on mandatory transit points for foreign trade through neighbouring countries, policy reforms that standardize border procedures and promote mutual collaboration between countries are particularly important. The TFA also provides LLDCs with a great opportunity to mainstream regional integration through implementation of measures such as Article 11 on freedom of transit, and Article 8 on cooperation between national and international border agencies (including establishment of joint controls).

ITC seeks to address the competitiveness challenges (related to non-tariff measures) faced by SMEs in developing countries, including LLDCs, to access regional and global markets. ITC is currently implementing one such project to support the facilitation of trade between Central European Free Trade Agreement (CEFTA) parties by addressing the non-tariff trade barriers in regional trade. The project takes a bottom up approach and mobilizes the private sector of the selected value chains (edible vegetables and iron and steel) to identify and prioritize issues and indulge in public private dialogue to brainstorm solutions. Since three of the six participating CEFTA parties are land-locked in nature (Serbia, Macedonia and Kosovo), the focus of the project is to build regional value chains that can then integrate into global value chains. In order to do that, ITC will be conducting studies to analyze:

- The national quality frameworks (standards, compliance infrastructure such as laboratories, regulations etc.) to harmonize quality management procedures.
- The business process of customs and other trade and transport procedures to identify and pinpoint bottlenecks and inefficiencies and recommend trade facilitation issues.
- Other possible issues such as regulatory assessment of transport and distribution services sectors, VAT payback schemes etc.

### **WTO Trade Facilitation Agreement**

Due to their landlocked nature and the associated added costs, it is paramount that assistance is provided to LLDCs to implement the WTO TFA as efficiently as possible. Overall, LLDCs' costs to trade are around 60% higher than LDCs average and double than world average (Doing Business report). That is why the Trade Facilitation reforms will play a key role in providing LLDCs with new opportunities by increasing the flow of investment in the region, which will encourage diversification. The overall purpose of trade facilitation reforms is to achieve greater efficiency in international and regional cross border trade. It is important to extend public private dialogue mechanisms at the national and regional levels to promote efficiency and productive partnerships and standardise trade procedures. To achieve this goal, it is crucial to set up the priorities in terms of trade facilitation policy and reforms. To this end, the WTO TFA has outlined a set of measures that work as rules to provide LLDCs with the tools to efficiently restructure their national trade sectoral plans to align with the best global practices.



The WTO Trade Facilitation Agreement Facility is designed to specifically address LLDCs trade needs, such as specific simplified and priority access to landlocked and least developed countries. This agreement will establish special measures for required technical assistance. Special and differential treatment for LLDCs is a full reality in WTO law. There are several provisions specifically designed for LLDCs. For example, there is a separate provision on freedom of transit (Article 11 WTO TFA) which offers facilitated, transparent and non-discriminatory treatment offered to the goods in transit passing through the national territory. It also contains a prohibition of the imposition of voluntary restraints on traffic in transit. Goods cleared for transit should also not be subject to any further charges, delays, restrictions or the application of technical barriers to trade measures. According to OECD this measure could contribute to reduction in costs by 2.3%. Another measure that should be of special benefit to LLDCs, whose trade is mostly conducted by overland freight, is increased border agency cooperation. This should ensure cooperation and coordination between authorities and agencies responsible for border controls on issues such as alignment of working days, hours, procedures and formalities; joint controls and sharing of common facilities; and establishment of one-stop border post controls. According to OECD this measure could contribute to 1.9% decrease in costs.

There is also much more that could be achieved and facilitated; for instance, a differential “tag” could be established to set up priorities from LLDCs to be addressed on urgent basis with the technical assistance facility created at the WTO or any new development assistance. The ITC has successfully implemented several trade facilitation initiatives, including:

- Successfully assisting more than 55 countries in completing the categorization process of the WTO TFA measures (ITC working with UNCTAD). ITC helps countries to sequence their commitments and factor business perspective in this process. As for the landlocked countries in particular, ITC held these activities in Zimbabwe, Tajikistan, Mongolia and is currently continuing this work in CAR and Afghanistan.
- Recognising that it is crucial that stakeholders are better equipped to understand the challenges and opportunities contained in the TFA, the ITC has hosted over 50 awareness events and private sector trainings to increase knowledge of more than 600 public and private sector stakeholders, including in landlocked countries such as Rwanda, Mongolia, Burundi, Zimbabwe. Participants, mainly small traders and border agencies officials, took part in exercises based on real-life examples, with special attention paid to enabling businesses to understand technical trade facilitation issues and advocate for concrete policy recommendations that reflect the border issues they deal with on the ground.
- Establishing and operationalizing National Trade Facilitation Portals in Uganda, Kenya, Tanzania, Rwanda, Tajikistan, etc. to ensure more transparency and predictability for traders in cross-border procedures. The portals are populated with

procedural and regulatory requirements to export and/or import the chosen products. The platforms provide a user-friendly description of all the practical steps required to import or export a consignment. It also maps all the forms, documents and fees required by border regulatory agencies to clear the goods. This portal could also include transit requirements, which is particularly important for the landlocked countries.

- Developing sector-specific guidelines to facilitate export of manufactured products from SMEs in developing countries and LLDCs (National Trade Procedures Guides).

### **National trade Facilitation Committee**

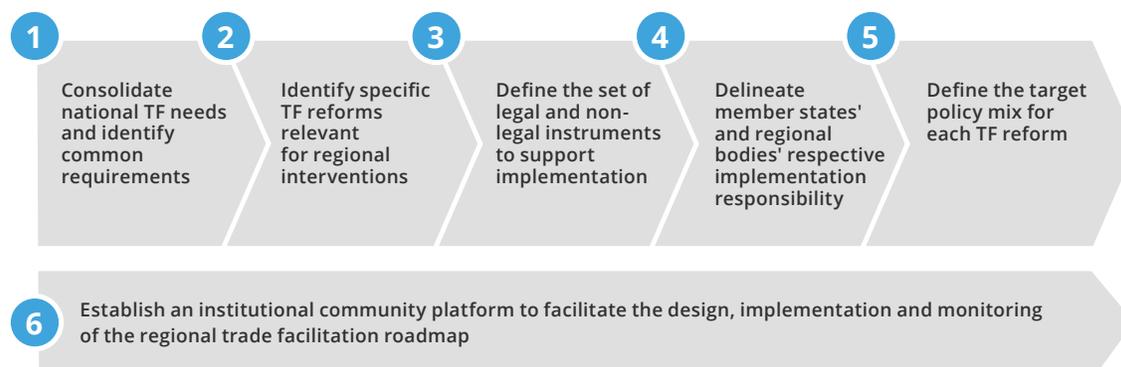
Like all WTO members, LLDCs also need to establish a National Trade Facilitation Committee (NTFC) which is essential in connecting to other Member States for knowledge sharing and coordination, fostering the implementation of TF reforms, and bringing private sector’s views through formal public private dialogue mechanism. LLDCs will need assistance in establishing and operationalizing their NTFCs including the mechanisms for surveillance, monitoring and following up on the progress of national (or regional) TFA implementation. Its functioning of a public-private mechanism may be leveraged to improve the business environment and to create public-private investment partnerships to build sufficient infrastructure. Such a jumpstart is required for LLDCs to introduce structural reforms to enhance trade and investments and achieve economic development goals.

ITC has established and/or operationalized five NTFCs, including two landlocked ones in Afghanistan and Tajikistan. ITC is currently establishing a Permanent secretariat with dedicated staff in the NTFC in Tajikistan, which is one of the key success factors of NTFC. Secretariat will reach out to the working group, private sector and relevant border agencies to collect and present their views during the Committee meeting. In this way, ITC aims at increasing private sector involvement in the reform implementation to bring maximum benefits for cross-border traders.

Additionally, ITC is also setting up a Regional Trade Facilitation Committee in UEMOA which includes 3 landlocked countries of Mali, Niger and Burkina Faso. As the committees are mandated to coordinate and implement the implementation of WTO TFA, ITC has been able to develop and document a wide range of technical assistance services for NTFCs and RTFCs in technical and operational subjects.

### **Regional trade facilitation**

As LLDCs rely on their neighbours and regional partners for trade, regional implementation of TFA makes a lot of sense for them as lack of territorial access to the sea, isolation from international markets and high transit and transportation costs impose serious constraints on their trade competitiveness. Such cooperation at the regional level can also allow them to share knowledge and best practices as a way of technical assistance in implementing reforms. A six-step regional trade facilitation roadmap is presented.



### Logistics services

Finally, trade facilitation measures will only bear fruit if complementary efforts are made to improve the logistics services sector as well. International agencies should support a comprehensive reform agenda to open the sector in LLDCs and make it sustainable. This includes the coordination and coherence of approaches and methods among public and private actors. In many countries, international disciplines and agencies guide and support reform. This typically requires liberalizing the sector, opening it up for foreign investment, reducing discrimination against foreign services providers and increasing transparency.

To improve competitiveness, ITC's four-step methodology encourages reform of the logistics regulatory environments. It calls for an enhanced public-private sector dialogue and stronger organization of private-sector associations. ITC helps developing countries design and execute effective reform of the logistics sector by mapping regulatory barriers; creating a menu of policy options for each country; helping build capacity for effective regulation; and helping implement reform through new regulations and monitoring progress.

### Summary of Discussion under Promotion of Structural Transformation, Diversification and Value-Addition in LLDCs

In the ensuing discussion, participants discussed how LLDCs can create and sustain competitive industries and promote deeper integration into the global economy. The meeting noted that one of the biggest challenges for industrializing LLDCs is the cost of importing manufacturing inputs, which adds to the already high costs. It was highlighted that LLDCs need to focus on adding value to those exported products where they can discount the cost of landlockedness. The meeting heard the successful case of Botswana, which by cutting and polishing market-ready diamonds, a very high value-added product, was able to make the cost of transport insignificant.

The meeting also noted that predictable rules-based regulatory framework is critical, in particular creating enabling conditions for attracting foreign investment but also supporting national businesses. LLDCs were also urged to invest in skilled development of labour force, which should be aligned with technological growth.

The participants highlighted the critical challenge of creating well-developed bankable projects and feasibility studies. The meeting stressed that feasibility studies prepared by international organizations need to be developed in cooperation with development banks and in accordance with the requirements of the investment banks. The meeting heard the experience of the Eurasian Development Bank, which was established in 2006 and five of its six member states are landlocked. The Bank has been working over the past five years to find mechanism with international organizations to address this particular issue. The Bank is working to establish relationships with UN system agencies, based on complementarity approach, to ensure coordination on concrete development projects. For example, the Eurasian Development Bank has signed in 2017 relationship agreement with UNIDO and has signed co-financing agreement with UNDP for preparation of feasibility studies.

It was noted that UNIDO has a dedicated team working to develop feasibility studies, upon request of the member states, for submission to development financial institutions and developed according to the requirements of the specific bank. UNIDO also works with banks to help them develop feasibility studies to support the governments, including through a programme with African Development Bank. It was noted that the Asian Development Bank also provides technical assistance to countries for preparation of feasibility studies. The meeting noted, however, that challenges with the budget process should be addressed, such as when capital budget is determined by one Ministry, while operational budget by another Ministry.

The participants underscored the importance of regional integration projects, but noted that joint planning, coordination and implementation at the regional level is key. It was noted that more than 50% of Eurasian Development Bank's projects have integration approach.

The meeting also highlighted the need to foster convergence and coherence in the way that policies, for example on trade facilitation or an export strategy are drafted, noting that countries typically receive many different kinds of support from many stakeholders. It was suggested that there needs to be a steering process and that the private sector should be involved.

## SECTION 5: PROMOTION OF INTERNATIONAL TRADE IN LLDCs AND ENHANCING THE IMPLEMENTATION OF THE WTO TRADE FACILITATION AGREEMENT

### Overview of the LLDCs' Trade Performance, By Mr. Sandagdorj Erdenebileg, Chief, Policy Coordination, Development, Monitoring and Reporting Service, UN-OHRLLS

The thirty-two LLDCs account for less than 1 per cent of global merchandise trade. The LLDCs' share declined from its peak of 1.22% in 2013 to an estimated 0.91% in 2017. Only four LLDCs accounted for about 49% of the group merchandise exports in 2016 and the majority of the LLDCs accounted for no more than 2%. Compared with the transit countries, transit countries share of merchandise trade was around 23% in 2016 and when China is excluded, the share of these countries stood at 9.5% in 2016.

The LLDCs' exports are also not diversified. The share of primary commodities, precious stones and non-monetary gold is over 80% of their exports. For all developing countries this figure is around 18% and about 26% of the world's exports.

Addressing the high trade costs faced by the LLDCs is important to integrate them into the global trade. The WTO Trade Facilitation Agreement (TFA) is therefore fundamental to the LLDCs as it addresses transit issues which are a challenge to the LLDCs. It also aims to ease the cross-border procedures through transparency, simplification, harmonization and standardization. The implementation of the TFA is expected to reduce trade costs by about 14% for the WTO members and this percentage can be more for the LLDCs.

The TFA is unique in its implementation as it allows the developing countries and LDCs members to determine their own implementation schedules, and the requirement to implement the agreement is directly linked to technical and financial capacity. According to the WTO TFA database, 24 out of the 26 LLDCs that are members of the WTO had notified their category A measures; 16 had notified category B measures and 15 had notified category C in May 2018.

The level of measures notified under category A was about 32% for the LLDCs as at end of May 2018. This shows that the level of implementation of the TFA measures is still low in LLDCs. The LLDCs also have a high number of measures notified under category C indicating that they have need for technical assistance to implement the TFA. The LLDCs also have about 30% of measures that have not yet been notified. This may be an indication of the need for assistance to undertake diagnostic or needs assessments.

On category C notifications, the LLDCs have a higher number of measures notified under this category. Areas notified as requiring assistance include, institutional procedures, human resources and training, legislative and regulatory framework, Information

and Communication Technologies (ICT), diagnostic and needs assessment, infrastructure and equipment, and awareness-raising. The LLDCs also have a high proportion of their category C measures for which they have not yet provided information on the type of assistance that they require to implement these measures. This could also be an indication of their need for assistance to undertake diagnostic assessment.

Addressing transit challenges is also important for the LLDCs. There are measures that have been identified to be vital to facilitate transit and these include: Publication and availability of information (article 1), freedom of transit (article 11), Disciplines on Fees and charges (Article 6) Release and clearance of goods (Article 7), Border Agency Cooperation (Article 8) and Formalities connected with importation, exportation and transit (Article 10). In assessing the WTO notifications, the implementation of these measures by transit countries is low. For example, as at end of May 2018, only 9 transit countries have indicated that they fully implemented article 11 Freedom of Transit and only 8 have indicated that they comply to article 1 on publication—implying the need for more efforts to support the transit countries to fully implement the measures to improve transit.

### Implementing Trade Facilitation: The Mercator Programme, by Mr. Ernani Checcucci, Director, Capacity Building Directorate, WCO

The World Customs Organisation is the only international organization focused on customs matters. It has 182 members that together possess over 98% of global trade. WCO sees customs as having a major responsibility in the implementation of the WTO Trade Facilitation Agreement (TFA). With the adoption of the TFA, WCO's technical assistance agenda evolved into capacity building support, reform and modernization and provides support to members for the implementation of national standards.

From a customs administration point of view, trade facilitation is a priority and a major agenda but not the only agenda driving reform for the administrations. The 2030 Agenda for Sustainable Development recognize the importance of domestic resource mobilization to sustain the initiatives for social development. For many developing countries, Customs offices are still responsible for collection of a big share of national revenue, in some cases, over 40% or 50% of the revenue is from customs. Therefore, the discussion of domestic mobilization, not only on customs duties, but also VAT and excise duties collected at the borders have a major impact in the discussions on how they should pursue the reform process. For many countries, there are challenges about security and social protection at the borders. Many members struggle with terrorist threats, but also with trafficking of arms and weapons and many other types of threats that Customs has the primary mandate to address. These are the three major agendas that administrations are facing, and multiple governmental expectations must balance in their developmental process. The advancements in technology is also affecting the way trade



happens. The most visible phenomena is the growing number of small parcels being shipped around the globe due to e-commerce of goods so this brings new challenges for the administrations to address, and we always have to consider these issues from a national perspective.

WCO launched a program called the Mercator Programme to respond to the needs of capacity building technical assistance support for the implementation of the Trade Facilitation Agreement. It was launched in 2014 immediately after the agreement and have been deploying the programme since then. The programme has two pillars. The first is sharing information, raising awareness, identifying good practices, developing tools and instruments to better guide the administration in their development efforts. There is a huge portfolio of instruments and tools that help members in pursuing this process. These tools and instruments are not binding by nature. They do not have the binding nature of trade agreements of the WTO Trade Facilitation Agreement, but they have the potential to really maximise the benefits of the Agreement.

To harmonise the implementation of the agreement, WCO has also put a lot into trade integration and economic integration and this is the organisation's contribution to development. WCO offers some training and learning materials on transit and these are available for the customs administrations and have also been extended to the private sector. The other component of the Mercator program is the tailor made direct program. This is a more strategic partnership and they follow principles of project management approach, identifying the needs of trying to engage in the process throughout the implementation of the goals of the project. There are already a number of countries involved in the process. To implement this, active experts from customs administrations that are more advanced in the implementation process are identified and they are mobilized to help the administrations that are struggling with the development process. WCO accredit the experts and try to deliver them to the members. Many of these Experts are now providing effective support to WCO Members from both a strategic and technical perspective.

Several different agendas are coming into customs and the demands for capital building assistance is growing. In 2017, the WCO mapped 40 different types of requests for support. These varies from very complex, long term development like single window to basic issues like advance rulings. On risk management, there are a wide variety of things WCO have to look at. Its very important that the administrations align their development process and then prioritize and sequence what they want to achieve. Members are also encouraged to ensure that their Customs development agenda is very much aligned with the international trade facilitation priorities and the 2030 Agenda for Sustainable Development.

In addition to planning the enabling conditions for successful reform, sound stakeholder engagement and consultations, particularly with the private sector are fundamental. WCO has guidance materials for this purpose. Currently, under the specific Mercator Program, there are more than seventy countries that have already benefited from the program and WCO has established a long-term relationship with 33 countries that have specific on-going projects and the number is growing every month.

WCO is currently delivering over 500 capacity building missions per year including to the LLDCs. To give a few examples, recently, an economic operator programme was launched in Paraguay and this benefited from WCO's support and is one of the provisions of the agreement of the TFA. Zimbabwe also established a national committee on trade facilitation that benefited from the WCO assistance. WCO has a relationship with South Sudan's customs and development agenda as well as Afghanistan. In cooperation with Kazakhstan Customs and with the support of CCF Korea, the WCO organized the Forum on Trade Facilitation. Kazakhstan's customs gave a super presentation on the efforts to implement a single window with the support of UNCTAD. So there is a lot of progress ongoing, but there is still a lot of work to be done.

**Kazakhstan's National Experience, By Ms. Assiya Ashigaliyeva, Deputy Director General of Center of Trade Policy, Ministry of National Economy, Kazakhstan**

The Government of Kazakhstan made a formal application for WTO accession in 1996 and the negotiations went on for 19 years. In 2015, Kazakhstan was officially admitted to the WTO. It took five months to ratify the protocol on accession and in November 2015, Kazakhstan became the 162nd member of the WTO. During the Astana Economic Forum in 2016, Prime Minister Karim Massimov submitted Kazakhstan's formal instrument of acceptance of the WTO's TFA to Director General Azevêdo. More than one year passed since the entry into force of the TFA. It is very good for Kazakhstan as a developing country, that the TFA is a flexible agreement and provides implementation flexibilities for developing countries. For example, the Agreement allows WTO developing countries and LDCs to self determine when they will implement individual provisions of the agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building. To use special and differential treatment regime, a member must categorize each provision of the agreement and notify other WTO members of this categorization in accordance with specific timelines outlined in the agreement.

Members have to categorize measures into three categories: A, B and C. In category A, members reflected those provisions of the agreement which had to be implemented by the time the agreement entered into force. The agreement entered into force in February 2017. Kazakhstan notified in category A, such measures



as procedures for appeal or review, post clearance orders, temporary admission of goods inward and outward processing, use of customs brokers and other provisions. In category B, members reflected the provisions which will be implemented after a transitional period following the entry into force of the agreement. For example, Kazakhstan has taken a transitional period of 6 years for such articles as information available for internet, advanced rulings, electronic payments and others. In category C, members notify provisions that will be implemented on the date after the transitional period following the entry into force of the agreement and at the same time, requiring the acquisition of implementation capacity through assistance and support for capacity building. Kazakhstan needs assistance in areas such as the establishment and publication of average release times, use of international standards, single window where capacity building and workshops are required.

In February 2016, Kazakhstan submitted its notification of category A commitments. Prior to the submission of category A commitments, Kazakhstan conducted a survey that involved a number of relevant government agencies and businesses on the readiness of Kazakhstan to implement the provisions of the TFA, using methodology and questionnaires provided by the United Nations. During the project, several seminar workshops were organized for the state agencies and business community with the view of raising awareness on the provisions of the TFA for stakeholders. The assessment of the current situation reveals that Kazakhstan fully complies with 21 out of 37 TFA measures reaching the compliance ratio of 57%. Out of the remaining 16 measures, the following 14 or 38% of the total were considered to be partly implemented, such as publications, information available through the internet, electronic payments, use of international standards, freedom of transit and others. Two or 5% of the total were considered not to be implemented at all. Kazakhstan has been gradually implementing the provisions of the TFA. In February 2018, Kazakhstan made notifications in accordance with the TFA, describing the progress made in the sphere of single window, customs brokers as well as publication sources.

Pursuant to Article 13.2 of the TFA, in January 2018, Kazakhstan established an international trade facilitation committee comprising of relevant state agencies and representatives from the business environment. Also, the Republic submitted the notification of category B and C, commitments which are currently being evaluated by the WTO secretariat. With the aim to enhance international trade, a new customs union called the Eurasian customs union entered into force on 1st January 2018. It will replace 12 legal instruments of the customs union that were concluded separately and were simultaneously in force.

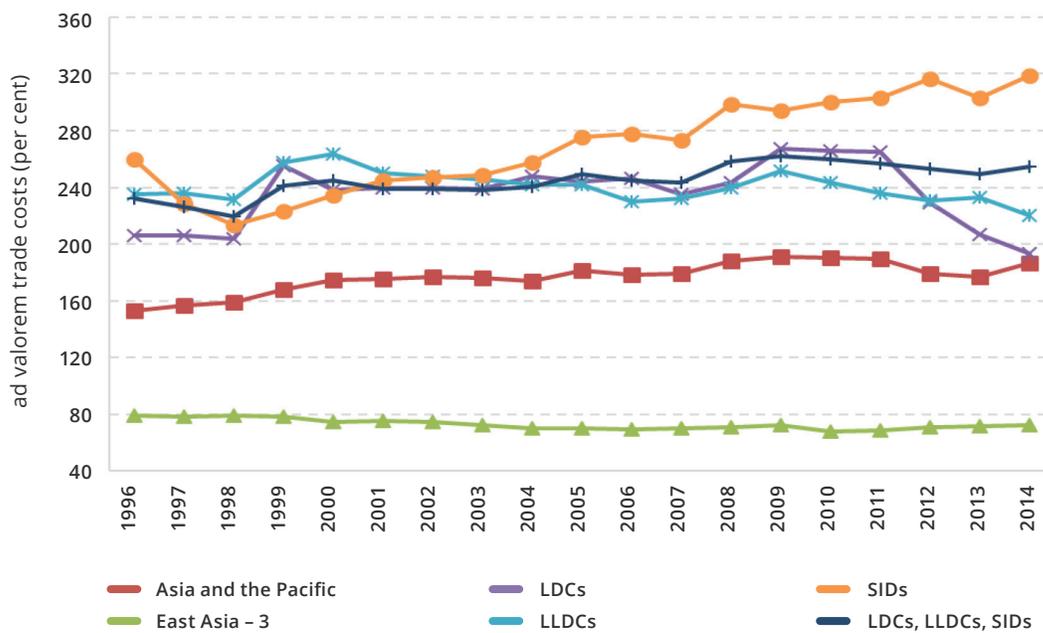
A particular feature of the new system is the digital nature replacing paper copies. The customs code, based on internationally recognised rules, including the Revised Kyoto Convention is the principal legal document governing the customs administration and procedures, including the rise and the obligations of national customs authorities, importers and exporters. It contains detailed provisions related to customs control, operations, payments of various types of customs procedures, such as release of domestic use, exports, reimportation, re-exportation inward and outward, processing temporary imports or exports, use of customs warehouses, etc. It also includes WTO related rules and disciplines on customs valuation, rules of origin, customs for special economic zones, trade in transit, the protection of intellectual property rights at the border, and the right to appeal against customs decisions. According to the new customs code, the time of release of goods was reduced to four hours, instead of the previously applied more than one day period. The new customs code transfers the customs control as much as possible to the point after release of the goods and also establishes an opportunity to use a number of delays in the payment of customs duties. Thus, being the new diligent member of the WTO, Kazakhstan fully implements the taken obligation in the framework of the TFA.

**International Trade and Trade Facilitation in Landlocked Developing Countries, By Mr. Oliver Paddison, Chief, Countries with Special Needs Section, Macroeconomic Policy and Financing for Development Division, UN ESCAP**

**Trade Costs of Asia-Pacific Countries with Special Needs**

Reducing trade costs is essential to enable economies to effectively participate in the regional and global value chains and to continuously use trade as an engine of growth and sustainable development. This is very important for the LLDCs given the geographic challenges that they face and their isolation from world markets. Figure 1 below shows that the trade costs of Asian LLDCs are almost twice as high as the trade costs of Japan, Korea and China, which are labelled in the graph as East Asia 3 and used as a benchmark. Much of the trade cost reductions achieved over the last decade have mainly been through the elimination or lowering of tariffs. At the same time, LLDCs have been entering into preferential trade agreements with other economies in the Asia-Pacific Region. To further reduce the trade costs, it is important to tackle the non-tariff sources of trade costs such as inefficient transport and logistics, infrastructure and services, and to reduce cumbersome regulatory processes, through trade facilitation. ESCAP has estimated that moderate region wide improvements in trade facilitation could increase GDP by about one-third of a percent annually between 2018 and 2030, which is equivalent to about 87 billion dollars every year.

**FIGURE 1: Trade costs of Asia-Pacific countries with special needs and large developed economies, 1996–2014**



Source: ESCAP-World Bank Trade Cost Database (accessed June 2017)

Trade facilitation has taken increasing importance in the region. Thirty-two ESCAP states have ratified the WTO trade facilitation agreement (TFA) which seeks to expedite the movement, release and clearance of goods. Eight of the 12 LLDCs in the Asia-Pacific region are members of the WTO, Azerbaijan, Bhutan and Uzbekistan remain observers and Turkmenistan has not yet joined.

**Trade Facilitation and Paperless Trade Implementation**

The UN Global Survey on Trade Facilitation and Paperless Trade Implementation covers 120 countries and 47 main areas of trade facilitation. According to the survey, the implementation rate stood at 51% globally for LLDCs, compared to a global average of 60%. In the Asia-Pacific region the implementation rate for the Asia-Pacific LLDCs reach about 43% compared to an Asian wide average of 50%.

Looking at some individual LLDCs in the region, Azerbaijan had a higher implementation rate of close to 80%. However, one-third

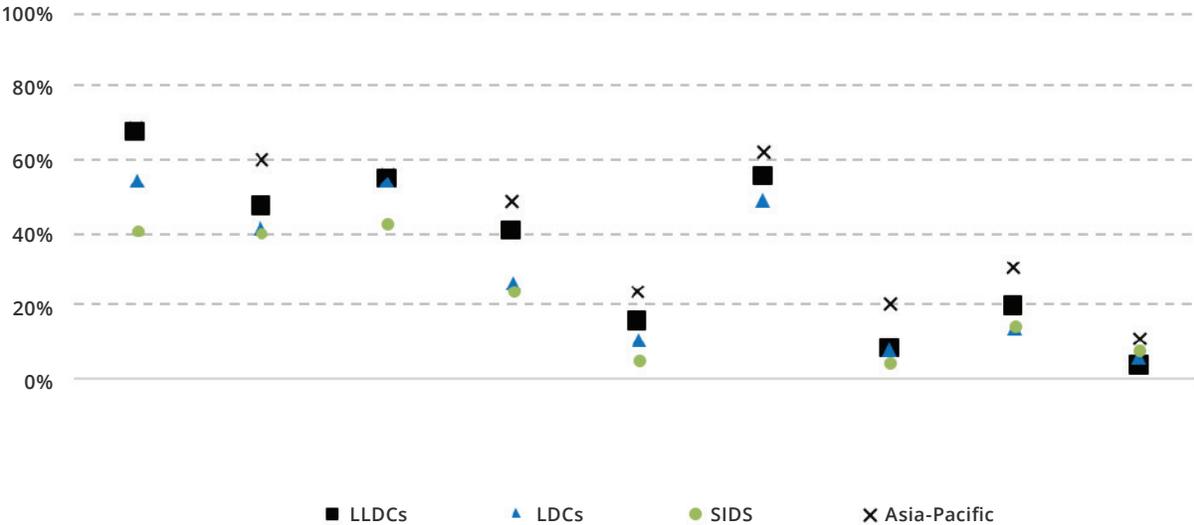
of all the LLDCs have been able to implement more than 50% of the measures so far. The cross-border paperless trade measures seem to be challenging, and these countries have made little progress.

Regarding some non-Asian LLDCs, Paraguay scored the highest, having implemented 79% of all the measures. For the African region Zimbabwe scored the highest with 65% of measures being implemented.

There are clearly very huge disparities, not only amongst the LLDCs but also amongst the SIDS and the LDCs in the Asia Pacific Region. For LLDCs, huge gaps were recorded on measures including formalities, trade facilitation and SMEs. It is clear that SIDS, LDCs and the LLDCs need to urgently catch up with the regional implementation level.



**FIGURE 2: Implementation of the trade facilitation measures in different Asian-Pacific, 2017**



Regarding the average implementation level, the most implemented measures in the seven LLDCs with data relate to the availability of national legislation frameworks. Analyzing how much progress has been achieved between 2015 and 2017 and the split across the three different groupings, the LDCs, LLDCs and the SIDS, as well as the Asia-Pacific region as a whole, the implementation increased from 45% to 50%. In LLDCs the implementation rate increased the most compared with the other two groupings, going from 35% to 43%.

UN-ESCAP, in collaboration with the ADB, analyzed the potential of trade facilitation measures in reducing trade costs across countries. This was done by conducting counterfactual simulations. Three groups of trade facilitation measures were considered:

measures that are binding under the WTO TFA, measures that are non-binding, and a combination of the binding and non-binding measures coupled with paperless trade measures which are not specifically included in the TFA. For each of these three groups of countries the three scenarios were evaluated. The results showed that the partial implementation of binding and non-binding measures results only in an approximately 5% reduction in trade costs (see table 1). The implementation of the ambitious scenario that is the full implementation of both the binding and the non-binding WTO TFA measures as well as the other paperless trade measures would result in about a 16% reduction in trade costs. Clearly, the full implementation scenario is more advantageous in reducing trade costs and the biggest impact on costs is due to implementing paperless and cross-border paperless measures.

**TABLE 1: International Trade Cost change in Asia and the Pacific resulting from the WTO Trade Facilitation Agreement Implementation**

Asia and Pacific	WTO TFA (binding only)		WTO TFA (binding + non binding)		WTO TFA + (binding + non binding + other paperless and cross-border paperless trade )	
	Partially Implemented	Fully Implemented	Partially Implemented	Fully Implemented	Partially Implemented	Fully Implemented
Model 1						
Overall TFI	-2.70%	-5.74%	-4.64%	-9.45%	-10.37%	-16.37%
Model 3						
Transparency	-0.81%	-1.74%	-1.29%	-3.27%	-1.29%	-3.27%
Formalities	-1.67%	-2.93%	-2.26%	-4.00%	-2.26%	-4.00%
Institution	-0.41%	-1.35%	-0.41%	-1.35%	-1.37%	-2.44%
paperless and cross- border paperless			-1.39%	-2.24%	-6.73%	-9.26%

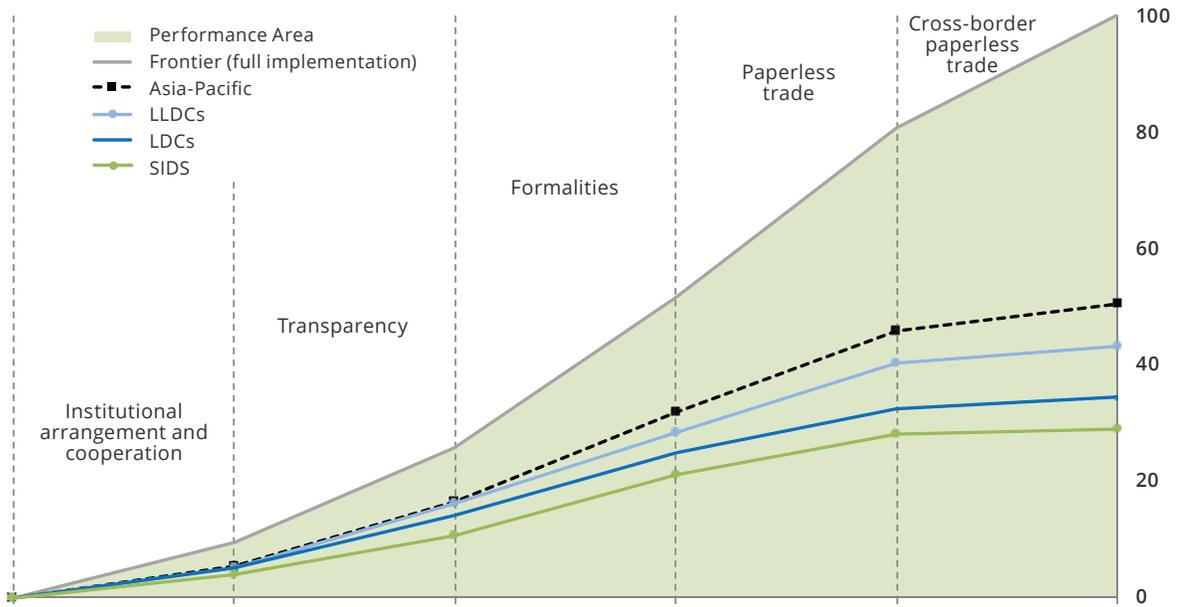
Source: UN-ESCAP

Figure 3 shows the key steps in implementing trade facilitation reforms. The process first begins with setting up institutional arrangements, which are needed to prioritize and coordinate implementation of measures. The next step is to make trade processes more transparent, by sharing information on existing laws, regulations and procedures, but also consulting with stakeholders when developing new ones. Designing and

implementing more efficient trade formalities is a third step, the fourth step can be re-engineering and streamlining of processes which can first be implemented as paper documents. Eventually these have to move to the use of ICT and the development of paperless trade. LLDCs should therefore build up their momentum to implement the TFA but should also move towards digital trade facilitation to improve their competitiveness.



**FIGURE 3: Trade facilitation ladder towards seamless international supply chains**



Source: ESCAP

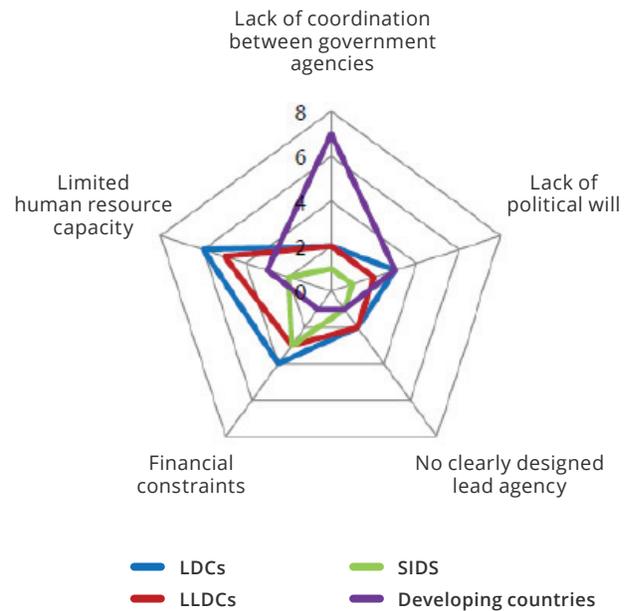
**Key challenges for making further progress in Asia and the Pacific**

The survey asked respondents to indicate the three greatest challenges that their countries were facing in implementing trade facilitation measures. Total responses were received for 20 countries and limited resource capacity was identified as the most severe challenge faced by the LDCs and LLDCs. The second was financial constraints. Having no clearly designated lead agencies was also identified as a constrain.

**World Bank Group Support to LLDCs, By Ms. Violane Konar-Leacy, Senior Private Sector Specialist, Trade and Competitiveness Practice, World Bank Group**

The World Bank Group has provided trade facilitation or customs and border management, technical assistance and financing for many years. The overall portfolio both in lending and advisory work is about \$7 billion. The World Bank Group assistance includes technical assistance, analysis and diagnostics, financing of major trade infrastructure and institutional reform projects, research and data products (LPI/Doing Business), and the global advocacy and partnerships. The World Bank Group has implemented more than 120 customs, border management and trade facilitation projects over the past 20 years that have resulted in major improvements in terms of reduced time to import and export, as well as better transparency, predictability, and reduced transaction costs for traders.

**FIGURE 4: The challenges faced by the Asia-Pacific, LDCs, LLDCs, SIDS and other developing countries implementing the trade facilitation measures**



Source: The second UN Regional Commissions survey on trade facilitation and paperless trade implementation.

Note: Data show the number of countries.



Together with the WTO and in the wake of the trade facilitation development, the World Bank Group, together with nine donors, created a trust fund called the Trade Facilitation Support Program. At the moment, this fund holds just under forty million dollars. It is housed at the World Bank Group. It is open to all developing countries that seek further alignment to the TFA and need technical assistance and advisory services. It is demand based. Assistance is also provided to category A measures.

The World Bank Group supports LLDCs with streamlining trade procedures, supporting transparency measures, facilitating public private dialogue, helping improve connectivity to global markets, facilitating regional trade, and helping improve logistics services. About 30% of the World Bank Group's trade facilitation advisory goes to the LLDCs. Following the adoption of the WTO TFA, the World Bank Group undertook many national assessments to help countries better understand in which areas of the agreement they are lagging behind and what further work is needed.

Among the areas of support, the World Bank Group's trade facilitation team has assisted with the implementation of time release studies, which is one of the TFA categories the least complied with by LLDCs. The WBG provides logistic and technical support in order for countries to carry out these time release studies. Another area of support is the development of trade information portals, which enable better access to trade related information and are a strong transparency tool.

Trade facilitation is especially important for LLDCs. Greater awareness of the Agreement is particularly important for them. Full and effective implementation of the agreement should also be seen as an opportunity for LLDCs to become more competitive players in the global marketplace.

Transit and regional collaboration are very important for the LLDCs to facilitate their easier access to trading routes and the sea. WBG provided assistance to Albania and Kosovo with the conclusion of a transit agreement that facilitated the transit of goods from the Albanian port to landlocked Kosovo. The Ethiopia Trade Logistic Projects aims to reduce trade costs and improving connectivity of land-locked Ethiopia to the global economy through the main coastal port in Djibouti, enhance the performance of the Ethiopia-Djibouti corridor through improvements in operational capacity, efficiency and range of logistics services at Modjo Dry Port. Another example of transit and regional collaboration project is the Great Lakes Trade Facilitation Project which covers Eastern DRC, Rwanda, Uganda, Burundi, Tanzania, and Zambia. Its objective is to facilitate the regional trade of landlocked countries/regions with their neighbors, with a focus on small scale trade at land borders in Africa, with important gender impacts. The project should come before the World Bank Board in the fall of 2018.

The Western Balkans Trade and Transport Facilitation Regional Loan Operation supports the deeper economic integration

between Western Balkans 6 countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia) and with the EU through reductions in cost and time to trade and transport, strengthened coordination and institutional capabilities, and enhanced harmonization, transparency, and predictability of the trade and transport regimes. This project is currently in pre-appraisal stage.

Another example is the Lao PDR Customs and Trade Facilitation Project whose main objective was to facilitate trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures, eliminate duplication and redundancy of procedures, reduce transactions costs and time to clear goods, and increase transparency and accountability.

The development of knowledge products and tool kits are an important facet of our work. To cite just a few examples, relevant to this region—we published a report on the "New Silk Road", discussing transit in Central Asia; a study on the Belt and Road Initiative is also ongoing; or the flagship publication "Making Global Value Chains Work for Development".

**Connectivity, Information and Communication Technologies and E-commerce in LLDCs By Ms. Vanessa Gray, Head, Least Developed Countries, Small Island Developing States and Emergency Telecommunications Division, Telecommunication Development Bureau, International Telecommunication Union**

#### **LLDCs' connectivity challenges**

Global trade growth has been stagnant for several years but at the same time e-commerce has been growing. This presents an important opportunity for the LLDCs to increase their share of trade which is relatively limited. At the same time the growth in E-trade also means that good transport systems must be adopted because the goods that are ordered online digitally have to reach the customers through the traditional transportation system.

ICT infrastructure and the importance of access have been recognized by the Vienna Programme of Action which also makes references and calls for affordable and open Internet access in the LLDCs. This can help the LLDCs to address some of their special development challenges such as high trade costs that are due to the lack of direct access to sea ports, long distances to the ports, and linked customs and border crossing procedures.

As countries are moving towards paperless and computerized systems to facilitate trade, access to ICT connectivity has become vital. Countries need to be connected but the LLDCs face several connectivity challenges, including Internet bandwidth connectivity via fibre optic cables. Their lack of direct access to the sea makes it more difficult to have international Internet connectivity since they need to connect via neighboring countries. This has repercussions on the quality, and price of other telecommunication/ICT services, such as mobile and fixed services.

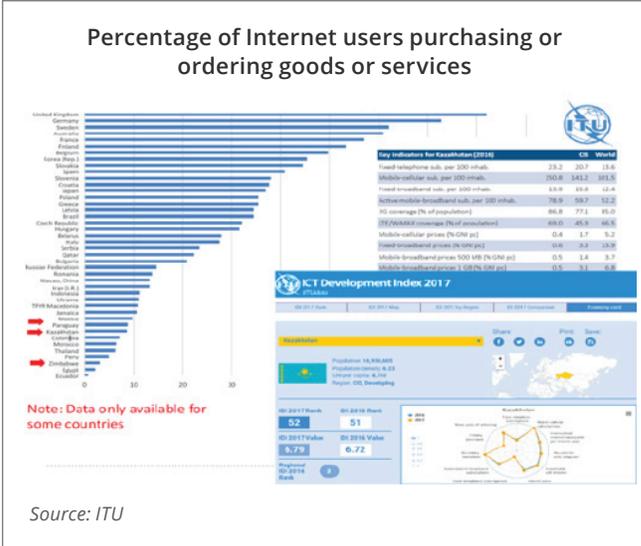


ITU published a report on Bolivia and Paraguay showing that their international Internet bandwidth is lower compared to two other LLDCs and the rest of South America. Just recently ITU and OHRLLS published a report on internet access and connectivity in the least developed countries and these included 14 of the LLDCs. Some key recommendations of the report include the need to increase ICT access and use by increasing competition. Countries need to look at coverage obligations and universal service funds to make sure that not just the urban areas but also that the remote and rural areas are connected. There is need to rationalize taxation as it often adds to the price and makes ICT services a lot more expensive. The report also recommends that it is important to look at digital literacy and skills. It recognizes that for people to be able to take advantage and use the potential of the internet, they also need the digital skills which is often lacking in these countries. Achieving gender parity was identified as being key as there are still more men than women using the internet in many countries. Institutional strengthening particularly of those institutions that oversee ICT policy development and building core infrastructure and the need for better data were also some of the recommendations. Sufficient data is necessary to make informed policy decisions.

As part of the publication by ITU and OHRLLS, ITU developed a three-dimensional framework (see image below) to guide policymakers. This framework considers the availability of access, affordability and skills. All countries were classified into three categories depending on how well they were doing in these areas of access affordability and skills and to help guide policymakers by pointing to those areas where countries remain weak, and where the most human and financial resources should be going. For example, in the case of Rwanda, it has high access to information and communication technologies, and ICT services are relatively affordable, but people do not have the necessary skills to really take advantage of the ICT infrastructure.

**Driving e-commerce**

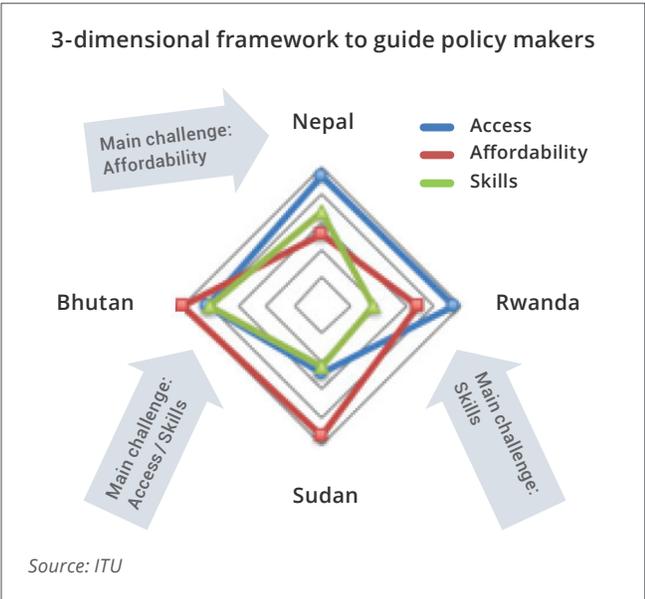
In terms of e-commerce, this has been driven and promoted by the internet but also mobile telephone and mobile commerce, e-payments, and internet banking. E-commerce can become a powerful driver of economic growth, inclusive trade and job creation. Although many countries have been able to really take advantage of e-commerce, there are very few people who order goods or services. This is highlighted by the chart below.



Source: ITU

What is important is not the percentage of the population but the percentage of internet users that purchase or order goods or services and what is quite interesting is that even some countries that have relatively high levels of ICT development, have very low levels of e-commerce. Using the example of Kazakhstan, it has done very well in terms of ICT development. Prices are relatively affordable for mobile and broadband services and there is a very high penetration of mobile cellular subscriptions on the ICT Development Index, which is an index that ranks all countries in the world in terms of their ICT uptake. Kazakhstan is doing very well but despite this, only 8% of internet users engage in e-commerce. This means that besides ICT infrastructure access, there are other factors that need to be taken into account to drive e-commerce.

Countries need sound legal and regulatory framework, clear rules on the electronic payments in documents and e-signatures. There is also the need for customer protection and trust. People need to be able to trust the system. Dispute resolutions mechanisms should be in place and also rules on intermediary liability. There is also need for data protection regulations to protect the privacy of customers and effective regulatory frameworks. Reliable transport and logistics services are fundamental because once the goods are ordered they have to be delivered. It is also very important that the people have the necessary ICT skills and the e-commerce skills.



Source: ITU

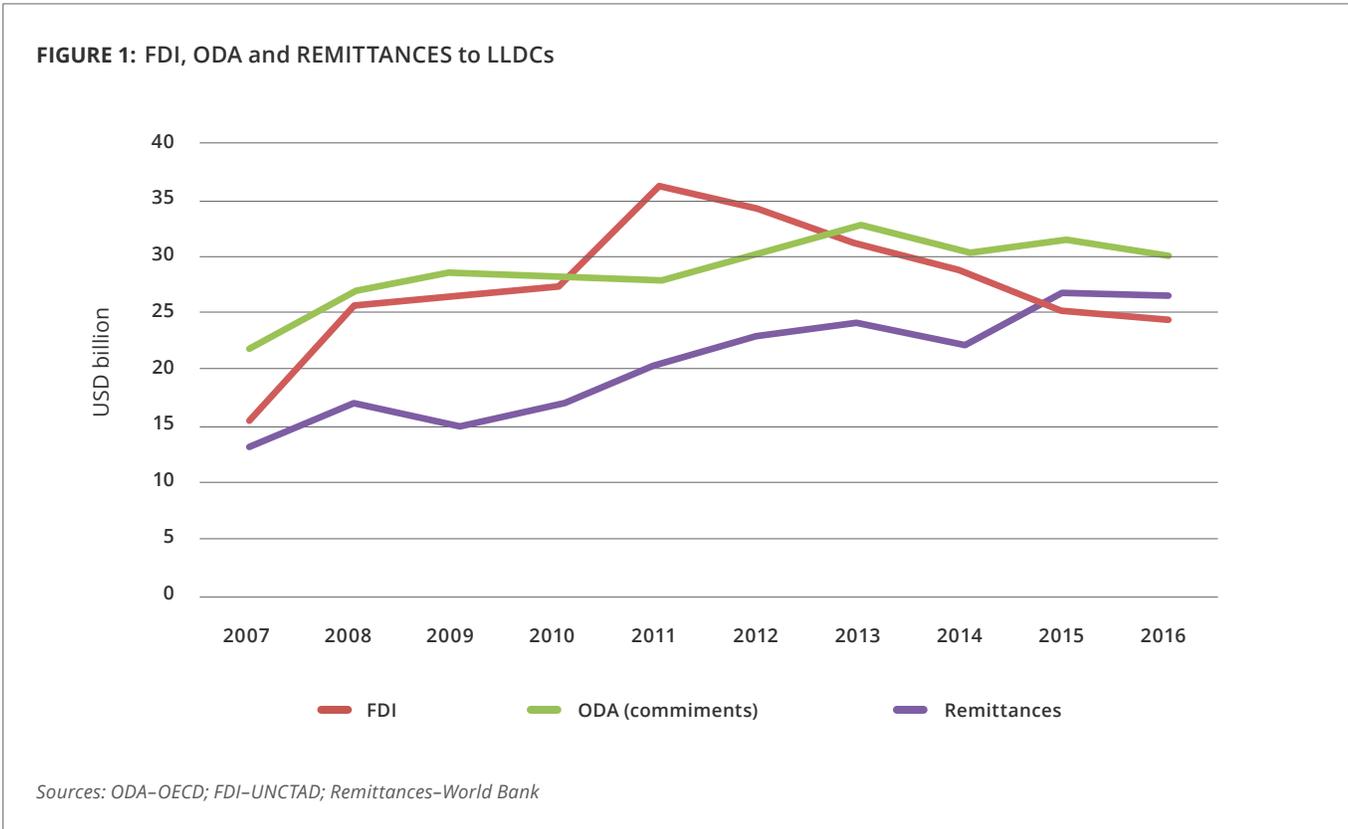
The UNCTAD-led initiative entitled “eTrade for all”, which ITU is a part of, aims to raise awareness of a country’s unique e-commerce opportunities, mobilize and rationalize financial and human resources and also to strengthen coherence and synergies among different stakeholders.

Finally, data on users and non-users is very important. ITU will be collecting new data for new indicators from 2019 and the data will be collected through household surveys. The data will include the type of goods and services that people purchase online, and information on payment channels. It will also include questions on why people do not use online services, which is important to identify barriers. The survey will include information on the method of delivery. This will provide good information on the transportation system. The new indicators are expected to be very helpful in advising appropriate policies in the future.

**Trends in Aid for Trade to LLDCs and Way Forward, by Ms. Karin Fallman, Senior Civil Society Specialist in the Foresight, Outreach and Policy Reform Unit, OECD**

**Financing for Development FDI, ODA and Remittances to LLDCs**

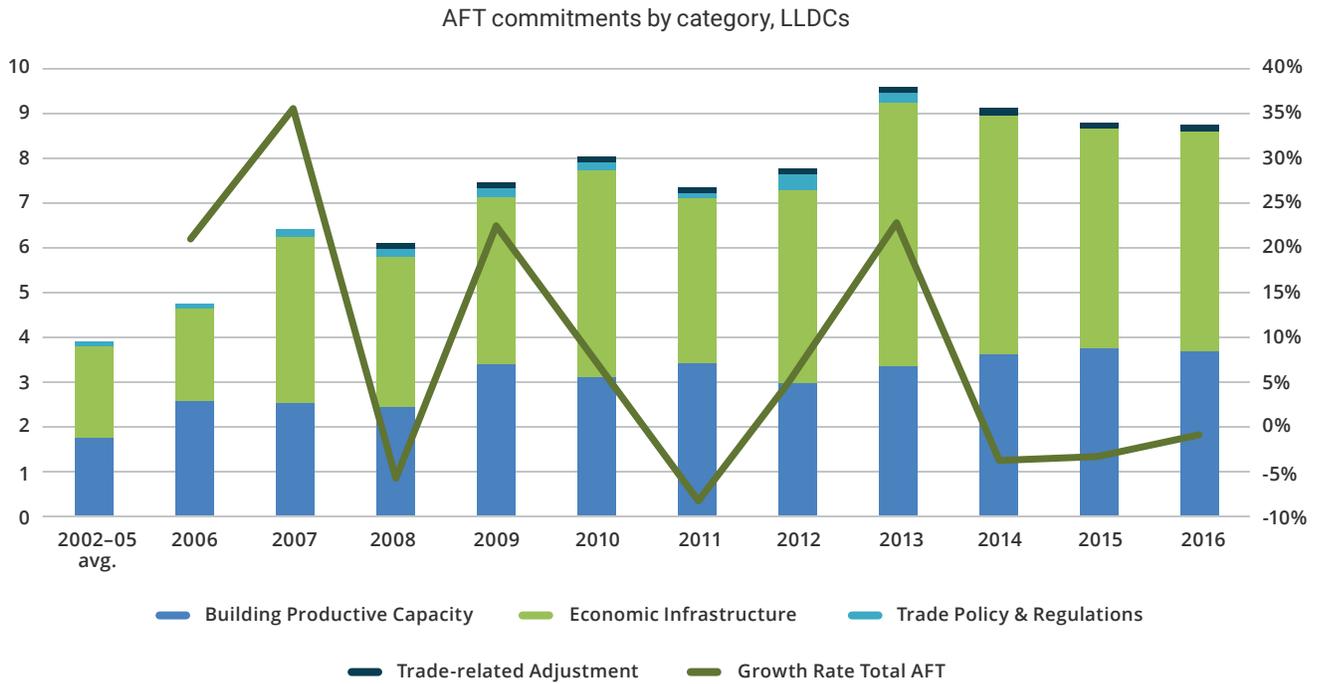
Financing for development consists of Foreign Direct Investment (FDI), Official Development Assistance (ODA and OOF<sup>20</sup>), and remittances to developing countries. ODA still represents the biggest source of external finance for LLDCs as shown in graph below. ODA was around US\$30 billion in 2016 and is also less volatile than FDI. Thus, ODA provides a more stable source for development related investments.



20 - Other official flows (OOF) are defined as official sector transactions that do not meet official development assistance criteria and include: grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development but having a grant element of less than 25%; and, official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose



**FIGURE 2: Aid for Trade Commitments to the LLDCs**



Source: OECD

**Aid for Trade Priorities**

The 2017 Global Aid for Trade Review showed that trade facilitation and trade related infrastructure are among the highest priorities for partner countries overall but for the LLDCs export diversification was the highest priority followed by network infrastructure. The ranking of the Aid for Trade (AFT) survey may have been influenced by the fact that the AFT topic in 2017 was network infrastructure hence it might have been more popular than other years.

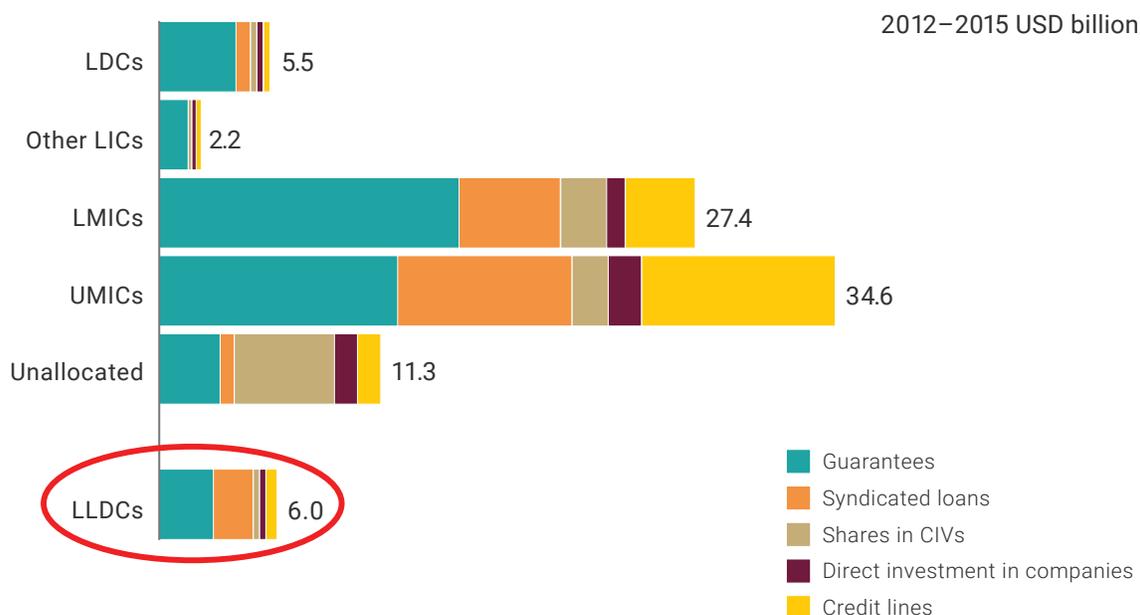
**Aid for Trade Disbursements to LLDCs Volume, Sector Distribution and Growth**

AFT disbursements to LLDCs have been relatively stable since 2009. In terms of categories, the largest share of aid for trade was in the categories of infrastructure and building productive capacity. Trade policy and regulations represent a relatively small share of total of aid for trade. This smaller share is not an indication

that trade policy and regulations are less important, but the implementation of these programs is cheaper compared to other categories. Support for trade related adjustments is negligible. Commitments to the LLDCs generally increased until 2013 but decreased for three subsequent years. This may mainly be due to the decline in investments for infrastructure.

Between 2002 to 2016 commitments have been relatively volatile, while disbursements grew continuously from US\$10 million in 2006 to 250 million in 2016. The main recipients of aid for trade commitments between 2014 and 2016 were Afghanistan, Ethiopia Uganda, Uzbekistan, Rwanda, and Nepal. A number of countries such as South Sudan, Central African Republic and Botswana received substantial amounts of ODA, but relatively small amounts of aid for trade.

**FIGURE 3: Private Finance mobilized by Official Interventions Income Group Distribution**



Source: OECD

### Private Finance Mobilized by Official Interventions Sectorial Allocation (LLDCs)

Between 2012 and 2015 OECD found that official interventions mobilized more than US\$ 6 billion in private funding. Most of this private investment could be categorized as aid for trade. The LLDCs only receive a small share of the private finance, most of the investments is concentrated on the middle-income countries.

### Moving forward

**What:** The ways to emulate best practices include improving infrastructure, improving logistics services, expanding ICT solutions, coordinating border management and using regional approaches.

**How:** The private sector is crucial to improve competitiveness and the public private partnerships are key to managing trade related programs. The role of the public sector is important to provide good quality and reliable infrastructure and an enabling regulatory framework.

### Summary of the discussions under Promotion of International Trade in LLDCs and enhancing the implementation of the WTO Trade Facilitation Agreement

The participants underscored the importance of implementing the WTO Trade Facilitation Agreement by the LLDCs and the high number of the LLDCs that have ratified the Agreement was recognized and commended. To facilitate the implementation of the TFA, the LLDCs were advised to include trade facilitation aspects into their national development strategies. It was emphasized that implementing both the binding and non-binding measures of the TFA as well as paperless trade measures can result in substantial reduction in the trade costs.

The importance of e-commerce in creating employment and facilitating trade was highlighted. It was also noted that e-commerce can also lead to expansion of consumer base and markets. It was emphasized that e-commerce has been growing even though global trade had been stagnant and the LLDCs were encouraged to take advantage of the growing e-commerce. The participants emphasized that there was need to have the necessary infrastructure and the legal framework in place to benefit from e-commerce and these were said to be lacking in most LLDCs.



## **SECTION 6: BRIEFING ON THE WTO TRADE FACILITATION AGREEMENT AND ON DEVELOPMENTS IN THE TRADE ARENA AFTER THE 11TH WTO MINISTERIAL CONFERENCE**

**Statement by Mr. Yonov Frederick Agah, Deputy Director-General of the World Trade Organization**

### **WTO's Ministerial Conference**

Starting with MC11. There was a very good level of engagement before and during MC11, resulting in important progress in some areas of multilateral trade negotiations such as fisheries subsidies, in the area of intellectual property, and an extension for 2 years of the exception of electronic transmissions from customs duties.

However, in most areas, despite serious effort from all Members, substantive outcomes were not possible, including the two key areas of public stockholding for food security purposes and domestic support in agriculture. In the conclusion of the conference, the Chair expressed disappointment over the lack of progress, and committed to move the negotiations forward, not only on these issues, but also on several others, such as non-agricultural market access, services, development, TRIPS, rules, and trade and environment.

During MC11, some large groups of members came together to advance issues of interest to them and to the global economy –in particular in the areas of electronic commerce; investment facilitation; barriers to trade that are a significant burden for MSMEs; and on Women and Trade. The proponent groups, each encompassing participants from developed, developing and least-developed countries, unveiled their plans to move forward. I will provide a brief update on each of these areas.

### **E-Commerce**

At MC11, 71 WTO Members issued a Joint Declaration on E-Commerce indicating their intent to initiate the exploratory work necessary for a possible launch of WTO negotiations on trade related aspects of electronic commerce in the future. This group has already met twice this year.

### **MSMEs**

At MC11, the Friends of MSMEs issued a Joint Ministerial Statement establishing an Informal Working Group to explore how challenges faced by MSMEs could be addressed in a cohesive way within the WTO context. Since then, they have developed a Road Map of thematic sessions to be held this year. One session on Access to Information for MSMEs has already taken place. Forthcoming sessions will cover: access to finance; reduction of trade costs; how technical assistance and capacity building initiatives could better support the needs and challenges of MSMEs; and the internet as a tool to reach global markets. These exploratory sessions aim to identify a set of measures that Members could take, in order to strengthen the participation of MSMEs in global trade.

### **Investment**

At MC 11, 70 WTO Members also issued a Joint Ministerial Statement on Investment Facilitation for Development, which calls for launching structured discussions with the aim of developing a multilateral framework. The initiative has a focus on 'facilitating' investment, rather than 'protecting' investment. The initial proponents of this initiative were developing countries, although developed economies have now joined as well.

### **Women's Economic Empowerment in the WTO**

Supporting the participation of women in international trade is a key component of the inclusive trade solutions that many governments are now adopting. The Buenos Aires Declaration on Trade and Women's Economic Empowerment, signed by 121 WTO Members and Observers, seeks to ensure that the WTO works to make trade more inclusive; and increases the participation of women in trade.

The signatories have agreed to find ways to best tackle barriers to trade faced by women; to better understand the links between trade and women's empowerment through dedicated events, exchange of information; and to collect relevant economic data. Many Members have already developed national strategies and development programmes, including gender equality goals and women's empowerment priorities. One major objective is to increase women's participation into the workforce.

All four of these areas are being driven by a group of like-minded Members—not by the full WTO membership—although all Members are being encouraged to participate. Despite the fact that these initiatives are not currently supported by all members, it is important to keep the discussions in the WTO so that everyone can have the opportunity to actively participate in shaping these conversations right from the beginning. And let me be clear about two points:

First, at this point, members are only discussing these issues—not negotiating. If you sit down to simply discuss and better understand an issue, you are not making a commitment to anything more than that. There is no commitment to start negotiations. Second, simply because these discussions are underway does not mean abandoning issues that are already on the table and that need to see progress. That is to say, work on the Doha issues has not been set aside.

### **Trade Facilitation**

LLDCs did not have any particular issue in MC11, however, they espoused a general interest in the health of the Multilateral trading system and the well-functioning of the WTO. There is also, naturally, a lot of focus on the issue of trade facilitation.

Work on implementing the WTO Trade Facilitation Agreement (TFA), is now in full swing following its entry into force in February 2017. Since the date of entry into force, ratifications have continued



steadily. As of today, 136 Members have ratified the TFA, this is around 83% of the membership.

Progress has also been made in notifications. As of now, 112 developing and least-developed Members, including 24 LLDCs, have notified the provisions they are currently implementing—the so-called Category A commitments. Sixty-two Members, including 16 LLDCs, have also indicated which provisions require additional time to be implemented—the Category B commitments. 52 Members, including 15 LLDCs, notified the provisions for which they need capacity building support—the Category C commitments.

Based on these notifications, the provisions that currently have the highest rate of implementation in developing and least developed countries are: 1) movement of goods between national customs offices within a territory; 2) the non-use of pre-shipment inspection for customs procedures; 3) and the requirement to notify the importer when his goods are being detained.

The provisions that currently have the lowest implementation rate in developing and LDCs are: 1) single window; 2) authorised operators; and 3) the provision allowing importers the possibility of having a second test for their goods, if the first test has an adverse finding. Article 11- the provision on freedom of transit- currently has an overall implementation rate of 56% in the commitments by developing countries and LDCs. However, looking only at the statistics from LLDC notifications, the rate of implementation in LLDCs is about 40%. The overall rate of implementation of the TFA around the world, including developed countries who must already be implementing the entire Agreement, is currently almost 60%.

### **WTO TF Committee**

Work in the WTO Trade Facilitation Committee is also progressing well. A meeting held at the beginning of May 2018 had a very good, cooperative atmosphere. Some 44 notifications had been received since the last committee meeting in November, and these were acknowledged. Many members shared their experiences in their national trade facilitation committees, in the areas of transit, donor support and overall national implementation experience. Some key points that arose from this meeting are:

First, it is crucial to have a well-functioning national trade facilitation committee to oversee implementation. Second, a great deal of assistance is available to support implementation. Third, providing specific information on your assistance and capacity building needs is very helpful to attract donors. Last, the WTO Trade Facilitation Committee can be a very useful forum to raise issues and exchange information with other members.

The next TF Committee meeting is scheduled for 9 October this year. The WTO Trade Facilitation Agreement Facility plans to fund the participation of capital-based officials for this meeting. And they will organize side events, including one concerning issues related to transit. In addition, the WTO Trade Facilitation Facility is also

working with OHRLLS and other agencies to explore ways to assist developing countries, in particular the LLDCs and transit countries, in the implementation of the TFA. One idea that has been discussed is regional workshops on border agency cooperation. This is an issue where significant challenges remain; and all need to help LLDCs to not only improve the flow of goods through the borders, but also where the return on investment should be quite high.

### **Conclusion**

In closing, I would like to take the opportunity to address some current events. We have all seen the recent headlines about the rising trade tensions brought about by the imposition, or threat of imposition of trade restrictive measures and counter-measures. This could have grave consequences for global trade, which was only recently showing signs of recovery, as well as for jobs and GDP growth that would harm us all. And the potential systemic consequences could be even more serious. This is of real concern. The risk of escalation is very clear. The Director-General is talking to all sides, in order to resolve this situation. We all need to work together to step back from the brink. Instead of escalating tensions, we need to find ways to resolve them constructively.

For this reason, more than ever, we need to keep strengthening the multilateral trading system. We must ensure that the system is robust, and that it is responsive to its members' needs and priorities. Also, in a system with 164 members of different sizes, different priorities and at different stages of development, the only way to advance is by being flexible. So strength and flexibility are essential ingredients to keep the system working for all.

Transparency and predictability in trade policy also remain vital for all actors in the global economy. Collectively, WTO Members must show leadership in reiterating their commitment to an open and mutually beneficial trading system, as a key driver of economic growth; and a major engine for prosperity. And most importantly, we need the system to promote global economic cooperation, especially in these testing times. This is all that I have to say, in order to get our conversation started. I will be glad to hear your comments and points of view. I will, of course, also try to answer any questions that you may have.

### **Summary of the discussion**

The participants expressed concern over the stalemate in the Doha Development Agenda negotiations and wanted to know when the DDA negotiations may be resumed. It was indicated that while the negotiations going on at the WTO may not be under that the DDA, Members continue to engage on the different issues that are part of the DDA. It was also noted that over the years the WTO has been able to deliver outcomes including the Bali and the Nairobi outcomes and it was emphasized that it is necessary for Members to focus on substance.

The participants recalled the Nairobi Ministerial Decision on the Rules of Origin and emphasized the need to follow-up on its



implemenataion. It was noted that the Nairobi Decision on the Rules of Origin has simplified the Rules of Origin in favour of the LDCs but also granted flexibilities to the developed countries to provide preferences on at least 97% of tariff lines.

The participants raised concern over the limited assistance provided to developing countries and the LDCs to facilitate the implementation of measures classified as category C measures. They emphasized the need to mobilize aid for trade to facilitate the implementation of the TFA. Members were encouraged to notify their category C measures to the WTO to be able to obtain assistance. Participants were also informed about the WTO Trade facilitation facility that was aimed to complement existing efforts by regional and multilateral agencies, bilateral donors, and other stakeholders to provide Trade Facilitation-related technical assistance and capacity-building support. Participants were also advised to approach donors in their capitals for assistance and that the WTO Secretariat was also available to help Members match their needs with available assistance.

It was also emphasized that it is important for Members to establish the National Trade Facilitation Committee to facilitate the implementation of the TFA.

## SECTION 7: WAY FORWARD AND CLOSING SESSION

### **Statement by Ms. Fekitamoeloa Katoa 'Utoikamanu, Under-Secretary-General and High Representative of UN-OHRLLS**

It gives me great pleasure to address this Closing Session of this Ministerial meeting of the Landlocked Developing Countries focused on Trade and Transport. This Meeting has adopted the Astana Declaration that raises very important areas crucial for successfully improving the connectivity of the LLDCs and assisting them to harness their trade potential to accelerate the implementation of the Vienna Programme of Action and the 2030 Agenda for Sustainable Development. The meeting provided a platform for sharing experiences and lessons learnt and also provided an opportunity to highlight initiatives that support promotion of connectivity and trade in the LLDCs.

Some of the points you stressed in the discussions and in the Astana Declaration are very important to recapitulate. There is need for increasing the hardware or physical infrastructure in order to improve the connectivity of the LLDCs. We have heard from our discussion of the various transport projects that are planned, or have already been inaugurated to improve the connectivity of the LLDCs. We heard of initiatives such as the Belt and Road that aim to promote seamless connectivity in all regions. Besides the achievements made, more work needs to be done to mobilize resources to close the infrastructure gap; to build capacity for developing bankable projects, for collection of and monitoring of data and reliable indicators on infrastructure development and for long term planning.

This meeting made it clear that efforts to improve hard infrastructure need to be complemented by similar efforts towards the software in particular trade facilitation. You called for acceleration of the implementation of the WTO Trade Facilitation Agreement that is important for reducing transit time and costs. I understood that the LLDCs need their capacities strengthened in the implementation of the agreement. Let us all work towards that.

This meeting stressed the importance of structural economic transformation including increased industrialization, value addition and diversification. The importance to support micro, small and medium sized-enterprises was emphasized. The crucial importance of the services sector to sustainable development was also emphasized with focus on e-commerce, tourism and trade finance. The need for investment facilitation was stressed. The strong emphasis on partnerships and enhanced international support was underscored.

I would once again express my deep appreciation to the Government of Kazakhstan for co-organizing this meeting with OHRLLS, as well as for hosting us here in Astana.

I wish to also thank the Ministers responsible for trade and transport and all the participants for the dedication and for your active participation and contribution to the success of the meeting.

I wish to also recognize Paraguay for their leadership role as the Global Chair of the Group of Landlocked Developing Countries and coordinator of the LLDC Group on matters related to trade and development in Geneva. Thank you for your contribution and dedication and leadership of our LLDC Group.

I also take this opportunity to thank our development partners, the UN system organizations as well as other international and regional organizations for their support to this Meeting and their work in support of the LLDCs.

My deep appreciation also goes to the staff of the Government of Kazakhstan and OHRLLS who worked for weeks to organize this meeting for their dedication and hard work, both of which contributed to the success of the meeting.

Finally, as I indicated at the opening, this meeting marks the beginning of the preparatory process of the comprehensive midterm review of the Vienna Programme of Action. We now have the forward-looking outcome—the Astana Declaration that inputs into the preparatory process. I look forward to continue collaborating closely with you in this preparatory process.

It is also vital that all LLDCs prepare national reports on the implementation of the Vienna Programme of Action and to remain fully and constructively engaged in the preparatory process.

As we leave Astana, I also call on you to enhance and foster coherent implementation of the Vienna Programme of Action and



the 2030 Agenda for Sustainable Development in order to ensure that the LLDCs are not left behind. For my part, let me reassure you of UN-OHRLLS' full commitment and support to your endeavours.

**Statement by His Excellency Ambassador Federico González-Franco, Vice Minister of Foreign Affairs for Paraguay and Global Chair of the Group of LLDCs**

It gives me great pleasure that we, the Group of Landlocked Developing Countries were able to come together for this meeting of Ministers of LLDCs on Trade and Transport. In my capacity as the Global Chair of the LLDC Group, I would like to thank you all for coming and actively participating over the past two days.

My deep appreciation goes to the Government of Kazakhstan for hosting us in this beautiful city of Astana and for all the generous provisions for making our stay very enjoyable here. I would also like to thank UN-OHRLLS for co-organizing this meeting and their continued support to the Group of LLDCs.

We have had thoughtful and intensive discussions on the ways in which our countries can better integrate into the global trading and economic system through enhanced transport connectivity,

better trade facilitation and structural transformation of our economies.

The fact that our Ministers and senior officials responsible for trade, transport and economy all came together at this meeting clearly highlights how these issues are inter-connected and need to be tackled together in a coherent way.

We have adopted a comprehensive Ministerial declaration that will guide our way forward. Let's now go back to our capitals and focus on delivering what we have promised here.

I am sure that we can also count on our development partners, the United Nations systems and other international organizations, to assist us in these efforts, which will ultimately support the implementation of the Vienna Programme of Action and the Sustainable Development Goals.

I would like to thank you all again for your participation. I look forward to your active engagement and participation in the next Ministerial Meetings of the LLDC Group and in the preparatory process of the high-level midterm review of the Vienna Programme of Action.



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