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UN-OHRLS

Ministerial Meeting of the Landlocked Developing Countries on the theme “Enhancing equitable, affordable and inclusive transport connectivity as a driver for sustainable and resilient economies”

**14 - 15 December 2023
Yerevan, Armenia**

SESSION 3:

Deepening Regional Integration through Inclusive Transport Connectivity

09:30 - 11:00

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Issue Paper

Landlocked developing countries are dependent on their transit counterparts' markets, infrastructures and institutions for transportation of exports and imports. While transit transport connectivity is important, it is often inadequate to support greater regional integration due to poor maintenance, missing links, and lack of integration between networks and inefficient transport and logistics services. Additionally, cumbersome transit and customs procedures such as complex and non-harmonized cross border and transit documentation frameworks negatively impact the connectivity of LLDCs.

Due to these issues, LLDCs are generally at a disadvantage compared with other countries concerning cost and time required for international trade. According to WTO estimates for 2017, trade costs LLDCs face on manufactures are about 1.4 times higher than the trade costs for coastal developing countries.¹ The sizeable connectivity gaps are also reflected in World Bank Logistics Performance Index (LPI) 2023 scores. LLDCs tend to experience (i) longer delays in ports than coastal counterparts (ii) significant corridor delays; and (iii) significant dwell time inland, including at the destination. Consequently, LPI 2023 scores for LLDCs remain, on average, below that of the rest of the developing world- with LLDCs' average being 12 % lower than average of coastal developing economies and ODCs. In fact, the group of LLDCs, on average, is the poorest performer in all six LPI categories.²

Since 2014, LLDCs have made very limited progress towards achieving structural transformation; their export structure is still characterized by a strong dependence on primary commodities, representing more than 80% of their exports. In addition, LLDCs remain largely marginal in international trade and are weakly integrated to global value chains, which points to their substantial untapped potential.

¹ wto.org/english/res_e/booksp_e/00_landlocked2021_e.pdf

² Data retrieved from World Bank Logistics Performance Index on 10 November 2023. The survey-based LPI provides country-wide assessments of six aspects of logistics performance: trade- and transport- related infrastructure, customs- and border- management, logistics services quality, timeliness of shipments, ability to track and trace, and the availability of competitively priced international shipments.

Regional cooperation, including trade integration and transit cooperation, is vitally important and can facilitate the integration of LLDCs into the global trading system. Regional integration can be an effective strategy to integrate into global markets. However, intra-regional trade costs in some regions are stubbornly high and impede economic growth in all aspects. For intra-African trade, nontariff measures are estimated to be equivalent to an import tariff of 18 percent on average, thus posing a substantially larger obstacle to trade than tariffs. Furthermore, the nontariff-related cost of trading across borders in Africa is estimated to be about double that in East Asia and OECD countries (ElGanainy et al., 2023)³. Sub-Saharan Africa, along with Latin America and the Caribbean, and Southern and Central Asia, therefore, presents the lowest rates of intra-regional trade in the world: just 17 % of the value of its exports is aimed at the region itself, far below 36 % in Western Europe, 31% seen in East Asia and North America.⁴

The COVID-19 pandemic highlighted the need for more resilient and efficient cross-border transport and trade connectivity as well as greater regional cooperation in legal and technical/operational efforts.

Enhanced regional infrastructure and connectivity have the potential to help LLDCs reduce trade and transit costs, mitigating the challenges posed by their peripheral position in the global economy. Improved transit transport networks, such as the development of transit corridors, not only contribute to lower transport costs but also foster better access to employment, education, healthcare, and other public services. Additionally, these enhanced networks can boost tourism activities, thereby elevating productivity and facilitating economic and social development in LLDCs.

The Vienna Programme of Action (VPoA) recognizes the importance of regional integration and connectivity in trade, trade facilitation, investment, research and development and industrialization to foster structural transformation and collectively link regions to global markets.

³ <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2023/05/03/Trade-Integration-in-Africa-Unleashing-the-Continent-s-Potential-in-a-Changing-World-529215>

⁴ Data retrieved from UNCTADStat database on 10 November 2023.

During the implementation period of the VPoA, LLDCs undertook several regional and multilateral initiatives to strengthen their participation in regional trade, transport, ICT and energy networks and the harmonization of regional policies, synergies, competitiveness, and value chains. For instance, in 2018, the Eurasian Economic Union adopted a new customs code. In 2018, Latin American landlocked developing and transit countries signed the eighth additional protocol for the Paraguay-Paraná Waterway Agreement. In 2019, the African Continental Free Trade Area entered into force. Many Euro-Asian and African LLDCs have built dry ports to improve transit efficiency. Additionally, progress was made on the VPoA objective of reducing travel time along corridors, with the aim of allowing transit cargo to move a distance of 300 to 400 km every 24 hours.⁵

Despite the progress, challenges in transit transport connectivity persist. Improving connectivity is not solely dependent on 'hard' infrastructure development. Beyond hard infrastructure (such as roads, railways, posts, airports, and freight terminals), LLDCs can enhance the 'soft' infrastructure that underpins trade and transport. Moreover, they can implement various measures to reduce logistics costs. LLDCs can capitalize on various technological advances – which requires trade and transport connectivity to be pursued in conjunction with other forms of connectivity, such as information and communications technology (ICT).

Digital innovations, including smart logistics systems, electronic documentation, and customs automation -- via adoption of tools such as the ASYCUDA⁶ computerized customs management system developed by UNCTAD and the eTIR international system administered by UNECE -- offer the promise of streamlining and expediting cross-border trade, enhancing the overall connectivity and efficiency of transport networks, in addition to the use of mobile banking and payment systems. They can significantly reduce the time and costs associated with customs procedures, which often pose substantial barriers to the timely movement of goods. Harmonization and mutual recognition of standards within regional trade agreements (RTAs) have been shown to boost trade flows

⁵ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N23/232/49/PDF/N2323249.pdf?OpenElement>

⁶ Automated System for Customs Data

between partner countries (Chen and Mattoo, 2008)⁷. Implementing these systems, however, requires fast and stable broadband technologies.

Although ICT infrastructure in LLDCs has become more accessible, LLDCs continue to rank low in several key ICT indicators such as quality and affordability; skilled manpower; reliable energy supply; and quality of the regulatory framework. Therefore, it is important to increase investment in transport and ICT and to enable digital solutions for cross-border operations, customs clearance, and border administration.

Looking ahead, the principles of 'cooperate, streamline, harmonize, and digitalize' are likely to remain the guiding tenets for the trade and transport connectivity of Landlocked Developing Countries (LLDCs). Transport connectivity projects demand substantial investments and rigorous preparation and execution over several years, requiring robust long-term policies. In this context, the vital role of the international community in providing financial support and technical expertise cannot be overstated. Such support is crucial for improving institutional capacity and fostering enhanced trade transit connectivity for LLDCs. Support is also needed to enhance the participation and integration of small-scale industrial and other enterprises into regional and global value chains and markets.

Against this background, this session aims to discuss the following questions:

- What are the key challenges and barriers that LLDCs face in achieving seamless transport connectivity with their transit coastal counterparts, and how can these challenges be addressed to promote deeper regional integration? What are some of the best practices?
- How can development partners, regional organizations and the private sector collaborate with LLDCs to support efforts in enhancing transport connectivity and facilitating the movement of

⁷ <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1540-5982.2008.00488.x>

goods and people across borders, thereby promoting intra-regional economic growth and development?

- What role do digital technologies, such as digital customs systems, electronic trade facilitation platforms and mobile payment systems, play in improving transport connectivity for LLDCs, and how can these technologies be leveraged to reduce trade-related costs and streamline cross-border trade processes within the region?