



UN-OHRLLS

# UNLOCKING THE TRADE POTENTIAL OF LANDLOCKED DEVELOPING COUNTRIES

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Compilation of statements and presentations delivered at  
the High-Level Global Thematic Meeting on International Trade,  
Trade Facilitation and Aid for Trade

As part of the preparatory process of the Comprehensive 10 Year Review of  
the Implementation of the Almaty Programme of Action

Almaty, Kazakhstan  
13-14 September 2012





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This publication contains written statements and summaries of power point presentations delivered at the High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade and the Fourth Meeting of Trade Ministers of Landlocked developing countries held in Almaty, Kazakhstan from 12 to 14 September, 2012.

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

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# FOREWORD

Landlocked Developing Countries (LLDCs) face special challenges that are associated with their lack of direct territorial access to the sea and remoteness and isolation from world markets. Their seaborne trade unavoidably depends on transit through other countries thereby making them dependent on the political stability, infrastructure and institutional quality of coastal transit countries. Additional border crossings and the long distance from major markets, coupled with cumbersome transit procedures and inadequate infrastructure, substantially increase the total expenses for the transport services and other transaction costs that erode the competitive edge of landlocked developing countries. As a result the LLDCs are disadvantaged from fully utilizing trade for their development.

According to the findings of a study prepared by OHRLLS entitled “The Development Economics of Landlockedness: Understanding the development costs of being landlocked” LLDCs lag behind the other groups of developing economies on most of the development indicators. In particular, LLDCs are generally less rich (in terms of average per-capita income), have low education and health status, and a higher poverty headcount than coastal developing and transit developing economies. They also tend to perform worse than the other groups in terms of trade facilitation (e.g. transport costs, infrastructures for trade, logistics) and diversification of their export structure. The study also made an attempt to estimate the total development cost (including economic and social dimensions) of being landlocked. The empirical evidence from the report indicates that being landlocked is an effective obstacle to development. The study findings indicate that because of landlockedness the level of development in the LLDCs is on average 20% lower than what it would if the countries were not landlocked.

According to the World Bank’s Doing Business 2012, the average costs of exporting and importing a container for LLDCs are US\$ 3000, while transit developing countries are only paying 50 percent of these costs. The WTO Agreement on Trade Facilitation is one component of reducing the trading costs and unlocking the export competitiveness of LLDCs. The conclusion of a Trade Facilitation Agreement at the WTO could bring down the cost of moving trade from 10% to 5% (of the value of trade) and stimulate the world economy by more than US\$1 trillion.

The Almaty Programme of Action adopted by the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, held in Almaty, Kazakhstan, in 2003, recognized the special needs and challenges faced by the LLDCs in achieving their development goals. The objective of the Programme is to establish a global framework for developing efficient transit transport systems, taking into account the interests of both landlocked and transit developing countries that will help LLDCs to overcome their inherent geographical difficulties and provide support for their efforts to eradicate poverty, sustain economic growth and better integrate into the world economy.

As the first ten years of the Almaty Programme of Action is coming to an end, the UN General Assembly resolution (A/RES/66/214) mandated the convening of a comprehensive ten-year review conference of the Almaty Programme of Action in 2014. The General Assembly also decided that the conference should be preceded, by regional and global as well as thematic preparations. The Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS), in collaboration with the Government of Kazakhstan, organized a High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade that was held in Almaty, Kazakhstan from 13 to 14 September 2012.

The Meeting was held as part of the preparatory process for the ten year review of the Almaty Programme of Action. It was the first thematic meeting held in order to provide substantive inputs to the ten year review conference. The Meeting was attended by over 100 officials including trade ministers and senior officials responsible for trade from landlocked and transit developing countries, representatives of donor countries, United Nations system organizations, international financial institutions and relevant regional and sub-regional organizations.

The High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade was preceded by the Fourth Meeting of Ministers of Trade of Landlocked Developing Countries that was held on 12 September 2012. The Fourth Ministerial Meeting of Trade Ministers was held to develop a common position of the LLDC Group

for input into the substantive preparation of the Ten-Year Review Conference of the Almaty Programme; to develop a common position reflecting the needs of the LLDC Group for trade negotiations; and to articulate a common position in general on strategies, new measures and actions to further improve the trade potential of the LLDCs.

This publication consists of two parts Part I and Part II.

- Part I is a compilation of statements and presentations made at the High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade by Ministers of Trade of LLDCs, senior government officials from LLDCs, and senior officials from international organisations.
- Part II is a compilation of statements delivered at the Fourth Meeting of Trade Ministers of Landlocked developing countries.

The statements and presentations provide an exciting account assessing the progress made on the third priority area of the Almaty Programme – international trade and trade facilitation. They highlight both the key achievements made in addressing the physical barriers (hard infrastructure) and the non-physical barriers (soft infrastructure) and other relevant developments over the last decade. They underscore the lessons learned and the many challenges that need to be overcome to further advance the goal of fully integrating the LLDCs into the multilateral trading system.

Above all the publication provides suggestions for innovative ways and future actions needed to enhance the participation of LLDCs in the international trading system, while further strengthening the global partnership for establishing efficient transit transport systems. The publication includes a summary of the assessment and way forward made by the Chair that was adopted on 14 September 2012. This outcome forms substantive inputs towards the preparation of the outcome document for the Ten-Year Review Conference.

It is my expectation that the information contained in this publication will form a useful resource for the discussions on the future development agenda of the LLDCs. It is critical that the Ten year review conference comes up with measures that lead towards a perceptible and sustainable change in the lives of the people in LLDCs through rapid, equitable and sustainable economic growth in these countries. I also hope that the publication will prove valuable and timely for decision-makers in government, intergovernmental organizations, international and regional organizations, development partners, academia and the general public.

I am very grateful to the Government of the Republic of Kazakhstan for hosting the Fourth Meeting of Ministers of Trade of Landlocked Developing Countries and the High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade. I wish to thank the Ministers and senior government officials from LLDCs, transit developing countries, and donor countries and the senior officials from the international organizations who contributed to the success of the meeting.

Gyan Chandra Acharya  
Secretary-General of the Second UN Conference on LLDCs  
Under-Secretary-General, and  
High Representative for the Least Developed Countries,  
Landlocked Developing Countries and Small Island Developing States

## ACRONYMS AND ABBREVIATIONS

<b>ACP</b>	Africa, Caribbean, Pacific
<b>ADB</b>	Asian Development Bank
<b>AfDB</b>	African Development Bank
<b>AfT</b>	Aid for Trade
<b>AGOA</b>	USA African Growth and Opportunity Act
<b>APoA</b>	Almaty Programme of Action
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASYCUDA</b>	Automated System for Customs Data
<b>AUC</b>	African Union Commission
<b>CAREC</b>	Central Asia Regional Economic Cooperation Program
<b>CEMAC</b>	Economic Community of Central African States
<b>CIS</b>	Commonwealth of Independent States
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>DDA</b>	Doha Development Agenda
<b>DCFTA</b>	Deep and Comprehensive Free Trade Agreement
<b>EAC</b>	East African Community
<b>EATL</b>	Euro-Asian Transport Links
<b>ECLAC</b>	United Nations Economic Commission for Latin America and the Caribbean
<b>ECO</b>	Economic Cooperation Organization
<b>EIF</b>	Enhanced Integrated Framework
<b>ESCAP</b>	United Nations Economic and Social Commission for Asia and Pacific
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GSP</b>	Generalized System of Preferences
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>HIV</b>	Human Immunodeficiency Virus
<b>IACG</b>	Inter-Agency Consultative Group
<b>IBRD</b>	International Bank for Reconstruction and Development (World Bank)
<b>ICT</b>	Information, communication and technology
<b>IDA</b>	International Development Association (World Bank)
<b>IRU</b>	International Road Transport Union
<b>LDCs</b>	Least Developed Countries
<b>LLDCs</b>	Landlocked Developing Countries
<b>LPI</b>	Logistics Performance Index
<b>MDGs</b>	Millennium Development Goals
<b>PIDA</b>	Programme for Infrastructure Development in Africa
<b>PTA</b>	Preferential Trade Agreements
<b>ODA</b>	Official Development Assistance



<b>OHRLLS</b>	United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
<b>RECs</b>	Regional Economic Communities
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>SPECA</b>	The UN Special Programme for the Economies of Central Asia
<b>SSATP</b>	Sub-Saharan Africa Transport Policy
<b>TFF</b>	Trade Facilitation Facility
<b>TIR</b>	International Road Transport Convention
<b>TRACECA</b>	Transport Corridor Europe-Caucasus-Asia
<b>TTFA</b>	Program Transit Transport Framework Agreement
<b>UN</b>	United Nations
<b>UN/CEFACT</b>	UN Centre for Trade Facilitation and Electronic Business
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNECA</b>	United Nations Economic Commission for Africa
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UNNExT</b>	United Nations Network of Experts for Paperless Trade in Asia and the Pacific
<b>UNSD</b>	United Nations Statistics Division
<b>WAEMU</b>	West African Economic and Monetary Union
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization

**PART I**

**THE HIGH-LEVEL GLOBAL THEMATIC  
MEETING ON INTERNATIONAL TRADE,  
TRADE FACILITATION AND AID FOR  
TRADE HELD IN ALMATY, KAZAKHSTAN  
FROM 13 TO 14 SEPTEMBER 2012**

**SECTION ONE**

**CHAIR'S SUMMARY ADOPTED AT  
THE GLOBAL THEMATIC MEETING ON  
INTERNATIONAL TRADE, TRADE  
FACILITATION AND AID FOR TRADE**

**Adopted at the Global Thematic Meeting on International Trade, Trade facilitation and Aid for Trade on 14 September 2012 in Almaty, Kazakhstan**

**I. Introduction and mandate**

The General Assembly, in its resolution 66/214, decided to hold a comprehensive ten-year review conference of the Almaty Programme of Action in 2014, in accordance with paragraph 49 of the Almaty Programme of Action and paragraph 32 of the Declaration on the midterm review. The comprehensive ten-year review conference shall be preceded, where necessary, by regional and global as well as thematic preparations in a most effective, well-structured and broad participatory manner. Furthermore, the General Assembly designated the Office of the High Representative (UN-OHRLS) as the United Nations System-wide focal point for the preparatory review process and noted that United Nations system organizations, including UNCTAD, UNDP, Regional Commissions and relevant international and regional development and financial organizations, within their respective mandate, should provide necessary support and actively contribute to the preparatory review process and the comprehensive ten-year review conference itself.

The Almaty Programme of Action, adopted by the International Ministerial Conference of Landlocked and Transit Developing Countries and the Donor community on Transit Transport Cooperation, held in 2003 in Almaty, Kazakhstan, recognized the special needs and challenges faced by the landlocked developing countries in achieving their development goals. The Programme's objective is to establish a new global framework for developing efficient transit transport systems, taking into account the interests of both landlocked and transit developing countries that will help landlocked developing countries overcome their inherent geographical difficulties and support their efforts to eradicate poverty, sustain economic growth and better integrate into the world economy.

The Almaty Global Thematic Meeting on International Trade, Trade facilitation and Aid for Trade and the Fourth Meeting of Trade Ministers of Landlocked developing countries marked the beginning of the global preparatory process for the comprehensive ten-year review conference of the Almaty Programme of Action to be held in 2014. The present outcome of the Almaty meetings will serve as substantive input to the review conference in 2014.

The Meetings on International Trade, Trade facilitation and Aid for Trade brought together Trade Ministers and senior officials responsible for trade from landlocked and transit developing countries, representatives of donor countries, UN system organizations, international financial institutions and relevant regional and sub-regional organizations, with a view to reviewing and assessing the progress made in the implementation of priority 3 of the Almaty Programme of Action. The Meetings also deliberated on future actions needed to enhance the LLDCs' participation in the international trading system while further strengthening the global partnership for establishing efficient transit transport systems.

## II. Assessment of current situation

Inherent geographical difficulties and poorly developed transport, communications and border management and logistics systems in both landlocked and transit developing countries hamper productivity, growth, and poverty reduction. In addition, LLDCs depend on transit countries for transport and communications infrastructure, administrative processes in transit, inter- and intra regional collaboration. The 2003 Almaty Programme of Action has been instrumental in calling for landlocked and transit developing countries to refine their regulatory frameworks; increase their regulatory transparency; and simplify border control and procedures.

The Almaty Programme of Action has made a positive impact in several areas to improve the ability of LLDCs to participate in international trade. The awareness of the challenges faced by LLDCs has increased globally. There has been increased visibility and recognition of LLDCs and their special needs on the international level and in the United Nations. Today, they are prominent on the international development agenda, including the Millennium Development Goals, the multi-lateral negotiations in the WTO, the Doha Declaration adopted at the UNCTAD XIII Conference, and the outcome document “The Future We Want” of the United Nations Conference on Sustainable Development held in Rio de Janeiro in June 2012.

During the period 2003 to 2010, the LLDCs as a group experienced an improvement in annual growth of GDP from about 5 per cent to about 7 percent. However this growth has not been steady, it has fluctuated to as low as 3 percent in 2009.

The LLDCs as a group have recorded an impressive trade performance in recent years. The value of their merchandise exports in nominal terms increased from US \$33 billion in 2003 to US \$158 billion in 2010. However, despite this remarkable achievement, the share of the Group in global trade is still modest at 1.04 per cent in 2010, showing continued marginalization of the group of LLDCs from the world economy. In addition, their exports tend to be concentrated in a few countries and in a few products. Six countries account for 70 per cent of the total LLDC exports.

In terms of products, LLDCs’ exports are highly dependent on natural resources with crude oil and natural gas accounting for almost 60 per cent of the total, with minerals and metals being the second largest category. However commodity prices have concomitant fluctuations and unpredictability that accompany them making LLDCs to be highly vulnerable to external price shocks that may greatly affect their economies. Conversely, exports less sensitive to transport and distance play only a marginal role. For example, trade in services other than tourism, which is of economic importance to a few LLDCs, is still limited and with a low exports value. Another concern is the limited diversification of the basket of goods.

Landlocked and transit developing countries have made some progress in implementing important policy reforms to remove physical and non-physical barriers to the effective participation of LLDCs in international trade. They have made some progress in ratifying relevant international conventions and agreements on transit transport and trade facilitation. However the progress and implementation of the agreements has been slow.

There has been some progress in the establishment of regional and sub-regional agreements that could provide a basis for simplification and harmonisation of formalities and procedures. However many of the agreements are not being fully implemented. Their effective implementation is important for landlocked developing countries to optimally benefit from improved transit measures.

LLDCs have also taken initiatives to strengthen and establish institutional mechanisms for coordinating work on national transit transport and trade facilitation. For example, they have created or strengthened existing national trade and transit transport facilitation boards or committees. These bodies have facilitated effective coordination and cooperation among all the relevant agencies responsible for international trade and transport facilitation. However in some countries where national trade and transit transport facilitation boards or committees are separate there is need to coordinate their work to achieve better and effective results.

With support from partners LLDCs and their transit neighbours have made some improvements in the development of transport, and communication infrastructure. This is evidenced by various transit operations and infrastructure projects in Latin America, Africa, and Asia. For example, notable progress has been made in the development and upgrading of both the Asian Highway and the Trans-Asian Railway networks; in South America, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) has made progress in the development of transport, energy and telecommunications infrastructure in the region and in Africa, the Programme for Infrastructure Development in Africa (PIDA) is being implemented to improve the connectivity of the continent.

The LLDCs are increasingly benefiting from regional integration and new regional trade agreements. For example in Africa, the EAC-COMESA-SADC Tripartite Arrangement, which was created in 2009 is geared toward the establishment of a free trade area between the three Regional Economic Communities. In South America, regional integration has been further deepened through the establishment of the Union of South American Nations (UNASUR). These efforts towards harmonizing policies and programmes particularly on transport, communications, and customs will help facilitate transit transport and trade for LLDCs.

LLDCs and their transit neighbours have made progress in streamlining administrative procedures, harmonization of trade documents and simplifying border control procedures and better coordination between border agencies to increase efficiency and reduce delays. They have implemented trade facilitation initiatives that have helped reduce time in transit and costs such as use of the single window concept, one stop border controls, modernization and the increased use of ICTs for customs clearance, the establishment of dry ports and inter-modal transit transport systems, and enhancing the reliability of logistics and supply chains. Another example of best practice in trade facilitation is the implementation of the Convention on International Transport of Goods Under Cover of TIR Carnets.

As a result transit time and transaction costs in international trade are now lower for a number of LLDCs. According to the World Bank's Doing Business Report 2012, the average number of documents that LLDCs take to export have decreased from 9 in 2006 to 8 in 2012 whilst for importing have decreased from 11 to 9. The average time taken to complete export formalities has decreased from 49 days to 43 and in the case of import formalities, the time has decreased from 58 to 49 days. However when compared to transit developing countries where the average days to complete export formalities is 23 days and 27 days for import formalities, further efforts are required to improve trade facilitation and save time. Efficient border management and the coordination of agencies involved in border clearance has emerged as more critical than ever in achieving further reduction in transit time.

Eight LLDCs are currently in their accession procedure to the WTO. WTO's priority list for accessions based on the maturity of the process in each acceding government shows that Kazakhstan and Lao People Democratic Republic are in the forerunners for 'early accession'.

Aid-for-Trade commitments to LLDCs have risen steadily since 2002-2005. Total commitments to LLDCs in 2010 stood at US\$ 9.1 billion – a more than 100 per cent increase over the original baseline figure of US\$ 4.1 billion. LLDCs have benefitted from Aid for Trade through enhanced capacity to mainstream trade within sectoral, national and regional policies. Net transfers of total Official Development Aid to LLDCs from traditional donors increased from US \$12.1 billion to US \$25.3 billion from 2003 to 2010.

However despite the impressive progress, LLDCs have not yet reached their full trade potential and much more remains to be done in order to increase their trade potential. Numerous challenges and significant financing gaps continue to be faced by the LLDCs in their efforts to decrease economic distance to global markets, improve trade facilitation and enhance their integration in the world economy.

Economic growth and increased trade performance has not been accompanied by structural transformation and development of strong productive capacities to improve competitiveness of the exports. In addition, there has been a lack of concrete policy interventions instigating a change in the mix of exports towards a higher share of services and products representing low bulk, high value goods that would help reduce the additional transaction costs that these countries incur in international trade owing to market distance and transit hurdles.

High trade transaction costs lie at the core of the continued marginalization of the LLDCs within the world economy. The long time required to get to the border, lack of digitalisation of tracking of cargo and delays at ports continue to make trade transaction costs high. Inefficient logistics systems results in unpredictability in the supply chain of goods. This stresses the importance of trade facilitation.

LLDCs have also been affected by a series of crises related to energy, food, and the harmful effects of the climate change. LLDCs also face the challenge of income inequality that undermines efforts to reduce poverty.

Despite the progress made in infrastructure development, large gaps remain including poor quality transport infrastructure and missing links, which result in high transport costs and continue to make trade physically difficult, if not impossible.

The stagnation of the Doha Development Round is of great concern to LLDCs as it might negatively affect the fulfillment of the mandate to incorporate the “development dimension” into the Multilateral Trade System.

Due to the recent global crises, many countries particularly developed countries, enacted certain measures to bolster growth and employment in their domestic economies. The WTO’s most recent monitoring report from mid-June 2012 shows that governments are still implementing new measures which restrict or potentially restrict trade and that this situation is further aggravated by the relatively slow pace with which governments are rolling back existing, trade-restrictive measures. The accumulation of these trade restrictions is an issue of concern to the LLDCs. Protectionism breeds further protectionism and the cumulative impact is one which is potentially disastrous for small and low-income developing countries.

### **III. Further efforts to accelerate the implementation of Priority 3 of the APoA**

In view of the assessment, it is important to maintain and enhance the positive trends and address the outstanding gaps and limitations.

#### **Development Objectives**

Poverty reduction and sustainable and inclusive development are key and fundamental development objectives of Landlocked Developing Countries. The structural transformation, including modernization and specialization of the productive sectors and improving physical infrastructure has to be done in a way that is supportive to achieving national development objectives and internationally agreed development goals, including the MDGs. It is important for LLDCs to implement pro-poor and inclusive economic growth policies.

#### **Enhanced trade facilitation**

Transport and trade facilitation improvement is realistic only if LLDCs and their transit neighbours cooperate. In this regards, LLDCs and transit developing countries are invited to ratify and effectively implement international conventions and agreements, and regional and sub regional agreements on transport and trade facilitation since this can significantly improve LLDCs’ access to the sea. Greater awareness and understanding of the implications of accession to the international conventions is needed to accelerate the level of accession through capacity building among policymakers and administrators involved in the negotiation and implementation of the international instruments. Mainstreaming of the conventions and other regional agreements at the national level is also important as it will allow their incorporation in national plans and budgetary allocations.

Trade facilitation initiatives that have proved to work such as the single window, one stop border post, dry ports, and use of the yellow card should be replicated and fully funded.

Trade facilitation at the international borders requires proper ICT infrastructure to help in verifying compliance with stipulated norms, regulations and standards. For example, the modernization and computerization of Customs operations through the ASYCUDA (Automated System for Customs Data Automation) Programme has helped simplify documentation and procedures for facilitating trade while strengthening Customs Controls and preserving revenue collection. It is important to promote use of ICT infrastructure at borders in order to achieve progress in trade facilitation.

Enhancing trade logistics, transport market improvements and institution building are essential to improve the efficiency of supply chains and obtain sustainable results.

Creation of “development corridors” based on increasing efficiency of the important transit routes linking LLDCs with the major global markets; elimination of physical barriers; facilitation of border, customs and other administrative procedures in the area of international road transport and transit; creation of modern roadside services and facilities, and facilitation of border crossing procedures.

Capacity building is important in improving trade facilitation, in particular, training of international road transport operators, customs and border clearance staff.

### **Developing productive capacities and improving competitiveness**

Development and maintenance of physical transit transport infrastructure is still necessary to allow greater access of LLDCs to sea ports and the international markets. The establishment of a secure, reliable and efficient transit transport system, which is the overarching goal of the Almaty Programme of Action, remains therefore critical for LLDCs to be able to reduce transport costs and enhance the competitiveness of their exports on regional and global markets. Development and maintenance of supportive infrastructure including distribution centres, intermodal points, dry ports, border structures and rest areas that are secure is also important.

The creation of efficient transit corridors; development of ancillary, logistics and intermodal infrastructure; as well as facilitation of international road transport, makes an important contribution to the economic development and international trade of LLDCs. Special attention should be paid to the harmonization of legal and administrative regulation of road transport on the basis of international agreements and conventions; liberalization of road transportation; creation of modern and safe ancillary road infrastructure; development of intermodal connections; and road safety improvement.

Further investment in the development of information communication technology infrastructure is crucial for connecting LLDCs to international markets and for improving trade and transport facilitation. Energy infrastructure is important for enhancing the participation of LLDCs in international trade and it is important to further develop trade-related regional and national energy infrastructure.

Building a critical mass of viable and competitive productive capacity in manufacturing, agriculture and services is essential if landlocked developing countries are to better harness their trade potential.

The development of a strong science and technology innovation base and enhanced human development and skills training are necessary to address many of the persistent and emerging trade and development challenges that LLDCs face. Cooperation in the transfer of appropriate technology will play a key role in this regard.

LLDCs need to nurture the development of supportive economic policies that can lead to the development of manufacturing and processing industries that add value to their raw materials. Depending on the needs of specific LLDC this may entail, inter alia, efforts to develop entrepreneurship, creating an enabling business environment, developing domestic research capacity, enhancement of workers’ skills, investment facilitation, development of agro-business and natural resource processing industries, and supportive infrastructure development.

### **Diversification and promotion of services sector**

There is a need for concerted measures and actions to support LLDCs’ efforts to reduce commodity dependence, including through the diversification of their export base, and enhanced processing of the commodities. LLDCs also need to diversify their markets.

The services sector plays a strategic importance to overcome landlockedness through its potential contribution to trade and development. Although the sector represents a key sector for a country’ economic development in many countries today, the barriers to trade and restrictions on investment in the services sector remain higher than for the goods sector. This is particularly crucial as access to low-cost and high-quality producer services such as telecommunications,



transport, finance, and distribution will affect LLDCs' overall productivity and competitiveness (in goods and services). Improvements in the domestic provision of services require investment in human resources development as well as the effective applications of technology, and in particular ICTs, to the production of services. Putting in place an enabling policy, regulatory and institutional environment will be a crucial step for allowing LLDCs to leverage the development benefits of services and services trade. In particular, such an enabling environment needs to be designed in a manner which aims to enable LLDCs to exploit the potential of the expanding service economy and trade in services, to move service activities from the informal to the formal sector, and from low to high value-added sectors.

Policy and regulatory interventions in LLDCs should aim to allow them to get out of over-reliance on one particular sector (e.g. minerals) and to diversify into crisis-resilient sectors and a means to lessening their vulnerability to external shocks. Investment should be attracted to the production of goods and services that are less sensitive to distance or transport costs. LLDCs should promote the production of higher value and lower bulk goods, such as precision instruments, IT components and pharmaceuticals, or services in tourism, education, ICTs, perishable vegetables, fruits, flowers and biotrade products. It is also important to promote investment into goods and services of creative industries such as film making, advertisement industry and cultural goods production.

### **Promoting investment**

Public and private investment, including foreign direct investment, should be strengthened. LLDCs should promote and sustain a conducive business environment for domestic and foreign direct investment and wish to encourage public private partnerships. LLDCs need to develop or strengthen the legal and institutional framework to attract private investment into transport, energy and telecommunications sectors which are crucial for economic development and competitiveness of LLDCs.

### **Enhanced regional integration**

Close cooperation with the transit countries is a *sine qua non* for improved connectivity. Infrastructure, trade and regulatory policies and political stability of neighboring countries have large repercussions on external trade of LLDCs. The costs of reaching international markets for LLDCs do not depend only on their geography, policies, infrastructures, and administration procedures but also on those of neighboring countries. Thus regional integration and coherent and harmonized regional policies provide an opportunity to improve transit transport connectivity and for ensuring greater intra-regional trade, common regulatory policies, border agency cooperation and harmonized customs procedures as well as to promote a better coordination and deepening of regional markets. The support towards the ongoing regional integration processes in regions with LLDCs should be enhanced and partners should support these initiatives.

Trade facilitation measures included in Regional Trade Agreements tend to cover the same issues as those that are being negotiated at the WTO and they may be even more ambitious in their scope and the time given for their implementation. It is therefore important to promote the development, adoption and effective implementation of Regional Trade Agreements.

Documentation of and the sharing and dissemination of best practices is important to allow cooperating partners to benefit from each other's experiences.

LLDCs' exports often face tariffs that are higher within their region than in the rest of the world. Although high tariffs is not the only or even the main reason of the relatively low share of intra-regional trade of many developing countries, abating some of these tariffs may have a great payoff in terms of regional integration and regional production sharing. It is therefore important to promote "*developmental regionalism*" aimed at fostering structural change and economic growth in LLDCs –both as a goal per se – and also as a means of collectively linking the region into the global web of market relations. UNCTAD, multilateral agencies and the UN regional commissions could serve both as think tanks and consensus fora to promote developmental integration.

### **WTO trade negotiations**

A fair, just, transparent, inclusive and foreseeable multilateral trade system based on development, should support the effective markets opening and the creation of opportunities for developing countries and particularly for the most

vulnerable and small ones such as the LLDCs. Faster progress in the Doha Development Round is required so that LLDCs can reap benefits particularly in areas that have strong positive impacts on the trade flows of LLDCs, such as trade facilitation, market access and the elimination of non tariff barriers and other trade distorting measures, as well as implementation issues.

In a time of fragile economic recovery, the international community needs to address protectionism and redouble efforts to keep markets open and trade flowing. The international community should provide greater market access for goods originating in landlocked developing countries to mitigate high trade transaction costs stemming from their geographical disadvantages. This should be coupled by the broad application of transparent and development-friendly preferential rules of origin to increase the utilization rate of current schemes and serve as an additional incentive for foreign direct investment in LLDCs.

LLDCs are major producers and exporters of agricultural products and aim to negotiate for better market access and removal of trade distorting measures, such as subsidies and concealed protectionism.

The WTO negotiations have to be conducted in a way that enables effective, full and democratic participation of all WTO Members through maintaining a multilateral, transparent, bottom up and member driven negotiation process in order to arrive at a successful conclusion with an ambitious, balanced and equitable outcome which ensures, inter alia, improved market access for agricultural and non agricultural export products of LLDCs.

Trade facilitation is an area of great importance in the current negotiations to reduce costs and guarantee predictability for LLDCs' merchandise arrival to the corresponding destination. Improved trade facilitation will help LLDCs to gain a more efficient flow of goods and services as well as improved international competitiveness. The future agreement on trade facilitation, in the final outcome of the Doha Round, should contain binding commitments ensuring the freedom of transit, customs cooperation, expedited movement, release and clearance of goods, as well as, special and differential treatment with financial support.

National committees on trade facilitation should be promoted as they are a useful mechanism to help countries collaborate and identify win-win situations for different stakeholders. They are not only an important tool for analysing, negotiating and implementing trade facilitation commitments, but they are in fact about to become an obligation according to Article 14 of the future WTO Trade Facilitation Agreement.

The critical importance of concluding the negotiations on the Doha Development Agenda with development-related outcomes that takes fully into account the trade and development needs, challenges and priorities of LLDCs.

The LLDCs are still operating as an informal group in the current negotiations in Geneva and as such do not exercise sufficient pressure to advance issues of LLDCs. There are benefits to formalise the group such as support to accession, recognition of their specific needs and a bigger capacity to push along their concerns.

The LLDC group should broaden its negotiation agenda beyond trade facilitation and market access to include other areas of trade negotiations such as supply side constraints and services.

## **WTO accession**

The accession procedure for LLDCs should be simplified and there is need to take into account the individual levels of development and the special needs and problems caused by the geographical disadvantage of being landlocked during the accession process to the WTO. All provisions on Special and Differential Treatment reflected in the GATT and in all WTO agreements must be effectively granted to all acceding LLDCs.

Documentation and the sharing and dissemination of compilation of experiences and guidelines on WTO accession is important to allow LLDCs to benefit from each other's experiences.

## **Broadening the agenda**

Promoting trade should be addressed in a coherent and holistic manner ensuring that broader aspects of development are also addressed beyond the transport issues. For example efforts to improve the effective participation of LLDCs in the international trading system need to be accompanied by efforts to build productive capacity, promote value addition, diversification, technology transfer, information and communication technologies (ICT), infrastructure development, and improved market access. In this context the Almaty +10 Agenda should look into downstream aspects of trade such as new sectors, and production methods. In addition LLDCs will have to effectively mainstream trade into their sectoral and national development policies.

## **IV. Support of the international community**

Bilateral and multilateral development partners should increase their technical and financial assistance in areas of interest to LLDCs in support of their national efforts to overcome the obstacles imposed by geography and to integrate LLDCs more beneficially into the multilateral trading system and to improve their productive capacities and address supply-side constraints. This assistance should complement LLDCs' national efforts aimed at diversifying the domestic production structure and ensure a better integration into the global economy with competitive goods and services that minimize transaction costs related to the specific geographical situation of LLDCs.

Aid for Trade initiative – is important to reduce the effects of the landlocked condition in their competitiveness and take full advantage of the international trade benefits through building productive capacity, trade-related infrastructure and trade development. The focus on regional, sub-regional and cross-border issues in Aid for Trade should continue to be a priority because of the reliance of LLDCs on multi-country transit corridors.

The next Global Review in July 2013 with the theme 'Connecting to Value Chains' should map out the assistance provided to LLDCs and identify strategies for LLDCs to better access and exploit the potential benefits which value chains offer to them.

Development partners should effectively support the Aid for Trade initiative, giving adequate consideration to the special needs and requirements of LLDCs. Areas of urgent support to LLDCs include: trade related supply-side constraints of landlocked developing countries, implementation of trade facilitation measures, building human and institutional capacity to enable LLDCs to take advantage of trade opportunities, and establishment of efficient transit transport systems in all landlocked regions.

Further strengthening of South-South cooperation and triangular cooperation as a means for diversified trade opportunities, additional foreign direct investment flows that contribute to the sustainable development of LLDCs, as well as cooperation in the transfer of appropriate technology is important.

Organizations of the United Nations system, in particular OHRRLLS, UNCTAD, UNDP, UNIDO, the UN Regional Economic Commissions and other international organizations, especially WTO, WCO, CFC, IRU, ITC, the World Bank, OSCE, the Regional Development Banks, and Regional Economic Communities, are invited to strengthen, within the context of their respective mandates, their efforts to help mitigate the constraining development effects of landlockedness and to provide more and better targeted technical assistance for the structural transformation of the LLDC's economies.

Relevant United Nations and other international organizations should provide greater support for the strengthening of the negotiating capacities of LLDCs and their ability to implement trade facilitation measures and to ensure their effective participation in the World Trade Organization trade negotiations.

## **New and emerging challenges**

LLDCs need to be prepared to face the new and emerging challenges and boldly grasp opportunities. The international community should support the LLDCs to address the negative impacts of climate change on the availability of natural resources, in particular water and arable land. Desertification, land degradation and scarcity of water for human

consumption as well as for industrial and agricultural purposes pose a real threat to the livelihood of future generations in many LLDCs.

### **Unfinished agenda**

LLDCs continue to face problems associated with their geography, in particular trade transaction costs that have persisted to be problematic. There is also a new landscape for international cooperation where emerging economies are playing a bigger role in international trade, technology transfer, investment and policy making. New partnerships should provide win-win solution. Transit cooperation should be considered not only about access of LLDCs but also access for others to LLDCs' markets and resources.

### **The Almaty Programme of Action for Landlocked Developing Countries**

Efficient and effective preparations and successful organization of the 2014 comprehensive 10 year review conference of the Almaty Programme of Action is important as outlined in the General Assembly resolution 66/214.

Landlocked and transit developing countries and their development partners are encouraged to take a very active role in the preparatory process and attend the comprehensive 10 year review conference in 2014 at the highest possible level.

The comprehensive ten-year review conference should come up with a successor programme of action which outlines concrete and comprehensive measures and actions to be pursued by LLDCs and their partners to enable the LLDCs to integrate more effectively into the global trading system and move closer to achieving the internationally agreed development goals.

The relevant United Nations Organizations and other international organizations, particularly UN-OHRLLS, UNCTAD, UNDP, UNIDO, the UN Regional Economic Commissions, WTO, the World Bank, ITC, ITU, WCO, CFC, IRU, regional development banks, regional organizations, regional economic communities, national parliaments, the private sector and other stakeholders are invited to support and provide inputs to the preparation of a successor programme of action of the Almaty Programme of Action.

Donor countries and the international financial and development institutions are invited to make voluntary contributions to the Trust Fund established by the Secretary-General to support the activities related to the follow-up to the implementation of the outcome of the Almaty International Ministerial Conference, as well as the participation of LLDCs in the preparatory process and in the comprehensive ten-year review conference itself.

## **SECTION TWO**

# **STATEMENTS DELIVERED AT THE OPENING SESSION OF THE HIGH-LEVEL GLOBAL THEMATIC MEETING ON INTERNATIONAL TRADE, TRADE FACILITATION AND AID FOR TRADE**

## **STATEMENT BY H.E. DR. NAM VIYAKETH, MINISTER OF INDUSTRY AND COMMERCE, LAO PEOPLE'S DEMOCRATIC REPUBLIC, CHAIRMAN OF THE GROUP OF LLDCS**

Honorable Ministers, Distinguished Ladies and Gentlemen,

I would like to welcome you all here today for the High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade. We meet today after an intense day of consultations within our Group which led to the adoption of our Fourth Trade Ministers Communiqué. This important document, which I hope can be submitted as the LLDCs' contribution to our thematic meeting today, encapsulates the vision of the LLDC Group on the areas that need most urgent action if we are to truly foster the fuller integration of the LLDCs in the world economy.

The main objective of the Meeting is to substantively assess the progress achieved in the implementation of the third priority area—international trade and trade facilitation of the Almaty Programme of Action. We will take this opportunity to examine the major achievements and constraints experienced by the LLDCs and identify the opportunities for further actions. We are aiming to come up with recommendations in the area of international trade, trade facilitation and aid for trade with a view to further advance the goal of fully integrating the LLDCs into the multilateral trading system.

The Group of LLDCs is ready to engage constructively in the task of preparing effectively and efficiently for the 10-year review conference of the implementation of the Almaty Programme. We are ready to contribute with our national experiences along with our Group vision to an assessment of what has been achieved so far, what could have been done better with a view to identify recommendations for future actions on this third priority area of the Almaty Programme. We look forward to 2 days of interactive debates, expert presentations and country best practices.

This meeting provides a critical opportunity to renew the Almaty spirit of partnership. We need that spirit to accompany us throughout the preparatory process over the next two years and to culminate in the adoption of an enhanced new action framework that will redefine priority areas and concrete measures to ensure that LLDCs are set on a sustainable path towards a better future for their people.

As always, I hope this high level meeting will allow a frank and open discussion on issues that concern us—the LLDCs and help to find the best way to support our efforts in better integrating into the global trading system and realizing our trade potential.

In conclusion, I would like to once again thank our development partners, the United Nations system organizations, other international organizations, the regional development banks, and other stakeholders for their efforts in assisting the LLDCs to remove barriers to trade in our countries.

Thank you for your kind attention.

## **STATEMENT BY H.E. AMBASSADOR MANUEL MARIA CACERES, VICE-MINISTER OF ECONOMIC RELATIONS AND INTEGRATION, PARAGUAY**

Distinguished Delegates, Ladies and Gentlemen:

The delegation of Paraguay has the great honor to participate in this thematic event today. The Millennium Declaration and the Almaty Programme of Action have helped to sensitize the international community about the implications of not having direct access to the sea and much has been done. However we still have a long way to go. We need to work together to assess and review the development agenda and the new challenges that are faced by LLDCs in order to develop a relevant successor program.

In the almost ten years since the adoption of the Almaty Programme of Action, the world has changed, and the international economic environment is not the same. In addition to the ongoing challenges, new challenges have emerged that are having a negative impact on LLDCs and that should be covered in the future program of action to be adopted by the Ten Year Review Conference. Among them, let me mention five of them.

Access to international networks of communication technology and data transmission lines: We must overcome major challenges to make globalization effectively contribute to the inclusion and empowerment of our people. The international networking communication technology is the greatest architect of accelerating globalization and transmission of knowledge and is a new medium for international trade that needs to be prioritized. We emphasize that optical fibers provide a cost effective means of telecommunication. In this regard, planning and laying of optical fiber requires close international cooperation between landlocked and transit developing countries. We believe that the new programme of action must provide LLDCs with increased access to the use of information and communication technologies.

Another emerging challenge arises from the energy crisis. The world seeks new ways of generating energy, requiring large investments in research and development. Paraguay is a producer of clean energy, which has enabled it to provide technical assistance and share experiences, but also requires transit facilities and infrastructure to market their energy internationally. In this regard, it is important to collaborate with transit countries for the free transit of energy.

Another issue that has been mentioned in several of our statements is the need for technology transfer and cooperation to reduce the impact of climate change and further our ability to adapt to this situation. Many of our countries suffer flooding or desertification. Also in this area of things, I would note that LLDCs suffer high operational and transport costs affecting the competitiveness of their trade with overseas markets and therefore need to urgently develop infrastructure for transit systems and transport services that are socially, economically and environmentally sustainable.

An indicator of the need for special attention in LLDCs is that our group continues to be unattractive to international investment. According to UNCTAD's World Investment Report, the entire flow of investments in 2010 to LLDCs was 26 billion USD amount lower than other developing countries attracted taken singularly. For example Singapore received 38 billion. Several factors explain why we fail to attract FDI such as remoteness from major markets, transportation problems, lack of skilled labor, and lack of purchasing power among others. The successor program of action should not be oblivious to this situation

Services are very important for LLDCs. Services is an area where distances can lose their importance. The use of technology, banking, call centers, tourism and other sectors are where the landlockedness has no implication whatsoever. It is time to advance the study of the potential of trade in services.

Aid for trade: The importance of trade in creating opportunities for the people is undeniable, therefore, we should pay special attention to the needs of LLDCs in the allocation of Aid for Trade. The share of exports of LLDCs in total world exports remains around 1%. The road transport infrastructure is the one mainly used for transporting export goods however in most of our countries the proportion of paved roads still does not reach 50%. We need large investments to improve our production capacity, our compliance with international standards and improve our connectivity to the world. In that sense, it is essential for development partners to increase their commitment to Aid for Trade. In this

regard, we urge the WTO to undertake a mapping of the assistance provided to developing countries that are landlocked and give priority to address our special situation within the fourth global review.

On the other hand, we must work in coordination with international financial organizations, seeking support for transit transport infrastructure development in order to implement what is already established in the Almaty programme. International agencies should develop a project towards developing short and long term needs for landlocked developing countries.

Finally, it is important to remember that the Millennium Declaration specifies the three UN vulnerable groups, the least developed, landlocked developing countries and small island developing states. The situation of LLDCs is a permanent situation, to which we are destined. Wisely, the Millennium Declaration picked the special situation of the three most vulnerable groups. We need cooperation with transit countries in all matters relating to trade facilitation and infrastructure.

Finally, I invite you all to work together, to make our future program become a real engine for development. We have an important opportunity in our hands, we must work together towards overcoming all our difficulties.

Thank you very much.



## **STATEMENT BY H.E. MR. GYAN CHANDRA ACHARYA UNDER- SECRETARY-GENERAL AND HIGH REPRESENTATIVE FOR THE LEAST DEVELOPED COUNTRIES, LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES**

Honourable Ministers, Distinguished Ladies and Gentlemen,

At the outset, allow me to express, on behalf of the Secretary-General of the United Nations and on my own behalf, my heartfelt thanks to the Government and People of Kazakhstan for graciously and generously hosting this thematic meeting on international trade, trade facilitation and aid-for-trade. It is so fitting that this is being convened as the very first intergovernmental preparatory meeting to the comprehensive 10-year review Conference on the implementation of the Almaty Programme of Action in Almaty itself.

Coming from a landlocked, least developed country myself, and with the conference less than two years away, I can assure you that the LLDC agenda will be high on my priority list. I will ensure that effective substantive preparations are undertaken with a view to laying solid ground for a successful 10-year review Conference in 2014.

Let me also take this opportunity to thank the representatives from landlocked and transit developing countries and donor countries for accepting our invitation to participate in this meeting. My deep appreciation also goes to the representatives of the UN system organizations and other international organizations for their tireless, concrete efforts and contributions towards the achievement of the Almaty Programme objectives.

Inherent geographical difficulties, and poorly developed transport, communications and border management and logistics systems, in both landlocked and transit developing countries, hamper productivity, growth, and poverty reduction.

Notwithstanding the progress made in economic and trade performance by many LLDCs, since the adoption of the Almaty Programme in 2003, their economies have not undergone the desired structural transformation, as shown by LLDCs' continued dependence on a few, unprocessed export commodities with lack of competitiveness. This leaves them in an extremely vulnerable position in the face of persistent global crises.

As extensively shown in economic literature, high trade transaction costs lie at the core of the continued marginalization of the LLDCs in the world economy. This underscores the crucial importance of trade and transport facilitation measures for LLDCs and their coastal neighbours.

Of course, trade and transport policies must be embedded into each country's broader development strategy and agenda for inclusive and sustainable growth. Trade facilitation measures do not require enormous capital unlike infrastructure development. But political commitment and leadership, and domestic ownership are key. This must be supported by technical and financial cooperation.

Policies to enhance domestic competitiveness of LLDCs should be vigorously pursued through investment in building productive capacities and reducing commodity dependence. In this context, policy interventions are needed to instigate a change in the mix of LLDCs' exports towards a higher share of services and products representing low volume, high value goods. This would help reduce the additional transaction costs that LLDCs incur in international trade owing to market distance and transit hurdles.

While the geographical distance from world markets cannot be changed, the distance has been compounded by inefficient logistics systems that should be urgently addressed and corrected, through well thought-out reforms of transit policies, liberalization of transport services, enhanced cooperation among all agencies involved in border management and the coordinated implementation of trade facilitation measures at the sub-regional levels.

Simplification, standardization and harmonization of documentation requirements, creation of one-stop border posts, automation of customs, reform of trucking regulations, establishment of inland clearance centers and dry ports to

anticipate clearance procedures – these are just a few, concrete measures that have been shown to work very well in reducing inefficiencies and speeding up of the flow of trade.

Efforts by landlocked and transit developing countries should receive full and enhanced level of support by the international community.

Duty-free quota-free market access should be granted to goods originating from LLDCs to mitigate high trade transaction costs stemming from their geographical disadvantages. This should be coupled by the broad application of transparent and development-friendly preferential rules of origin to increase the utilization rate of current preferential tariff schemes and serve as an additional incentive for foreign direct investments in LLDCs.

Aid for Trade flows should be more demand-driven. While landlocked and transit developing countries should increasingly develop integrated, trade and transport infrastructure projects with a corridor-based approach, bilateral and multilateral donors should provide additional and predictable aid for trade flows to support requests for trade-related capacity-building and implementation of trade facilitation measures in LLDCs.

In the WTO context, a development-supportive accession of LLDCs should be ensured through targeted technical assistance with balanced commitments and longer transitional arrangements for LLDCs.

The current WTO negotiations on trade facilitation represent an enormous opportunity for LLDCs – one that must not be missed. Concerted efforts must be strengthened to ensure an ambitious outcome and better conditions for transit trade. I appreciate the efforts made by Paraguay in Geneva in this regard.

Relevant United Nations and other international organizations should provide greater support for the strengthening of the negotiating capacities of LLDCs and their ability to implement trade facilitation measures.

As we approach the 10-year comprehensive review of the implementation of the Almaty Programme, I invite you to carefully identify, in a coherent and holistic manner, broad strategies and concrete measures that can accelerate LLDCs' sustainable development and fuller integration into an increasingly complex and highly interdependent world economy. We should bear in mind that your deliberations, as contained in the outcome document of this meeting, will provide substantive input and guidance to the preparation of the final outcome of the conference in 2014.

We need to aim high, to an ambitious, results-oriented partnership framework for the new decade, one that addresses LLDCs' development needs and challenges in their broadest sense, rooted in the realities of our countries and strongly supported by the international community. High level of commitment and national leadership is crucial. Equally important is a comprehensive and enhanced level of support from the international community to complement these national efforts.

Only through genuine and focused engagement by all stakeholders, I am convinced, the LLDCs will be able to overcome their geographical disadvantages, unlock their potential and become active and successful participants in the international economy.

Let me conclude by assuring you that the UN System as a whole will be a fully supportive partner in this noble endeavour. I thank you for your attention and wish you success in your deliberations.

## **STATEMENT BY MS. VALENTINE RUGWABIZA, DEPUTY DIRECTOR-GENERAL OF THE WORLD TRADE ORGANISATION**

I thank the Government of Kazakhstan and the office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States for inviting me to participate in this important dialogue on International Trade, Trade Facilitation and Aid for Trade.

The Almaty Declaration and the mid-term review of the operationalization of its main pillars correctly placed trade as one of the central conduits for LLDCs to achieve greater economic development and further global economic integration. There are three vantage points from which we can examine the role of trade. One is at the multilateral level, specifically the work in the WTO. The second is at the regional level given the crucial role that regional integration can play in economic development. And the third is at the national level- what countries themselves can do to better harness the potential of trade for development. All of these elements are interrelated and a 'whole of economy' approach to trade is the best lens through which to truly harness its catalytic potential.

At the global level the picture is mixed at best. With countries still recovering from the economic slowdown and recent reports showing the persistence of the euro-zone crisis, the international economic and trade reality remains tenuous. From the perspective of the WTO, efforts continue to be made to see how best to address elements of the Doha Development Agenda (DDA) which can potentially be harnessed while remaining true to the spirit of the single undertaking. Since the 8<sup>th</sup> WTO Ministerial Conference in December 2011, work at the WTO has continued along these lines with Members seeking to strengthen the monitoring and surveillance functions of the organization while also working towards potential deliverables in other key areas. The work on Trade Facilitation continues steadily and preparations are under way for the 4<sup>th</sup> Global Review of Aid for Trade in July 2013. However, work on the market access pillars of the DDA have not progressed to the extent that many Members would have wished. With this mix at play the question is what can LLDCs, as a group and as individual countries, focus on in the negotiations and what are some of the deliverables for these Members?

The Almaty declaration and the 2008 General Assembly Resolution on its mid-term review addresses a number of issues related to the work of the WTO. On market access issues there is a call, for example, for particular attention to be given to the products of special interest to LLDCs. On accession there is a call for further acceleration of the LLDCs' membership to the organization requesting that the accession process takes into account the special needs and problems caused by LLDCs' geographical disadvantage.

In the area of non-agriculture market access individual LLDCs have been active in the negotiations and have been able to safeguard their positions. This holds true especially for those land-locked countries that had recently acceded to the WTO such as Armenia, Former Yugoslav Republic of Macedonia, Kyrgyz Republic, Moldova and Mongolia. These countries secured guarantees from Members that they will be exempt from applying the tariff reduction formula as stipulated in the April 2011 text as Members agreed that these countries had already made significant tariff reductions overall in their WTO accession commitments. Other LLDCs such as Paraguay and Bolivia can benefit from the flexibilities negotiated for small, vulnerable economies and the least-developed LLDCs will not be expected to apply the formula.

In the area of agriculture specific mention is made of LLDCs in the disciplines on food aid transactions in both emergency and non-emergency cases. In addition least-developed LLDCs and those defined as small, vulnerable economies, benefit from enhanced Special and Differential Treatment.

In Services, although there is no specific mention of the term 'landlocked country' in the draft text of April 2011, these negotiations are potentially of extreme importance to the LLDCs especially in the areas of telecommunications and transportation, including air transport services. These sectors are crucial for the further economic development of LLDCs. A recent study by the World Bank (July 2012) entitled 'Land-Locked or Policy-Locked – How Services Trade Protection Deepens Economic Isolation' concludes that many LLDCs restrict trade in the very services that connect them with the rest of the world. It found that on average, telecommunications and air-transport policies are significantly more restrictive in LLDCs than elsewhere, especially in Sub-Saharan Africa. The study surmises that even moderate

liberalization in these sectors could lead to an increase of telecom cellular subscriptions by 7 percentage points and a 20 percent increase in the number of flights. It may be useful for you to consider further work in this area to determine whether LLDCs could be demandeurs in the Services talks.

In the area of Accessions, the WTO General Council in July this year, adopted a decision to clarify and strengthen the guidelines for LDC accession. This decision will bring greater clarity to LDCs in accession but importantly does not affect the rights and obligations of other WTO Members, including LDCs, with regard to existing Agreements and DDA negotiations. The Decision is explicitly for the purposes of negotiating with acceding LDCs.

2011 and 2012 have been particularly successful for WTO accessions. Four governments successfully completed their accession processes- Samoa, Montenegro, the Russian Federation and Vanuatu. Since the establishment of WTO, 6 LLDCs have acceded to the organization- Mongolia, Moldova, Kyrgyz Republic, Macedonia, Armenia and Nepal. When examining the trade data, all of these countries have increased their trade in goods and services since then. For Macedonia, Armenia and Nepal accession to WTO coincided with a boom in their export performance. Macedonia for example went from a total trade value of US 3.5 billion in 2002 before they joined WTO to a total of US 13.2 billion in 2011. Similarly Nepal, an LDC, went from almost US 3 billion in total trade for 2003, the year before its accession, to US 8 billion in 2011. Of course other factors such as the increase in prices for commodities may have contributed to the increase in the value of exports but, nevertheless, these figures show that WTO accession is important in creating new trade opportunities.

Accession to the WTO has many benefits. At a “macro” level, WTO membership lends added credibility to government policies and sends clear signals to investors about a country’s commitment to an open economy. Adopting the multilateral framework of rules and regulations contained in the WTO rulebook can encourage both the inflow of foreign investment and the transmission of technological know-how. At the “micro” level, domestic businesses stand to benefit a great deal from the establishment of a transparent and predictable trade environment, which results from the conclusion of the WTO accession process. Hence, the domestic reforms necessary in WTO accession can provide a foundation and a tool to enhance a country’s competitiveness. Accession also facilitates a deeper and more meaningful regional integration process by ensuring that all Members of a regional integration arrangement are bound by a series of multilateral requirements.

Indeed, WTO membership is a catalytic process serving as a vital instrument to lock-in reforms, promote better governance and facilitate more structured international cooperation. To quote the WTO Director General in a speech he delivered at the University of Addis Ababa in June this year ‘each accession responds to the specific needs of each acceding government. There is no “one-size-fits-all”. In accession negotiations, the objective shared by WTO Members and acceding governments is to reach a “win-win” agreement that benefits everyone, reinforces the disciplines of the Multilateral Trading System and promotes faster and sustainable economic growth’.

Let me briefly address Trade Facilitation and Aid for Trade- two issues that I intend to further elaborate on during the later sessions devoted to them. The positive role which enhanced and streamlined Trade Facilitation procedures can play in the economic development of LLDCs is one of those ‘unquestionable truths’. The Almaty Declaration rightly places this at the heart of the programme. It is simple mathematics. If the cost of exporting from or importing into Country A is more expensive than Country B, Country A will be less competitive, less attractive to investment, and will find it more difficult to move up the value chain than Country B.

Individual LLDCs have been active participants in the Trade Facilitation negotiations in supporting substantive proposals in the three Articles under negotiation- especially in the area of Transit- but also in the Special and Differential Pillar which has the potential to transform the way that trade agreements are negotiated by focusing on building capacity of developing countries rather than seeking to secure exemptions. Trade Facilitation can be a major deliverable for LLDCs and I urge you to continue to address this as a priority.

Very much linked to Trade Facilitation and the hard and soft infrastructure it requires, is Aid for Trade. Aid-for-Trade commitments to LLDCs have risen steadily since 2002-2005. Total commitments to LLDCs in 2010 stood at US\$ 9.1 billion – a more than 100 per cent increase over the original baseline figure of US\$ 4.1 billion.

The 4<sup>th</sup> Global Review in July 2013 will focus on harnessing value chains and ensuring a greater role for the private sector in Aid for Trade and in Investment for Trade. I expect that the LLDCs will have a great deal to contribute to that process.

In closing, I once again thank you for this opportunity to dialogue with you on these issues and I look forward to further discussion today and tomorrow.

## STATEMENT BY MR. MARTIN MARMY, IRU SECRETARY GENERAL

Dear Ladies and Gentlemen, Friends and Colleagues.

I am pleased and honoured to speak in the name of the International Road Transport Union (IRU) at the opening session of the High-Level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade, organized in the beautiful and friendly city of Almaty.

According to the agenda, this meeting has the important mission to review the progress achieved in the implementation of the third priority area of the Almaty Programme of Action and to come up with specific recommendations. All these recommendations will represent a substantial input for the preparation for the Ten-Year Review Conference to be held in 2014. For all these reasons, the IRU which represents 180 members in 74 countries is really proud to be one of the partners of today's important event.

In a nutshell, allow me to inform you that the IRU has actively participated in the implementation of the Almaty Programme of Action since its adoption by the Ministerial Conference of Landlocked and Transit Developing Countries held in Kazakhstan in 2003. This is why, right from the outset, the IRU has considered the Almaty Programme as an important core element of the international policy for facilitating road transport and enabling trade growth and development under the new market competition resulting from the globalisation process.

For all these reasons, the IRU was immediately ready to work hand in hand with the governments concerned in order to effectively help the LLDCs to benefit directly from the UN Millennium Development Goals.

Indeed, as a result of globalisation and increased global competition, road transport is not only a transport mode but has become a real production tool catalysing in every country, including the countries involved in the Almaty Programme of Action, economic growth and trade development. Taking into account that following globalization more than 85% of trade in manufactured products is currently distributed to the various markets by sea containers, the facilitation and development of road transport is even more important for LLDCs. In fact, if many countries are landlocked to sea transport, no country is landlocked to road transport! That's why we are working together, as we say at the IRU, every country –without major investment – could become very well connected by land to all the production centres and all the main markets.

Concerning road transport and trade facilitation, allow me to inform you that there is still some major work to be done. In order to better know the situation, the IRU has, in the framework of the IRU New Eurasian Land Transport Initiative (NELTI), undertaken several important scientific studies since 2007 on several trade itineraries between Europe and Asia.

As regards non-physical barriers to trade development, the results of the NELTI study are explicit. In fact these studies demonstrate that more than 40% of total transport time is lost at borders due to a lack of harmonisation and inappropriate border crossing procedures. Even worse, according to these IRU studies, these very long waiting times appear to be the best incentive for the development of illegal practices at the border points.

Currently, on all these itineraries, the fleet operators are obliged to pay between 35 and 38% of the transport costs, as unauthorised illegal payments at the customs points, in order to speed up the required border formalities.

For all these reasons, and in order to implement more appropriate procedures, the IRU is ready to share its 60 years of successful experience in trade and road transport facilitation through the development of effective public-private partnerships.

For the IRU and its Members it is obvious that the promotion of the activities and services provided by the road transport are and will remain an important part of the success of the Almaty Programme.

According to the IRU experience, the facilitation and development of national and international road transport are the

best tools to ensure in all countries – and in particular in LLDCs – the required trade growth and economic development to improve the welfare of their citizens. This is why the IRU is committed to continue its active participation in the realization of the Almaty programme according to its motto “Working together for a better future”.

Ladies and Gentlemen, allow me to conclude by thanking the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLS) and the Government of Kazakhstan for organizing this meeting, for the hospitality provided to each participant and for being an excellent partner.

I am sure that there are a lot of other interesting issues which need to be discussed and questions which need to be answered during these two days here in Almaty and I would like to wish all the participants a fruitful meeting.

Thank you for your kind attention!

**SECTION THREE**

**KEY ISSUES PERTAINING TO THE  
TRADE POTENTIAL OF LANDLOCKED  
DEVELOPING COUNTRIES**



# KEY ISSUES PERTAINING TO TRADE AND DEVELOPMENT OF LANDLOCKED DEVELOPING COUNTRIES

*By Ms. Heidi Schroderus-Fox, Director, UN-OHRLLS*

This presentation covers three key points: First, it sets out some reasons why it is important for landlocked developing countries to expand trade beyond current levels; Second, it briefly presents some of the challenges faced by landlocked developing countries as they seek to harness trade opportunities and improve their overall sustainable development; and Third, it provides recommendations on ways to enhance the ability of LLDCs to promote and enhance their trade opportunities.

## **The reasons why LLDCs should expand trade beyond current levels**

It is well recognized that trade creates opportunities for accelerated growth, improved productivity, employment creation, poverty alleviation and overall sustainable development. Trade enables countries to specialize and export goods that are cost and quality competitive. Trade is also a key source of financing for development, together with ODA and debt relief.

During the period 2003 to 2010, the LLDCs as a group experienced GDP annual growth rates between 5 and 7 percent. It is important to note, however that growth was uneven, fluctuating to as low as 3% due to the characteristic high commodity dependence that many LLDCs face, and the associated high vulnerability to commodity price volatility. It is crucial for LLDCs to achieve economic growth that is more stable and more sustainable. In order to do so, productive capacities must improve and structural transformation must occur. Increased trade can help to achieve these aims.

With respect to social development, LLDCs have made progress towards reaching some of the targets of the MDGs as evidenced by a steady improvement in primary education, access to clean water and some gender equality indicators since 2003. However significant gaps remain. In 50 percent of the LLDCs, the proportion of the population living under \$1.25 per person per day is greater than 20 percent. Progress is slow on reducing hunger, child and maternal mortality and improving access to sanitation. The LLDCs are all heavily affected by climate change, deforestation, land degradation and desertification. These are all areas that require more resources in order to improve social welfare. It is critical for LLDCs to search for new ways to unlock their trade potential so they can accelerate economic growth, reduce poverty, and improve the quality of life for their citizens.

## **Challenges faced By LLDCs as they seek to harness their trade potential**

The challenges that limit the competitiveness of LLDCs include among many the lack of access to the sea; remoteness from major markets; infrastructural bottlenecks in transit transport, energy and communication; cumbersome customs and border-crossing procedures; inadequate regulatory frameworks; as well as weak legal and institutional arrangements and inefficient logistics systems. These challenges result in high transport and trade transaction costs that undermine the competitiveness of LLDCs, and they act as a significant drag on investment and entrepreneurship.

LLDCs are affected by other supply-side constraints such as limited productive capacity, reliance on primary commodities, lack of value addition to exports, inability to meet international standards – including sanitary and phytosanitary standards-, inadequate technology and know-how, and limited access to finance. LLDCs also face problems of market access including barriers caused by trade-distorting policies on tariffs and subsidies imposed by both developed and developing countries in the global markets.

Since the adoption of the Almaty Programme of Action in 2003, LLDCs in cooperation with transit developing countries and with support from development partners, have been working to address many of these constraints. Joint actions have included initiatives to restore macroeconomic stability, promote efficient transport systems, improve electricity generation and access, modernize telecommunications services and streamline and harmonize transit border facilities and procedures to increase efficiency. These efforts have resulted in a measure of economic progress, yet the gaps remain large, and the resources required are considerable.

### **Ways to enhance the ability of LLDCs to more effectively harness trade for development**

More investment is needed in the development and maintenance of physical transport infrastructure, energy and communications systems in LLDCs in order to ensure a secure, reliable and efficient transit transport system and enhanced intraregional connectivity. Expanded avenues for South-South cooperation should be more intensively explored, notably through deeper regional integration via intra-regional trade. Economic, financial and legal incentives that encourage FDI and encourage private sector participation should be promoted. LLDCs stand to benefit from enhanced ODA transfers and Aid for Trade both of which can help to improve productive capacities and address supply-side constraints.

Furthermore, LLDCs would greatly benefit from increased technical and financial assistance from the United Nations to effectively participate in international trade discussions and negotiations, including support during the accession process to the WTO.

There is a continuing need to promote trade facilitation in order to reduce transit and trade transaction costs. To this end, initiatives such as the creation of one-stop border posts, and the establishment of inland clearance centres, or dry ports, that have been proven effective and should be replicated. The ongoing negotiations under the Doha Development Round should address the trade facilitation needs of LLDCs.

Efforts are needed to improve access to agricultural and non-agricultural markets for products of interest to LLDCs, including through the elimination of non-tariff barriers to LLDCs' exports. Competitive productive supply capacities need to be promoted, and export diversification in LLDCs is needed.

Finally, trade promotion should be addressed in a holistic manner through stronger coordination among the various development actors and in close consultation with the private sector. Trade should be promoted within the context of national development strategy formulation, implementation and follow-up. These constitute some of the important issues to be addressed in the upcoming ten year review conference of the Almaty Programme to be held in 2014.

# UNCTAD'S PERSPECTIVE ON HOW TO UNLOCK THE TRADE POTENTIAL OF THE LLDCS

*By Mr. Taffere Tesfachew, Director Division on Africa, LDCs and Special Programmes UNCTAD*

The topic of trade and LLDCs has been in UNCTAD's work programme ever since the establishment of the organization in 1964. Since then, UNCTAD has undertaken extensive analytical work and technical assistance activities in the areas of transport policies, trade facilitation and transit trade—with a focus on supporting the development of transit corridors, modernization of customs operations (through, for example, ASYCUDA, which is now operational in nearly 90 countries), installation of cargo tracking system, assisting LLDCs in their negotiations in the GATT, the Uruguay Round, and more recently the Doha Round and also in their accession to WTO. UNCTAD still runs a transport and trade logistics programme, which convenes multi-year expert meetings on transport and trade facilitation with special focus on LLDCs.

The recent UNCTAD Ministerial Conference (UNCTAD XIII) held in Doha, Qatar has endorsed that the UNCTAD secretariat should continue to assist landlocked and transit countries and address challenges affecting their participation in trade. We will apply the extensive experience and expertise that the organization has accumulated over the years to ensure that these mandates are fulfilled.

The main objective of this paper is to contribute to the identification of the key issues that should be addressed in a future work programme and to develop a common understanding and position on policies and strategies that could help LLDCs to turn trade into an engine of economic growth and inclusive and sustainable development.

LLDCs face both “persistent and emerging” challenges. As we all know, the persistent challenges are related to their geographical location, which has been the main factor hindering their ability to take advantage of trading opportunities and to develop internationally competitive products. Understandably, the programme and policy orientation of LLDCs and the support that they have received from development partners in recent past have concentrated on the development of trade-related infrastructure and improvements in customs and trade facilitation system. In this respect, it may appear as if the challenges facing LLDCs are not different from those faced by other developing countries. After all, lack of adequate infrastructure, including efficient transport network, is a major constraint not only in landlocked but also other developing countries.

However, there is one big difference – and that is – in the case of LLDCs, the success of their efforts to improve transport network and reduce transaction costs by creating an efficient trade facilitation system is dependent on similar efforts and the level of efficiency in transit countries. Therefore, as rightly highlighted in the Almaty programme, the ability of LLDCs to harness their trade potential is closely linked with the state of transport network and the efficiency of trade facilitation system in neighbouring transit countries.

In the next two to three days, much of our discussion will be on ways to address these “persistent” challenges, which continue to hinder the trade potential of LLDCs. However, at UNCTAD, we believe – in line with the emerging consensus – that a new Programme of Action for LLDCs should also address broader but-related issues that go beyond the legitimate traditional concerns related to transport, trade facilitation and transit facilities. Trade is a multifaceted activity and harnessing its potential requires the development of diverse capabilities that range from –building the capacity and knowledge to produce goods that give countries competitive advantages –to –developing efficient delivery systems.

New or emerging challenges that deserve extra attention in the preparations of the Ten-Year Review Conference of the Almaty programme because of their direct impact on the “persistent concerns of landlocked countries.

First, a new approach to development strategy is needed to ensure that the policies adopted to assist LLDCs reflect the rapidly changing global economic environment. Since the Almaty programme of Action was adopted 10 years ago, the global economic environment has changed fundamentally and in ways that have serious consequences for trade, growth, employment and poverty reduction. For example, rising energy prices and its impact on transport has become

an important feature of the global economy that policymakers, in particular in LLDCs, have to contend with or cannot afford to ignore. There has also been an increase in the frequency of extreme weather events – due largely to climate change - with policymakers increasingly concerned about how this may affect future growth and the sustainability of trade-led development. This, in turn, has drawn attention to possible damages to the natural environment from infrastructure development, which has implications for LLDCs that are still developing their physical infrastructure. Furthermore, the recent global economic and financial crisis has increased macroeconomic instability and eroded some of the gains made from trade since the beginning of the new millennium. How these recent developments affect LLDCs and what types of additional support they need to mitigate the negative impacts would need careful assessment.

Second, policies and strategies for building productive capacities that would enable LLDCs to produce tradable goods that are less dependent on the very constraint that they face should be given greater attention. Despite the recent favourable economic growth - driven mainly by commodity boom - the economies of LLDCs as a group have shown little progress in structural transformation. They continue to rely on commodity exports and, as noted earlier, two products alone- crude oil and natural gas – account for 60 percent of the total exports of LLDCs. Trade in services continue to play a marginal role. The issue of economic diversification and structural transformation should be given a renewed emphasis and greater attention. There is no graduation from “landlockedness” – progress is measured by the advances made in building productive capacities and attaining structural transformation, which are critical for unlocking the trade potential of LLDCs. Structural transformation occurs through a complex socio-economic process, which is not automatic. Lessons from the experience of developed countries and emerging economies suggest that deliberate government action, and more specifically industrial policy and increased private and public investments, are required in order to attain sustainable structural change and trade-led growth.

Third, in developing their infrastructure and trade supply capacity, there is likely to be greater pressure on LLDCs to take the environment into consideration. Therefore, the question of how to develop climate-resilient infrastructure and transport system will be increasingly important. The associated risks and costs of meeting environmental standards may be considerable, in particular for countries with low adaptive capacity, including, of course, LLDCs. Given the long service life of transport infrastructure, effective adaptation in transportation requires serious rethinking of established approaches and practices. Obviously, this also affects transit countries with respect to maritime transport infrastructure. Given that ports handle more than 80 per cent of the volume of world merchandise trade, their integrity and climate-resilience is vital to the ability of all countries – including LLDCs – to access global markets.

Fourth, unlocking the trade potential of LLDCs will require giving priority to the energy supply issue. Most LLDCs continue to face challenges in providing their productive sectors with sufficient, reliable and affordable energy supply. Addressing this challenge requires, among other things, more public and private investments in the energy sector - it also means exploring other innovative ways of financing energy supply. Increasingly, LLDCs will be confronted with an important policy challenge with regard to deciding what mix of traditional, low-carbon and renewable energy technologies will set them onto a sustainable development path, and how the chosen energy strategy will play out in terms of job creation and trade potential. Of particular interest LLDCs are service infrastructures, such as telecommunications and transport, which are highly dependent on energy access. Building technological capabilities for the adaptation, dissemination and use of low-carbon and renewable energy technologies is key to enabling the structural change needed to unlock the trade potential of LLDCs.

Finally in terms of South-South Cooperation and regional integration, we believe that LLDCs will benefit most from development-centred regional integration arrangements– what we call, “developmental regionalism”. The aim of developmental regionalism is to foster structural change and economic growth in member States - both as goals *per se*- and- also as a means of collectively linking the region into the global web of market relations. The experience of developmental regionalism is still in its infancy in most of the developing world, but there are one - or - two examples, which could be used as models for pursuing developmental regionalism in other parts of the developing region.

The Greater Mekong Subregion, a programme coordinated and spearheaded by the Asian Development Bank can be considered a successful example of developmental regionalism. What is interesting about this programme – apart from the fact that its members include LLDCs - is that its core objective goes beyond the domain of trade *per se*, and includes

other – more ambitious forms of intervention, such as coordination of policies for industrial development and linking the region as a whole into global markets through regional value chain mechanism. The basic strategy is to attract private investment to the region and facilitate cross-border trade, technology transfer and tourism by implementing programmes to strengthen regional transport network, communications, energy supply, trade facilitation and human resource development. This form of regional integration links landlocked and transit members of the regional grouping more closely - thereby facilitating a coordinated and collective effort at trade facilitation.

These are only a few of a number of new and emerging issues that should be considered in the context of the preparations for the review of the Almaty programme.

## KEY ISSUES TO UNLOCK THE TRADE POTENTIAL OF LANDLOCKED DEVELOPING COUNTRIES

*By Ms. Virginia Cram-Martos, Director, Trade and Sustainable Land Management Division United Nations Economic Commission for Europe*

Developing connections and working together with neighbours is critical to the success of LLDCs – as witnessed by the interconnected economies of successful developed landlocked countries such as Switzerland, Luxembourg, Slovakia and others. We take this almost for granted and the statement that we live in an, “Interconnected World,” has become overused, trite, and banal to the point of almost soliciting yawns when it is mentioned. At the same time, if you look at global, regional and sub-regional realities, and especially the realities faced by many landlocked countries, I believe it is fair to say that the potential benefits of being interconnected are not being fully realized.

Why do we often fail to take into account the larger, interconnected picture? One reason is that actions have to be implemented at the level of individual persons, individual organizations and individual countries – so we focus on helping and motivating these “individuals” to act. At the same time, we sometimes forget that this is not enough. In order to be effective, we need to expand our horizons beyond “individual” entities to include the larger frameworks of our neighbourhoods, our regions and the world. Being effective requires us to take the time and, very importantly, to commit the resources needed in order to communicate, to coordinate and to work together.

So, how to be interconnected, not just via e-mail, but in real, concrete ways, in order to achieve results, is, a key issue for implementing the Almaty Programme of Action. It is also a key issue for all the United Nations Regional Commissions where an integral part of our work is developing and maintaining regional and sub-regional networks in support of concrete goals. In the United Nations Economic Commission for Europe, or UNECE, we support regional and sub-regional cooperation and interconnections in two ways: First through the development of norms, standards and conventions that can be used as the basis for bilateral or multilateral cooperation anywhere in the world, and Secondly, through implementation of projects that are focused on the UNECE region – Which, has 11 LLDCs, including Kazakhstan.

This paper takes the first 3 priorities under the Almaty Programme of Action and briefly illustrates the importance of being interconnected for their implementation, using activities from the UNECE as examples.

The first priority is transit policy. Transit transport systems, by their very nature, require cooperative arrangements and coordination between countries. In theory, this could be done via multiple bilateral agreements, but this would be costly and inefficient. To address this issue, the UNECE developed the 1975 TIR transit convention which is open to any interested country. After more than 35 years of implementation, the TIR convention now has 68 contracting parties and supports around 3 million TIR transport operations each year, thus widely contributing to trade in our region and beyond. This makes the TIR convention a successful example of the benefits to be gained from broad, rules-based cooperation in the area of trade procedures.

The second priority is infrastructure development and maintenance. Here, in Almaty, you are 4600 kilometres from Berlin and 3100 kilometres from Moscow. In addition, you are 2240 kilometres from the nearest ocean port in Karachi, Pakistan and 2570 kilometres from the second nearest port at Badar Abbas in Iran – and reaching either of these ports will take you through at least three countries. And, even if you reach a seaport, trade between Asia and Europe via maritime transport now has to cope with increasingly congested sea ports and straits. This illustrates the tremendous importance that regional roads and infrastructure have for the LLDCs of Central Asia. The Euro Asian Transport Links (EATL) project began as a joint UNECE and ESCAP project working with 18 countries (this has now grown to 27) across Europe and Asia and it promotes Euro-Asian Transport solutions through coordinated planning, investment and priority setting.

The development of Euro–Asian inland transport solutions is a long-term undertaking that requires strong political will and the commitment of all countries concerned, as well as intensive follow-up work. The results presented in this

Study confirm the strong commitment of the participating countries to a global partnership for development and will provide a solid basis for the future.

To highlight the current state of developments, a Euro-Asian Transport Links study will be launched in 6 months during the Ministerial Meeting of the UNECE's Inland Transport Committee, on 26 February 2013.

The main result of this Study is the updated EATL Investment Plan that can be used by countries as the basis for more detailed national investment strategies. This Investment Plan includes 311 priority transport infrastructure projects along the main Euro-Asian routes for a total cost of US\$ 215 billion. The study also includes the analysis of non-physical obstacles and a comparative study of sea and overland transport options. All these analyses have led to recommendations that can be used as the basis of ambitious trade and transport facilitation programmes.

In addition, the project resulted in the development of an EATL linked Geographic Information System database and related Internet applications that provide a twenty-first century tool to support multi-country investment planning in an innovative way. The Euro Asian Transport Links Project is an outstanding example of partnerships and cooperation both between UN Regional Commissions and between the 27 participating countries as well as of the benefits to be reaped from such cooperation.

The third priority, is International Trade and Trade Facilitation. Often we think of trade facilitation as being linked to procedures and regulations within a single country. However, there are a number of areas where cooperation and coordination across countries can significantly increase the impact of trade facilitation. One is border clearance, where the coordination of procedures by the countries concerned, based upon international best practices and agreements, can significantly reduce waiting and clearance times. UNECE supports cooperation and coordination for border clearance through the UN Convention on Harmonization of Frontier Controls and the joint OSCE and UNECE handbook of best practices at border crossings.

Another is the exchange, between countries, of trade-related data to support transport corridors, expedited clearance, Customs Unions and a range of other trade related activities and arrangements. The UNECE supports this through both its work on trade data standards and its advisory support to member States.

One example of advisory support is work that the UNECE has undertaken with the former Yugoslav Republic of Macedonia where, prior to the break-up of the former Yugoslavia, a shipment from Skopje to Ljubljana (now in Slovenia) took around 7 hours by truck. Today, that same shipment has to pass through several frontiers and can take up to 2 to 3 days. To reduce this time we have been working with the former Yugoslav Republic of Macedonia to streamline their national export procedures, and to develop agreements with other countries in Southeast Europe for data sharing based on a commonly agreed data set for transit goods that should eventually allow the exporting country to forward shipment data to all onward border crossing points, in return for expedited clearance.

There are two other important trade areas where interconnectivity and cooperation play a large role. The first is Aid for Trade. For LLDCs, there is much to be gained in coordinating Aid-for-Trade developments regionally in order to obtain the synergies that I have described earlier and in order to share experiences and support increased regional, south-south (or east-east) trade. This is one of the reasons that UNECE has so strongly supported, together with ESCAP, the SPECA Aid for Trade Initiative in Central Asia.

The second is food security. Ensuring that LLDCs are effectively engaged and represented in the global policy dialogue on this issue, which is of such key importance to their populations, will require stronger political alliances and coordination among LLDCs than what we see today.

The benefits of coordination and working together seem evident and not so difficult – and yet, as we often seem to fail to act in our own self-interest. Perhaps, in part, because working together is not always easy. Neighbouring countries can be like family – you live with them all the time – and so you see all of their imperfections – and they see all of your imperfections. So how do successful families, full of imperfect people, support one another and move forward? Much,

I believe, like successful regions -through common projects and by having neutral places, like the kitchen table, where everyone feels supported and common projects can be identified and discussed.

The United Nations provides a neutral platform, much like the family kitchen table, where countries, with their development partners and other stakeholders, can discuss and develop shared objectives and common projects. The UN regional commissions provide an institutional framework, at a regional and sub-regional level, for these discussions, interconnections and projects as well as for linking regional realities to the global picture. The strength of the Regional Commissions is that we are in the middle, small enough to be aware of individual countries and big enough to see a larger picture, and that is why I believe that we are well placed to work with LLDCs in order to help you reap the greatest possible benefit from being in an Interconnected World.



# TRADE AND LLDCS: KEY ISSUES

*By Mr. Matthew Wilson, Counsellor, WTO*

## Introduction

This paper focuses on 4 key issues which are all of importance to the LLDCS and are of particular relevance to the work of the WTO. These are: Accession, Trade facilitation, Aid for Trade and Elements for Future Consideration.

## Accession to WTO

Accession of non-members is a priority for the WTO's Secretariat and Members. Increasing the membership around the table and ensuring we realize universality of membership is important for ensuring continued legitimacy of international trade rules and regulations. 22 LLDCs are members of the WTO with 6 having acceded since the establishment of the organization in 1994. On WTO's current schedule are 26 countries waiting to accede- all at various levels of readiness. Of these, 8 or 30% are LLDCs. The accession division has developed a priority list for accessions based on the maturity of the process in each acceding government. This is by no means cast in stone but does provide some indication of what we are collectively working towards. For 2012, Kazakhstan is one of the forerunners for 'early accession'. Laos is even more immediate, if all goes according to plan Laos would be welcomed to the WTO membership in 2012. Tajikistan is also a 2012 priority while careful note has been taken of the progress that has been made in Ethiopia and Afghanistan.

There is the somewhat intangible benefit of simply belonging to the global organization which negotiates and monitors international trade rules. It is an opportunity to be at the table. On the domestic front, and based on our internal analyses and that undertaken by and on countries that have acceded we see that accession is an instrument to promote and lock in domestic reforms, a platform for creating a transparent and predictable trade regime and a mechanism to enhance private sector competitiveness.

For investors, the certainty and predictability of doing business with a country that holds itself accountable to agreed rules, regulations and procedures is a priceless commodity. For LLDCs who are already structurally disadvantaged and to whom FDI and insertion in global value chains is key, this is even more invaluable. We have noted that countries that have joined the WTO since 1995 have actually in many respects fared comparatively better than other members. This is obviously not the case for every country but taken as an aggregate we have noted that these countries have performed better, grown faster and coped better with the external shocks of the economic crisis.

As with many impact assessments it is often challenging to show direct attribution but our analysis of 25 members that have acceded post 1995 shows that in the period from 1995 to 2009 the value of merchandise trade and trade in commercial services grew at average annual rates of 13% and 11 % respectively- faster than the growth of world merchandise and services trade at 7% and 8% respectively. In the period between 1995 and 2008 the value of merchandise trade of these 25 members rose by approximately 500% in contrast to world trade which increased by 200%.

Since 2002 following the most active period of WTO accessions where 9 members joined between April 2000 and January 2002- including China- these 9 countries maintained an average annual growth rate of over 20% in the 5 years following their accessions. In all cases merchandise exports of these members outpaced world exports. Even in the recent global financial crisis the decline in the value of merchandise exports of these 25 members was smaller than that of world exports- in 2009 total export value of these members dropped by 21% compared to the 23% drop in world exports.

In the period between 1995 and 2009 the share of world merchandise trade of these members doubled from 6 to 12%. A quick assessment of the trade performance of Macedonia, Armenia, Kyrgyz Republic, Mongolia and Nepal shows a positive trend for at least three of these countries- Macedonia, Armenia and Nepal – since their respective accessions. Of course this is also due to a number of other factors but it is instructive to consider the role that accession may have played. All of that said, accession remains a member driven process based on negotiations at the level of members. The Secretariat remains as always ready to assist where we can.

## **Trade Facilitation**

Trade facilitation is a sine qua non for LLDCs. It is at the heart of the LLDCs' trading reality and is at the heart of finding solutions to some of the constraints you face. The negotiations in Geneva are focused on 3 elements of the wider trade facilitation library- fundamentally the soft infrastructure components of trade facilitation. Article V Article VIII Article X Transit matters are an important element of the negotiations and one which the LLDCs have been particularly focused on.

In addition the SDT pillar is a new and dynamic approach to addressing special treatment for DCs in trade rules, it focuses not on exemptions but on building capacity to implement. If there is general agreement that stronger and more transparent trade facilitation rules are good for all countries, are good for importing and exporting processes, aligns the priorities of the private sector and investors then having exemptions defeats the purpose- the key is to ensure all can implement and all can benefit.

## **Aid for Trade**

Aid for Trade (AfT) to LLDCs has risen steadily since the baseline date of 2002-2005 reaching 9.1 Billion in 2010 with the majority of this going to LDCs and the LLDCs in SSA. Afghanistan, Ethiopia, Uganda, Nepal and Burkina Faso were the top LLDC recipients and a full table is provided here on the screen.

AfT however is not just about the numbers- in fact with the squeeze on donor budgets as a result of the crisis, AfT will organically have to broaden its horizons to look at how traditional development assistance can leverage additional non-concessional resources and investment, and how new emerging actors- such as in the area of South-South assistance- can be better captured. The flip side to this issue of resource mobilization is what recipient countries themselves are doing at the national and regional level. Through the Aid for Trade work programme and the excellent work of the Enhanced Integrated Framework for LDCs, we have seen trade being better mainstreamed in sectoral, national and regional development strategies and have seen processes institutionalized and improved at the national level to better harness the potential of trade for economic and social development.

There has been a better articulation of trade priorities and better collaboration with the private sector and AfT has become mainstreamed in the work of many International and regional organizations including the regional development banks, the UN family and the regional economic communities. The Fourth Global Review of Aid for Trade which will be held July 8-10 2013 will build on all of these successes and the challenges which remain- for there are still many elements which demand improvement- and focus on value chains and on the private sector. The overarching theme will be connecting value chains, a focus which is of relevance to the priorities of the LLDCs. There will also be a specific focus on RI in Africa through the monitoring questionnaire process which the WTO and the OECD will conduct. This will build on and support the January 2012 decision of the African Union on boosting intra-African trade.

## **Recommendations**

On accession it is important to accelerate the domestic processes: analysis, information gathering and sharing, including the private sector as part of the dialogue. The LLDC group has countries that have been founding members of the WTO, those who acceded after 1995, those who have participated in accession processes and working party meetings, those in the process of accession, those whose accession processes may have stalled for whatever reason, and even those who are yet to consider accession. The potential for information sharing and crafting an LLDC accession manual of sorts, is there. Is there a role for an LLDC working group to share these experiences?

On trade facilitation the overriding recommendation is to continue to actively engage in the negotiations and work towards a resolution that meets your interests. There is a role for a stronger and more coordinated LLDC voice on trade facilitation particularly on matters related to transit. The WTO Secretariat is embarking on a stage 2 of the needs assessment process and those LLDCs- especially LDCs- that believe they can benefit from a clearer elaboration of needs and costs should inform the WTO secretariat of their interest.

The WTO and OECD Secretariats intend to respond to your call to specifically highlight the amount and type of AfT going to the LLDCs. On new issues to consider and for your careful consideration for reflection in the outcome

declaration from this Ministerial I would to recommend the following: A strong statement from the LLDCs against protectionism A focus on GVCs and how these can form important components of your economic and trade strategies Addressing climate change and food security especially in light of rising food and energy prices Focusing on AfT but also on how you can better leverage traditional AfT resources to gain additional FDI Using regional integration as a tool to address your landlockedness including confronting Trade Facilitation barriers and Non-Tariff Measures

And finally but politically of great importance- ensuring the LLDCs have a voice in the WTO Director General's stakeholder panel. LLDCs can do this by ensuring a few clear outcomes encapsulating LLDC views on the barriers to trade that need to be addressed today and in the future emanate from this meeting and are transmitted to the panel through the LLDC coordinator in Geneva, and by having a reference to this in your outcome declaration from this meeting.

# UNLOCKING THE TRADE POTENTIAL OF ASIAN LLDCS: INTRODUCTION OF THE KEY ISSUES<sup>1</sup>

*By Dr. Ravi Ratnayake, Director, Trade and Investment Division, ESCAP*

The most visible cost of being land-locked is “under-trading”. This is mainly because LLDCs have: (1) no access to the sea or direct links to the major markets; (2) inadequate regulation to deal with behind- and at-the-border barriers; and (3) underdeveloped business sector. Consequently, LLDCs undertake too little trade at too high cost of trading. The ESCAP-World Bank trade cost database shows that overall trade costs of Asian LLDCs amount to an average tariff of 180 - 350 % across all tradable goods.<sup>2</sup>

There is no single solution to enable all LLDCs to enhance their penetration to international trade and use trade as an engine of equitable and sustainable growth. Nevertheless, the LLDCs need to strike a balance between: (1) government vs. market interventions; (2) infrastructure vs. other public spending; (3) current vs. future consumption; (4) distribution (wealth, income and costs); and (5) macro-policy to build resilience and competitiveness and micro-management to stimulate incentives of the private sector and guide them to be socially responsible.

LLDCs may take measures at both national and international levels to promote trade development. At the national level, regulatory reforms may be required to remove behind-the-border barriers. Supporting development of services sectors, particularly logistics, financial and information and communication technology (ICT) sectors, is necessary for more efficient trade and economy in general. There are also needs for improvements in corporate governance and labour markets.

At the international level, accession to international trade agreements generally boosts LLDCs’ trade access to global market. In terms of accession to the WTO, currently, five (Armenia, Lao PDR, Kyrgyzstan, Mongolia and Nepal) out of 12 LLDCs in Asia-Pacific region are members of the WTO. Other LLDCs in the region except Turkmenistan are WTO observers<sup>3</sup> and at different stages in the negotiations of their accession to the WTO. Lao PDR became the 158<sup>th</sup> member of the WTO on 2 February 2013, while Tajikistan became 159<sup>th</sup> member on 2 March 2013. On the other hand, despite the APoA’s calls for easier accession especially for those with both LDC and LLDC status, not much progress has been made. However, as DDA has not moved forward either, these countries could still get in a position to influence multilateral trade system and negotiations.

LLDCs have increasingly been entering into preferential trade agreements (PTAs) with other developing and transition economies in Asia and the Pacific. According to the Asia-Pacific Trade and Investment Agreements Database<sup>4</sup>, although three-fourth of LLDCs are not members of the WTO, they all belong to more than one PTAs. Only Mongolia, a member of WTO, is not party to any reciprocal PTAs, but it has started negotiations of a bilateral free trade agreement with Japan and accession to the Asia-Pacific Trade Agreement (APTA).

With the decreasing level of tariffs globally, trade facilitation is playing a more and more important role for LLDCs to be integrated into global market. This is because high trade transaction costs and inefficiencies associated with importation and exportation procedures inevitably impair export competitiveness or the inflow of foreign investment. Recognizing the importance of trade facilitation, most LLDCs in the region now have either a concrete time frame or an initial plan to implement national trade facilitation measures.<sup>5</sup> On the other hand, facilitating trade means looking beyond

<sup>1</sup> This is a brief summary of a presentation made by Dr. Ratnayake on this topic at the at the Fourth Meeting of Trade Ministers of LLDCs, held in Almaty, Kazakhstan on 12 September 2012. Some information has been updated to reflect the latest development.

<sup>2</sup> In practice, this indicates that many of the goods are not imported or exported by LLDCs. More details are available at <http://www.unescap.org/tid/artnet/trade-costs.asp>.

<sup>3</sup> The observer governments must start accession negotiations within five years of becoming observers.

<sup>4</sup> According to the Asia-Pacific Trade and Investment Agreements Database, the total number of agreements associated with economies of the Asia-Pacific region is estimated to be well above 200, of which 147 are in force while the others are at various stages of negotiations or consideration in early 2013. More information is available at <http://www.unescap.org/tid/aptiad/>.

<sup>5</sup> See Asia-Pacific Trade Facilitation Forum (APTFF) 2012 Trade Facilitation and Paperless Trade Survey results at: <http://www.unescap.org/tid/projects/tfforum12-survey.asp>

national borders to develop systems that can facilitate information exchange between all the parties involved in the international supply chains. In this respect, ESCAP member States, including LLDCs in the region, made it clear that more regional cooperation was needed in this area when they adopted ESCAP Resolution 68/3 on “Enabling paperless trade and the cross-border recognition of electronic data and documents for inclusive and sustainable intraregional trade facilitation” during the 68<sup>th</sup> ESCAP Commission Session in May 2012.

ESCAP has been supporting the LLDCs to address these challenges. Among others, an important initiative is the United Nations Network of Experts for Paperless Trade in Asia and the Pacific (or UNNExT),<sup>6</sup> which was established by ESCAP in collaboration with the UN Economic Commission for Europe (UNECE), and is designed to assist developing countries in the region to simplify their trade procedures and implement single window facilities and other paperless trade initiatives for trade facilitation. Its emphasis is on training, knowledge sharing, and application of international standards. Though it is not only for the LLDCs, the initiative provides extensive support to the LLDCs in the region. ESCAP will continue to support LLDCs in building trade and trade facilitation capacity.

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<sup>6</sup> Further details are available at <http://www.unescap.org/unnext/>.

**SECTION FOUR**

**PROGRESS IN THE IMPLEMENTATION OF  
PRIORITY AREA (3) OF THE ALMATY  
PROGRAMMME OF ACTION ON INTERNATIONAL  
TRADE AND TRADE FACILITATION**

# GLOBAL REVIEW OF THE PROGRESS IN IMPLEMENTING THE ALMATY PROGRAMME OF ACTION

*By Mr. Sandagdorj Erdenebileg, Chief, Policy Development Coordination, Monitoring and Reporting Service, UN-OHRLS*

## Introduction

Landlocked Developing Countries face major development challenges due to their lack of territorial access to the sea which causes them to incur very high transport and transaction costs thereby imposing serious constraints on their ability to trade, generate economic growth and invest in social development. The First UN International Ministerial Conference of Landlocked and Transit Developing Countries and the Donor community on Transit Transport Cooperation, held in 2003 in Almaty, Kazakhstan, adopted the Almaty Programme of Action which is a comprehensive development agenda adopted by the international community in 2003 as a framework to support the special needs of LLDCs. It is however focused too much on transit cooperation.

The priority areas of the APoA include: Fundamental transit policy issues, Infrastructure development and maintenance; International trade and trade facilitation; International support measures, and Implementation and review.

## Progress achieved in implementing the APoA

The implementation of the APoA over the past 9 years has resulted in a growing recognition of and interest on the special needs of LLDCs and transit issues for international trade. Since the adoption of the APoA, the special needs of LLDCs are now featuring in declarations of United Nations conferences and there has been increased number organizations who have prepared reports focused on the needs of the LLDCs. The last ten years have also seen stronger support from development partners towards transport infrastructure development, and trade facilitation and support from transit countries to harmonize transport and transit policies, simplify border control and procedures and facilitate trade.

Since the adoption of the APoA, the LLDCs as a group have achieved higher rates of economic growth. The group's average annual growth rate was 6% over 2003-2007. It slowed down to 5.8% in 2008, and 3.1% in 2009 and recovered in 2011 to 6%. Most of the LLDCs have improved macro-economic policy and governance reforms. This has supported positive economic growth.

On the social development front, LLDCs have experienced a positive trend in the Human Development Index between 2003 and 2011. The LLDCs have also made advances on some MDGs including: primary education, gender parity in primary education, increased percentage of women in decision-making power and stemming the spread of HIV/AIDS. However more still needs to be done in particular on poverty reduction, reducing hunger and the health MDGs.

## Progress achieved on Priority area 1. Fundamental transit policy issues

LLDCs have increased harmonisation of transport and transit policies, laws, procedures and practices with transit countries. There has been increased establishment, adoption and implementation of regional and sub-regional agreements including the Intergovernmental Agreement on the Asian Highway and Railway Networks. The Africa region is also developing an intergovernmental agreement to underpin the Trans African Highway.

LLDCs have developed supportive institutional framework for example, transport and trade facilitation bodies or coordination committees, and road funds. There has been increased ratification of international conventions and agreements such as the TIR and the Harmonization Conventions.

Border facilities and procedures have been streamlined and harmonized leading to increased efficiency and fewer delays. For example: one stop border controls have been established at Zambia-Zimbabwe Chirundu Border, and at Malaba, between Kenya and Uganda; a yellow or white card motor vehicle insurance schemes – COMESA; common visa sticker for drivers eg. In the Economic Cooperation Organization (ECO) region; and the use of ICTs for customs clearance.

According to the World Bank's doing Business Report 2012, the number of days that LLDCs take to import has decreased from 58 in 2006 to 49 in 2012 and the number of days to export have reduced from 49 to 43 days over the same period. Although this is a major achievement, the number of days taken by LLDCs to import and export is still almost double that of transit countries.

### **Progress achieved on Priority area 2. Infrastructure development and maintenance**

There has been development and upgrading of both the Asian Highway and the Trans-Asian Railway networks. The Africa region is implementing the Programme for Infrastructure Development in Africa (PIDA). The South America region is implementing the Initiative for the Integration of Regional Infrastructure. All LLDCs have experienced an increase in cellular subscription and internet users over the review period. Dry ports are being established in all regions eg. Nepal, Burkina Faso, Mongolia and Ethiopia.

### **Progress achieved on Priority area 3. International trade and trade facilitation**

LLDCs' exports increased from \$42 billion in 2003 to \$154 billion in 2008. They however declined in 2009 due to the financial and economic crisis. In 2010, exports increased to \$158 billion, showing some recovery.

However, LLDCs' share of the world's overall trade remains close to 1% and two countries Azerbaijan and Kazakhstan accounted for more than 50% of the group's total. LLDCs heavily rely on the export of few "low-value – high-bulk" commodities and are therefore vulnerable to commodity price volatility. LLDCs have low productive capacities and have failed to structurally transform their economic base. Currently 22 LLDCs are Members of the WTO and 8 are Observers and are in the accession process.

### **Trade Facilitation under the DOHA Round**

Trade Facilitation in the Doha Development Round has the potential to address many of the fundamental transit policy issues that affect LLDCs' exports. The negotiations aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit. GATT Article V is on Freedom of Transit while Article VIII is on Fees and Formalities connected with Importation and Exportation and Article X is on Publication and Administration of Trade Regulations.

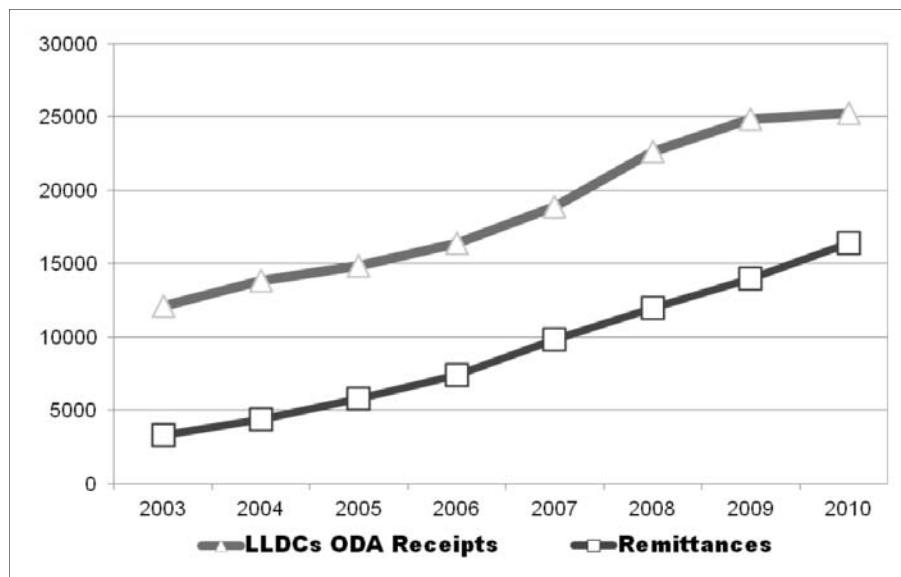
The LLDCs' relevant text in the current draft negotiating text include: expedited release and clearance of goods in Article 7; improved border agency cooperation in Article 9; review of formalities connected with importation and exportation and transit in Article 10; and freedom of transit in Article 11 of the draft consolidated text on trade facilitation. The ultimate objective in the trade negotiation on trade facilitation must be the lowering of transaction costs by reducing transport time and increase efficiency of transit operations, clarity, predictability and transparency of rules and procedures.

### **Progress achieved on Priority area 4. International support measures**

Net ODA received by LLDCs has been increasing since 2003 as shown in figure 1.



**Figure 1: Net ODA received By LLDCs – Millions US\$**

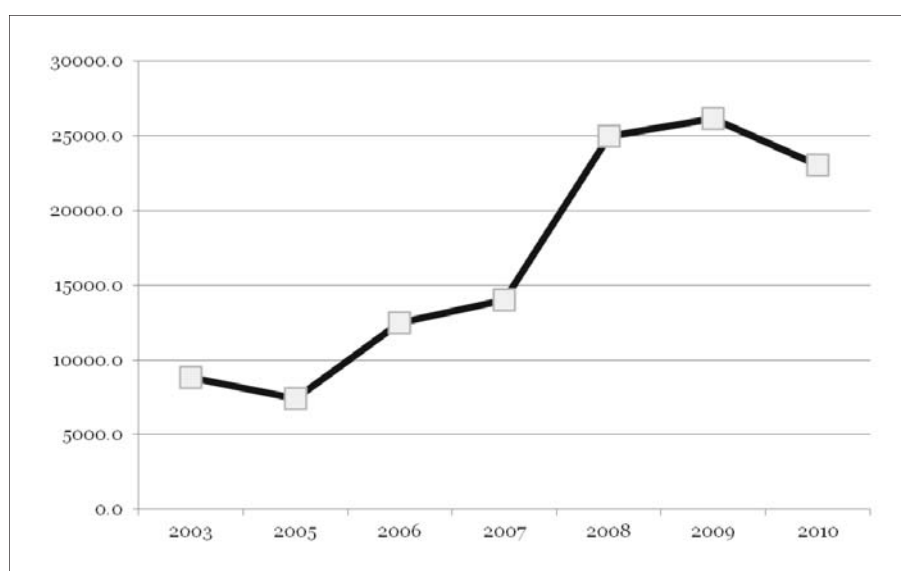


Source: UN-OHRLLS

Similarly Aid for Trade disbursements to LLDCs have increased from US\$4 billion in 2005 to US\$6 billion in 2010. Aid for trade has helped improve trade facilitation and trade related infrastructure. For example: A regional project in East Africa improved transit times at the border from three days to three hours; the Zambia and Zimbabwe's Chirundu One Stop Border Post has reduced border crossing time; and an Asian Development Bank project helped cut travel time between Lao PDR and Vietnam from 10-12 hours to 2-3 hours.

FDI net inflows to LLDCs also increased over the review period. However due to the impact of the financial and economic crisis FDI inflows to LLDCs decreased in 2009.

**Figure 2: LLDCs FDI net Inflows – Millions US\$**



Source: UN-OHRLLS

## **Unfinished Agenda**

Although some progress has been achieved since 2003, there is still more to be done. A study by OHRLLS in 2012 on the Cost of being landlocked applied a gravity model to data from 150 countries including LLDCs and coastal countries over the period 1980-2010. The study's main finding was that the LLDCs on average had a lower trade volume when compared to a representative coastal economy – in 2010 the LLDCs' trade was just 61% of the trade volume of coastal countries. In 2004 it was 57%. The study also revealed that in 2010, LLDCs incurred transport costs that are 45 percent higher than the representative coastal economy. In 2004 it was 42% of the coastal economy showing that transport costs for LLDCs have increased over time.

## **Renewed Partnerships**

### **New landscape for international cooperation**

As the international community prepares for the ten year review conference of the APoA, a new landscape in international cooperation has developed. Emerging economies are now playing a bigger role in international trade, technology transfer, investment and policy making. The new conference should provide a win-win solution to all. Transit cooperation should be considered not only about access of LLDCs but also access for donor and transit countries to LLDCs' markets and resources.

# UNECE'S CONTRIBUTION TO UNLOCK THE TRADE POTENTIAL OF LLDCS

*By Ms. Eva Molnar, Director, Division of Transport, UNECE*

The UNECE is a Centre of Transport Agreements and Centre of Trade Facilitation. The UNECE manages 58 international transport agreements. When landlocked and transit developing countries become party to relevant conventions and effectively implement them, LLDCs tend to benefit. Europe has the highest number of countries that are party to the transport agreements followed by the Americas, Asia and Africa.

LLDCs incur high transport costs because of their geography. For example when a Central Asian LLDC imports goods from Europe, it spends 80% of its costs on 20% of the distance because of poor transit and trade facilitation with its neighbouring transit countries. The UNECE is helping address this problem.

## **APoA – Priority 1: Transit Policies**

The UNECE will hold a review of the openness of road freight markets in Geneva, on 23 October, 2012. The UNECE is working on the difference between transit right for cargo, transit movement of freight vehicles and customs transit. With regard to border crossing, UNECE promotes effective ratification and implementation of the TIR and the Convention on Harmonisation of Border Controls.

## **APoA – Priority 2: Infrastructure Development**

The UNECE stresses that road signs and signals are part of infrastructure. UNECE is therefore encouraging countries to join and implement the Vienna Conventions. UNECE also made progress in implementing priority 2 of the APoA through the Euro-Asian Transport Links (EATL) Ministerial conferences of 2008, and 2013. The UNECE is working with the IRU to promote public private partnership in infrastructure development.

## **APoA – Priority 3: International trade and trade facilitation**

The focus of UNECE is on: business processes (defined broadly to include government procedures) and regulatory activities; and underpinning the movement of goods. The objective of UNECE's work is to improve the overall international supply or value chain and thereby stimulate economic growth. A business process refers to a chain of logically connected activities (e.g., obtaining documentary requirements and arranging for shipment) to move goods and related information across borders from buyer to seller and to provide related support services (e.g., logistical and financial).

Regulatory activities refer to a chain of activities by the government and state entities to safeguard national interests and achieve development objectives. These activities are usually associated with revenue (e.g., collection of customs duties, excise and fees); ensuring public safety and security (e.g., control of dangerous goods and anti-smuggling); protecting public health and the environment (e.g.; phytosanitary, veterinary and hygiene control); consumer protection (e.g., conformity assessment); and trade expansion and diversification (e.g., administration of trade agreements).

UNECE provides trade support to LLDCs through national trade projects and WTO negotiations; Building local expertise; National assessments of procedural and regulatory barriers to trade; E-business standards and technologies; and trade facilitation instruments and promotion of regulatory best practices.

## **APoA – Priority 4 International Support measures**

The UNECE has the SPECA (The UN Special Programme for the Economies of Central Asia (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) transport and border crossing facilitation working Group and the UNDA project on C2C e-communication in support of transit. UNECE coordinates Aid for Trade (Aft) for SPECA. UNECE coordinates the SPECA Aft Implementation and Monitoring Council; developed the Aft Roadmap for SPECA and SPECA country and regional action matrices; and working to improve implementation and alignment with country priorities. The future focus of UNECE is working with countries to develop bankable projects.

## **Conclusions**

The UNECE encourages all countries to join and implement the UN facilitation agreements (Harmonisation convention, etc). Trade facilitation improvement is realistic only if LLDCs and their transit neighbours cooperate. The results need to be monitored and trade facilitation measures that proved to have worked well need to be replicated.

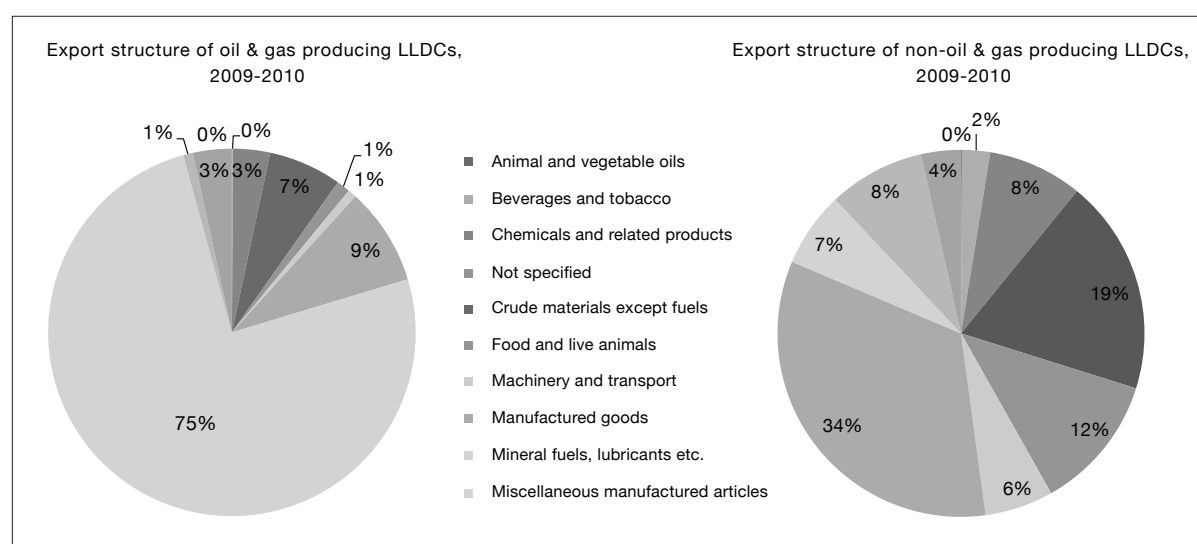
# IMPLEMENTATION OF THE ALMATY PROGRAMME OF ACTION PRIORITY AREA (3) INTERNATIONAL TRADE AND TRADE FACILITATION: PROGRESS AND CHALLENGES IN ASIA<sup>7</sup>

*By Dr. Ravi Ratnayake, Director, Trade and Investment Division, ESCAP*

## 1. Recent trends and developments in trade of LLDCs in Asia

LLDCs in Asia can be broadly categorized into two groups based on their export structures: Oil and gas producers (namely Azerbaijan, Kazakhstan and Turkmenistan) and Others. Figure 1 shows that 75% of the former's exports are oil and gas products, and as such, their economies depend largely on the fluctuations in oil and gas prices in global market. Manufacturing, the second largest category of products exported, only account for 9% of exports for this group. In contrast, the non-oil producing LLDCs have a more diversified export structure with manufacturing and crude materials (except fuels) constituting 34% and 19% of total exports, followed by food and live animals (12%).

**Figure 1: Export structure of LLDCs**

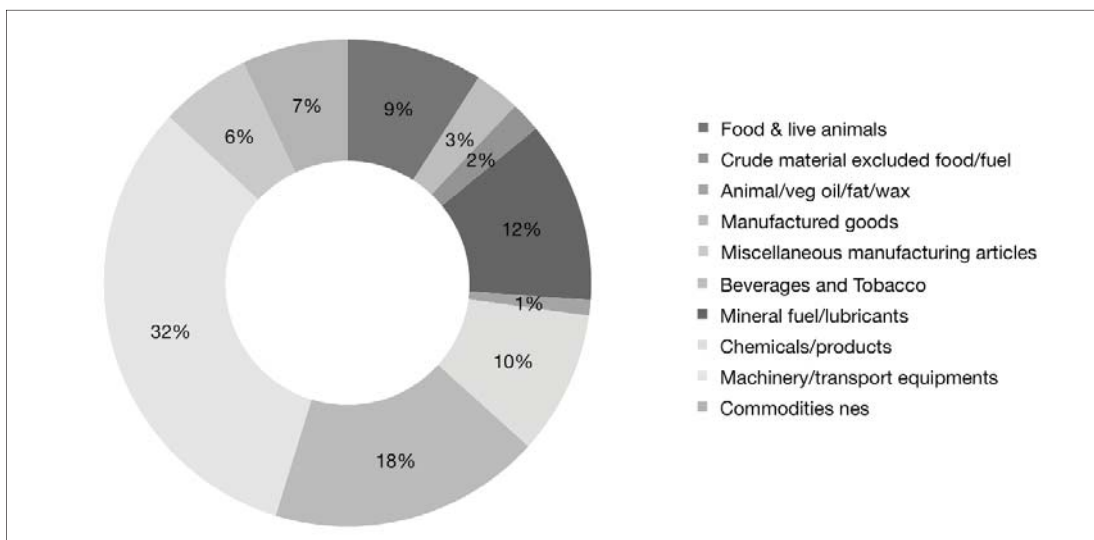


Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 4 classification).

The import structure of LLDCs in the region is well diversified. Machinery and transport equipment account for 32% of total imports. Manufactured goods, mineral fuel/lubricants, and chemicals/products account for 18%, 12% and 10% of total import, respectively (figure 2).

<sup>7</sup>This is a summary of a presentation made by Dr. Ratnayake on this topic at the High-level Global Thematic Meeting on International Trade, Trade Facilitation and Aid for Trade held in Almaty, Kazakhstan on 13-14 September 2012. Some information has been updated to reflect the latest developments as of early 2013.

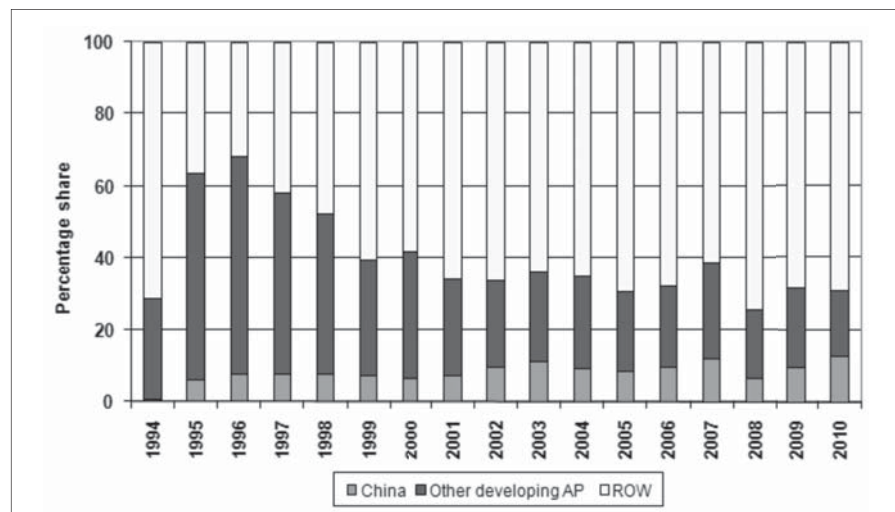
**Figure 2: Import structure of LLDCs**



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 4 classification).

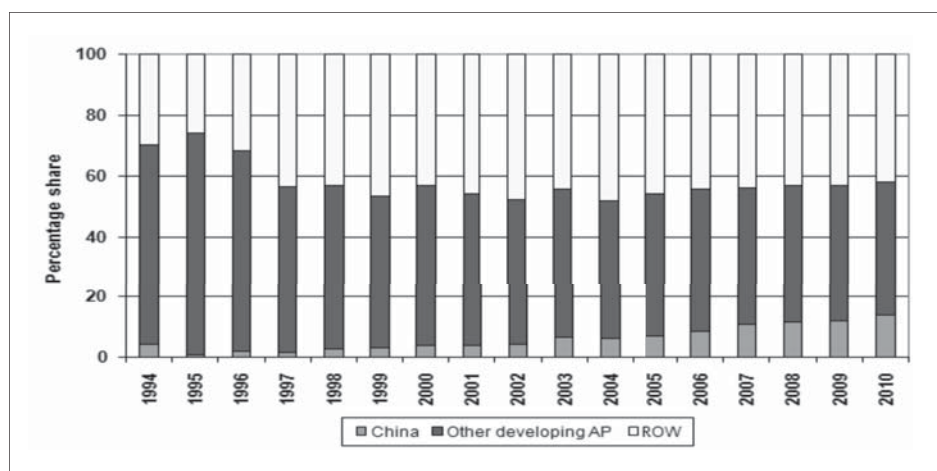
The main destinations of LLDCs' exports are outside of the Asia-Pacific region. Exports to developing Asia-Pacific economies accounted for approximately 30% of total exports in 2010 (figure 3). In contrast, LLDCs rely heavily on intraregional imports, with almost 60% of imports sourced from developing Asia-Pacific economies in that year (figure 4).

**Figure 3: Destinations of export from LLDCs in Asia-Pacific region**



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 4 classification).

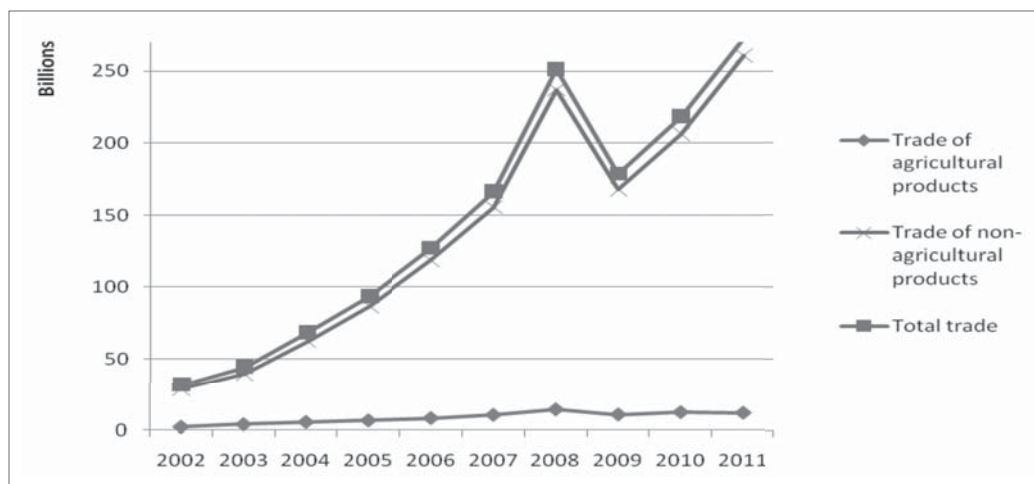
**Figure 4: Sources of imports to LLDCs in Asia-Pacific region**



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 4 classification).

The trade recovery of LLDCs as a group continued in 2011 after a sharp slump caused by the global economic crisis in 2008-2009 (figure 5). Trade of LLDCs on average has been driven by exports and imports of non-agricultural products, which made up more than 95% of total trade in 2011. At the peak of the crisis, the net oil and gas exporting LLDCs suffered steep declines in export revenue as a result of lower oil and gas prices. However, since mid-2010 with the recovery of oil prices, their exports have posted robust growth.

**Figure 5: Trends in total, agricultural and non-agricultural trade of LLDCs**



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in HS2002 classification).

## 2. Progress made in Priority 3 of APoA

The progress made in implementing the APoA Priority 3, international trade and trade facilitation, can be reviewed in terms of progress on (1) accession to the WTO; (2) market access including through preferential trade agreements and other agreement; (3) trade facilitation; and (4) establishment of national trade and transport committees.

## 2.1 Accession to the WTO

Five (Armenia, Lao PDR, Kyrgyzstan, Mongolia and Nepal) out of 12 LLDCs in Asia-Pacific region are now members of the WTO. Except for Turkmenistan, other LLDCs in the region are WTO observer<sup>8</sup> and at different stages in the negotiations of their accession to the WTO. Lao PDR became the 158th member of the WTO on 2 February 2013, while Tajikistan became 159th member on 2 March 2013. On the other hand, despite the APoA's calls for easier accession especially for those with both LDC and LLDC status, not much progress has been made. However, since limited progress has been made in the Doha Development Agenda (DDA) negotiations, these countries could still get in a position to influence their multilateral trade system should they accession be facilitated.

## 2.2 Market access through preferential trade agreements and other arrangements

LLDCs have increasingly been entering into preferential trade agreements (PTAs) with other developing and transition economies in Asia and the Pacific. According to the Asia-Pacific Trade and Investment Agreements Database (APTIAD)<sup>9</sup>, although three-fourth of LLDCs are not WTO members, they all belong to more than one PTAs (Table 1). Only Mongolia, a member of WTO, is not yet party to any reciprocal PTAs, although it started negotiations of a bilateral

free trade agreement with Japan and accession to the Asia-Pacific Trade Agreement (APTA).

<b>Table 1: Participation of LLDCs in preferential trade agreements and trade coverage under PTAs (average 2008-2010)</b>							
Economy	Number of all agreements	Agreement in force	Agreements under negotiation	Notified under Enabling	Notified under GATT Art XXIV or	Trade coverage in percent, average 2008-2010	
						Export	Import
Afghanistan	4	4	0	3	0	81.00	51.24
Armenia*	10	9	1	0	8	27.20	32.03
Azerbaijan	10	10	0	1	3	8.63	45.89
Bhutan	3	3	0	2	0	94.90	77.24
Kazakhstan	11	11	2	1	6	19.64	44.09
Kyrgyzstan*	11	11	0	1	8	46.98	56.78
Lao PDR*	12	10	2	5	1	72.90	89.45
Mongolia*	2	0	2	0	0	0	0.00
Nepal*	3	3	0	2	0	57.48	56.46
Tajikistan	9	9	0	1	3	42.72	45.42
Turkmenistan	7	7	0	1	4	15.37	40.08
Uzbekistan	11	10	1	1	3	54.25	46.87

Note: \* denotes WTO members

Source: derived from Asia-Pacific Trade and Investment Agreements Database (APTIAD)

There are however stark differences in how much of total national exports and imports are captured by the agreements. On the high end of the spectrum are Bhutan and Lao PDR, who trade essentially with the countries with whom they have signed PTAs. On the other end, for example, less than 10% of national exports are directed to partner countries in the signed PTAs in the case of Azerbaijan; and about 15% in the case of Turkmenistan.

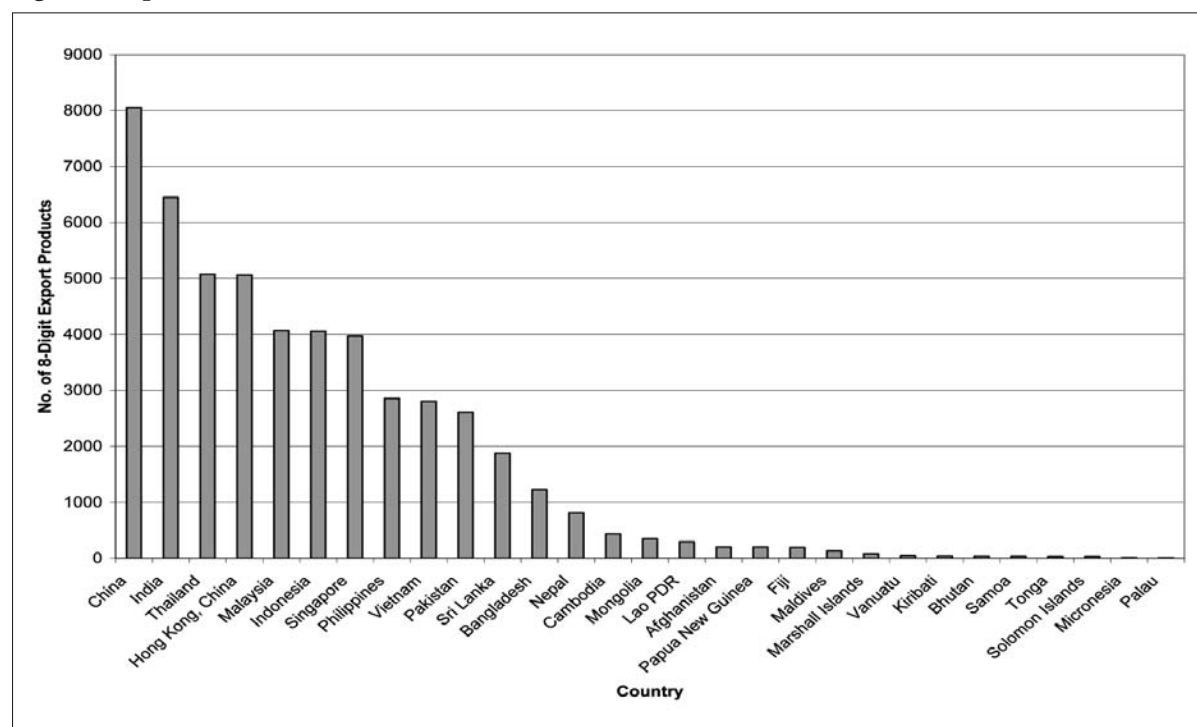
Although the high number of agreements could potentially lead to more market access, the LLDCs have not been able to fully exploit this due to generally low levels of export diversification. Figure 6 shows that LLDCs' exports are mainly concentrated on a small number of products.

<sup>8</sup> The observer governments must start accession negotiations within five years of becoming observers.

<sup>9</sup> According to APTIAD, the total number of agreements involving economies of the Asia-Pacific region is estimated to be well above 200 (147 in force) as of early 2013. More information is available at <http://www.unescap.org/tid/aptiad/>.



**Figure 6: Export diversification of selected Asia-Pacific countries**



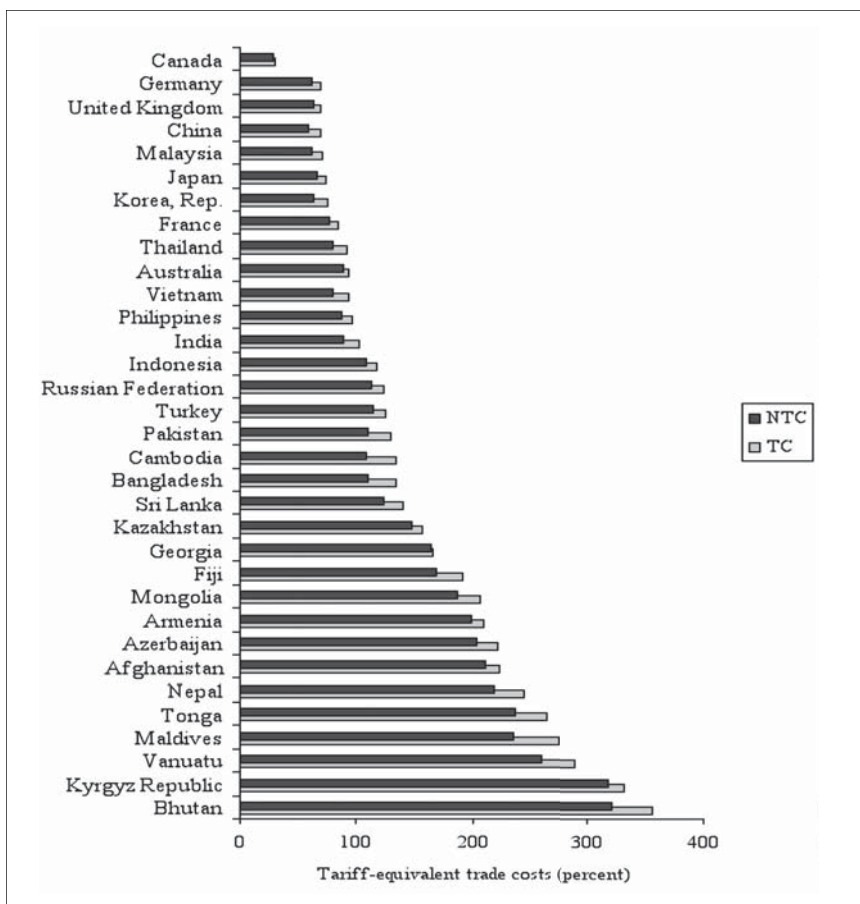
Source: ARTNeT Policy Brief 19, 2009

## 2.3 Trade facilitation

High trade transaction costs and inefficiencies associated with importation and exportation requirements and transport continues to be a stumbling block to integration of LLDCs into the global economy by impairing export competitiveness or the inflow of foreign investment. As shown in figure 7, LLDCs' trade costs are up to 7 times higher than the costs of other developing countries.<sup>10</sup>

<sup>10</sup> Please refer to the ESCAP-World Bank bilateral trade cost database for the latest estimates, available at: <http://www.unescap.org/tid/artnet/trade-costs.asp>.

**Figure 7: Trade costs (TC) and TC excluding tariff (NTC) between selected economies and the United States of America (2007-2010)**



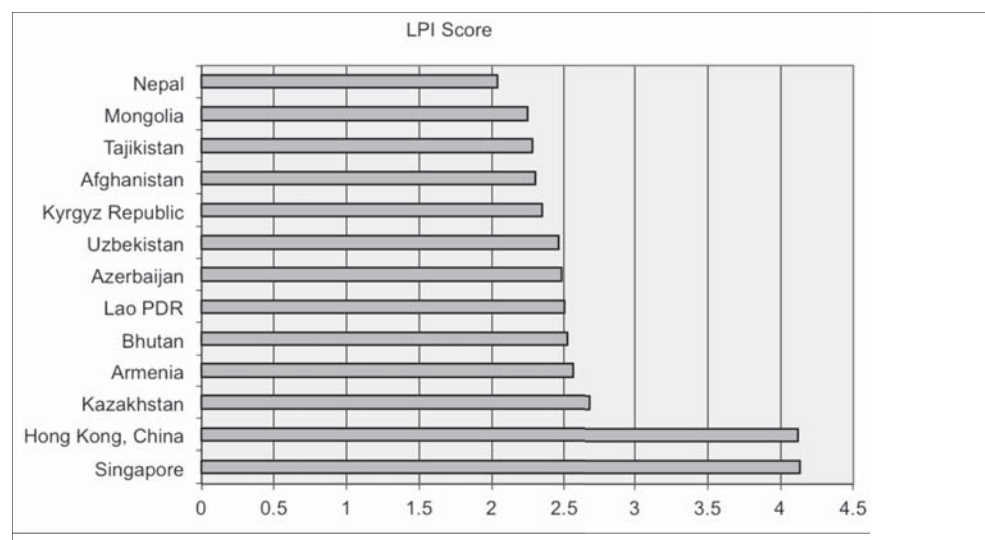
Source: ESCAP Trade Cost Database

Note: NT-CTC: CTC excluding tariff costs

Development of trade facilitation of LLDCs can also be reflected by the Logistics Performance Index (LPI)<sup>11</sup>. Figure 8 shows that many Asian LLDCs are far behind the global top performers such as Singapore and Hong Kong, China.

<sup>11</sup> More detailed information is available at <http://go.worldbank.org/88X6PU5GV0>

**Figure 8: Logistics Performance Index (LPI) of LLDCs in Asia**



Source: World Bank, LPI 2012

Note: No data on Turkmenistan

## 2.4 National trade and transport committees

The increasing importance of reducing trade transaction costs has led to a search for integrated ways to implement trade and transport facilitation measures. Establishment of national trade and transport facilitation committees have received particular attention in this regard, as countries realize the need for national institutional mechanisms able to bring together the numerous government ministries, agencies, authorities and business entities involved in international trade in order to develop and implement trade and transport facilitation measures that take into account their diverse requirements.

Some LLDCs in Asia (such as Lao PDR, Mongolia and Nepal) have established national trade and/or transport committees. However, these bodies often face challenges in sustaining their activities due to funding constraints and lack of operational capability. In this respect, ESCAP recently published “Guidelines on Establishing and Strengthening National Coordination Mechanisms for Trade and Transport Facilitation in the ESCAP Region” to help countries in Asia-Pacific region, including LLDCs, to establish sustainable trade and transport committees.

## 3. ESCAP’s contribution

ESCAP, through the Asia-Pacific Trade Facilitation Forums<sup>12</sup> it organizes annually in collaboration with the Asian Development Bank and other partners, has identified the following challenges for LLDCs in the region.

- Inadequate trade and transport infrastructure and logistics services;
- Cumbersome documents and procedures, and excessive physical inspections;
- Insufficient availability and use of information and communication technologies;
- Lack of appropriate transit regimes and insufficient participation in multilateral transit systems;
- Weak institutional and human capacities;
- Lack of conducive legal and regulatory systems; and
- Uneven trade/transit facilitation performance across ESCAP region.

Three major constraints make it difficult for LLDCs to address these challenges: (1) lack of human and financial

<sup>12</sup> The Forums have been held since 2009. More details can be found at: <http://www.unescap.org/tid/projects/tforum12.asp>.

resources; (2) lack of technical and institutional capacity, and (3) lack of political and policy support. ESCAP has been supporting the LLDCs to address these constraints in a holistic manner. At the national level, ESCAP provides support on policy-making, programme implementation, and stakeholder coordination. At the sub-regional and regional levels, ESCAP provides support on networking, knowledge-sharing, transit cooperation and regional integration.

In this context, an important initiative is the United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT), which was established by ESCAP in collaboration with the UN Economic Commission for Europe (UNECE).<sup>13</sup> UNNExT is a regional community of knowledge which assists developing countries in the region to simplify their trade procedures and implement single window facilities and other paperless trade initiatives for trade facilitation. Its emphasis is on training, knowledge sharing, and application of international standards. Though it is not only for the LLDCs, the initiative provides extensive support to the LLDCs in the region. Examples of ESCAP's assistance through UNNExT include the development of a single window masterplan in Mongolia or the conduct of a rice export process analysis in Cambodia.

Another important initiative is Asia-Pacific Research and Training Network on Trade (ARTNeT). Responding to a demand by member states to strengthen trade policy research output in developing countries of the region, develop their capacity to perform applied analysis and incorporate findings into policy options, ESCAP, in collaboration with International Development Research Centre (IDRC) of Canada established ARTNeT in November 2004. Since then ARTNeT expanded to include 38 member institutions and over 20 partners and associate partners, with leading research institutions from Lao PDR, Mongolia and Nepal being increasingly involved and harvesting policy-related benefits from participating in ARTNeT. Strengthening of South-South cooperation and intraregional trade and investment and mobility of labour is high on the agenda of the ARTNeT programme of work.

As the secretariat of the Asia-Pacific Trade Agreement (APTA), ESCAP has continued to provide its dedicated service to the Agreement. APTA is the only region-wide trading agreement and represents significant market potential for all developing countries. Currently Lao PDR is the only LLDC member of this agreement. With regard to the expansion of APTA membership, the APTA Standing Committee at its thirty-ninth session held in September 2012 reviewed progress on Mongolia's accession to the APTA. The secretariat promoted membership from the Central Asian countries through the seventh SPECA Forum and its Working Group on Trade.<sup>14</sup>

ESCAP has provided technical assistance to several LLDCs. In each LLDC, ESCAP supports the country in the preparation of the PTA negotiation mandate, audit of domestic regulation, and in setting consultative and coordinating processes. ESCAP provides inputs for formulation of negotiation strategies and positions; impact assessment and capacity building for all aspects of negotiations.

ESCAP certainly looks forward to continue assisting LLDCs in Asia and the Pacific as they seek to further benefit from sustainable trade and investment.

<sup>13</sup> Further details are available at <http://www.unescap.org/unnexT/>.

<sup>14</sup> It was held in Bangkok on 26-28 November 2012

# IMPLEMENTATION OF THE APOA: EXPERIENCES FROM AFRICA

## BY UNECA

*By Mr. Magdi Farahat, Principal Advisor on Trade, Geneva Inter-Regional Advisory Services, UNECA*

### Introduction

Africa has 16 landlocked countries. The distance of the African LLDCs from the sea varies between 250 to more than 2000 kilometres. Eighty percent of African LLDCs are least developed countries. The African LLDCs suffer the highest transport costs and a slow trade and development rate.

They heavily depend on coastal countries which are themselves developing states. The LLDCs depend on transit countries for: transit transport and communications infrastructure; neighbor's peace and stability within transit; administrative processes in transit; inter- and intra-REC collaboration; and product diversification.

### Challenges affecting LLDC trade performance

LLDCs experience high transport costs due to: long border delays; burdensome documentation; non-implementation of agreements by some member States; illicit payments and numerous road blocks; inadequacy of the transport infrastructure; weak technical capacity of transport operators; inadequate communication linkages; and sub-standard storage facilities.

### Regional and sub-regional initiatives to support Africa's LLDCs

Transit and transport cooperation play an integral part in Africa's development. At the continental level, the 1991 Abuja Treaty creating the African Economic Community contains in article 79 a special mention of LLDCs. In this treaty, African Member States agreed to take into consideration the special economic and social difficulties that may arise in certain Member States and especially the least developed, land-locked, and island countries, and to grant them, where appropriate, special treatment in respect of the application of certain provisions of the Treaty, and to accord them any other assistance that they may need.

Each sub-regional REC has established legal instruments that govern trade and transport amongst their member States. The LLDCs are increasingly benefiting from regional integration and new regional trade agreements. For example in Africa, the EAC-COMESA-SADC Tripartite Arrangement, which was created in 2009 is geared towards the establishment of a free trade area between the three Regional Economic Communities. In addition, there are corridor management institutions along the main transport corridors serving the LLDCs.

### ECA contribution to the implementation of the APoA

- UNECA has an African Trade Policy Centre that provides, technical, institutional and policy development capacity building support to African governments to formulate and implement sound trade policies and participate more effectively and equitably in international trade negotiation.
- In collaboration with African Union Commission, Regional Economic Communities, the World Bank and other partners, UNECA is providing technical support on the development of the Trans African Highways (TAH) network; part of the Programme of Infrastructure Development in Africa (PIDA).
- Prepares substantive analytical studies such as the compendium of trade and transport legal instruments and provides support to policy harmonisation efforts at continental and sub-regional levels
- UNECA supports African countries on WTO negotiations on trade facilitation
- UNECA provides technical contributions to Aid for Trade mobilisation efforts
- Consensus building amongst public, private and NGO African entities on regional and sub-regional integration/facilitation.

**Challenges persist, particularly:**

- Weak collaboration of public and private sector in infrastructure development and management;
- Lack of financial resources for project implementation;
- Inadequate technical capacity of government institutions and private sector operators; and
- Insufficient product diversification efforts.

**Implications for the next development agenda**

- The LLDCs are still operating as an informal group in the current negotiations in Geneva and as such do not exercise sufficient pressure to advance LLDC issues. There are benefits to formalize the group such as support to accession, recognition of their specific needs and a bigger capacity to push along their concerns. Other Groupings have focused mostly on trade facilitation in the current negotiations.
- The LLDC group should broaden its negotiation agenda beyond trade facilitation and market access to include other areas of trade negotiations such as supply side constraints and services.
- Documentation and the sharing and dissemination of compilation of experiences and a guide on WTO accession is important to allow LLDCs to benefit from each other's experiences.
- Increased availability of aid for trade to improve the trade capacity of African LLDCs.

**SECTION FIVE**

**THE ROLE OF TRADE FACILITATION  
IN INTEGRATING THE LLDCS INTO THE  
WORLD MARKET**

# ENHANCING TRADE FACILITATION FOR THE BENEFIT OF THE LLDCs

*By Ms. Valentine Rugwabiza, Deputy Director-General, World Trade Organization*

## **Trade-specific disadvantages of LLDCs**

The whole Almaty process, has given great importance to trade facilitation as a catalyst for the integration of LLDCs into the global markets. Clear rules and regulations in the area of trade facilitation are very important for all developing countries, especially for LLDCs and LDCs. Trade facilitation should be at the heart of regional integration.

Econometric analysis, surveys of countries' trade and logistics performances, and evaluations of countries' experiences have all underscored the trade-specific disadvantages of LLDCs regarding transport costs. Additional research points out that being landlocked in Africa adds four days to average export times as compared to coastal countries, and nine days to average import times. With the dynamics of trade changing with an increasing focus on trade in value added and the role of supply chains, countries which have high export and import costs- both financially and temporally- are at a concrete disadvantage.

Trade facilitation is crucial for supporting greater participation of LLDCs in international trade and facilitating FDI. Inefficiencies in processing and clearing goods in developing countries put them at a competitive disadvantage leading to high transaction costs, long delays, and an additional 10 to 15 per cent to the cost of getting goods to markets. This cost is greater for landlocked countries that depend on their neighbours to get their goods to and from markets. This reliance on the rules, regulations and processes which your neighbouring countries will implement makes the notion of a multilateral agreement on trade facilitation with agreed multilateral disciplines and monitoring of implementation a necessary insurance policy for producers, traders and exporters in LLDCs.

## **The WTO Trade Facilitation negotiations**

The WTO Trade Facilitation negotiations aim to improve relevant aspects of Articles V, VIII and X of the GATT 1994 - including the innovative approach to special and differential treatment based on building capacity rather than on exemptions. There is a difference between the WTO approach to trade facilitation (based on improving the 3 Articles) and the wider trade facilitation agenda which may also include infrastructure and this is an area where aid for trade aims to address.

The first phase of negotiations in 2012 started well. Members were able to make progress on the critical special and differential treatment pillar and to streamline additional parts of the text. They removed around 60 sets of square brackets and paved the way for additional clean-ups over the remainder of the year. While there are no shortcuts to sorting through the large number of technical questions that can only be solved at the expert level, negotiations have been benefiting from a particularly constructive atmosphere. There seems to be a genuine willingness to make progress.

The vast majority of the remaining open issues in the trade facilitation negotiations is of a technical nature and benefit from the absence of political sensitivity. It is therefore important to accelerate the technical work. The LLDCs need to be even more proactive in the trade facilitation negotiations and work from the perspective of the trade and economic benefits that enacting trade facilitation rules and how having their transit neighbours enact the same rules, can have on their access to markets and investor attractiveness. Transit issues are of particular importance to the LLDCs. All Members agree on the importance of free transit, but different priorities continue to persist, especially between landlocked and transit countries in the developing world.



# THE ROLE OF TRADE FACILITATION IN INTEGRATING THE LLDCS INTO THE WORLD MARKET

*By Ms. Anne Miroux, Director, Division on Technology and Logistics, UNCTAD*

This presentation highlights three key points on why and how trade facilitation plays a particularly important role for the integration of land-locked countries into world markets: first, the challenge of crossing borders as compared to just overcoming distance; second the inclusion of trade facilitation commitments in multilateral and regional trade agreements; and third the potential of win-win situations, based on a common interest among land-locked and transit developing countries.

## 1. Trade and transport facilitation and crossing international borders

UNCTAD pays particular attention to the issue of trade and transport facilitation because of its key role in the integration of developing countries into the world economy. Indeed what matters is not only the goods that cross borders, but also the ability to make them cross borders in the most efficient way. Goods, when crossing an international border, are confronted with different regulations and standards; service providers and transport operators are faced with different commercial practices, and vehicles with different standards and traffic regulations.

There has been some discussion about the importance of the specific challenges that LLDCs are confronted with. Some have highlighted the geographical distance, while others focus more on the challenges faced in crossing borders. While distance does certainly matter for transport costs, especially over-land distance as compared to maritime distance, many regions in coastal countries are further away from the sea than some economic centres in land-locked countries. The difference is really the fact that borders need to be crossed, and that goods, vehicles and services have to comply with different standards and regulations, which compliance is to be verified at the border. An often quoted study on US exports concluded that 1000 km by sea increase transport costs by 4%; 1000 km by land increase transport costs by 30%, and the fact of being land-locked increases freight by a further 50%. So, yes, distance does matter, but trade facilitation at border crossings has its own, direct impact on trade costs. In many developing countries, the transit as such may imply the use of convoys or delays at way bridges or police control points – and the longer the distance, the more such control points may be encountered. These are often more of an obstacle for trucks that carry international transit trade than for domestic trade of the transit country.

UNCTAD supports land-locked and transit developing countries in their trade and transport facilitation efforts in various ways and has been doing so for more than thirty years. Through the ASYCUDA (Automated System for Customs Data Automation) Programme the organization has been providing technical assistance for the modernisation and computerisation of all kinds of Customs operations. This Programme aims at simplifying documentation and procedures for facilitating trade while strengthening Customs Controls and preserving revenue collection. Computerised solutions for the management of international transit have been implemented in several regions. The ASYCUDA programme currently has over 58 operational projects, including 14 regional projects (e.g. with COMESA and CEMAC). UNCTAD has an expanded collaboration with the EC and the WCO, and the organisation's implementation is always based on a very close involvement of the beneficiary countries. For transit, a functioning customs automation system is necessary at the entry points of both the transit country and the land-locked country. The transit module of ASYCUDA, and in some advanced cases the connection between the two customs systems, also helps the transit operations. For instance, ASYCUDA controls and monitors transit operations in several Central and Eastern European countries such as Georgia and Moldova (TIR-EPD Electronic Pre-Declaration) and at regional levels in Central, Eastern and Southern Africa (CEMAC, COMESA, SADC).

Another example of UNCTAD's support is the Afghanistan-Pakistan Transit Trade Agreement (APTTA), which was developed under and UNCTAD trade and transport facilitation capacity building project. Thanks to APTTA, Afghan trucks will be able to take cargo up to the border between Pakistan and India, and Pakistan will have improved access to Central Asian markets through the land-locked Afghanistan.

## **2. Trade facilitation in international trade agreements**

As Customs tariffs and quotas have been reduced significantly over the last decades in various rounds of trade liberalization under the GATT and also within Regional Trade Agreements (RTAs), the importance of trade and transport facilitation is increasingly recognized as a key area to cover in new agreements.

As you know, the negotiations on trade facilitation are among the few areas where significant progress has been made in the context of the on-going Doha Development Round at the WTO. Less well known, but perhaps even more important, is the increased inclusion of trade facilitation commitments in RTAs. A recent UNCTAD study has shown that the number of RTAs with trade facilitation provisions has grown six-fold in the last decade, and among the newly notified RTAs, more than 80% include Customs and other trade facilitation measures.

UNCTAD believes that international commitments in trade facilitation can be very beneficial for developing countries, both land-locked and transit developing countries. The negotiations at the WTO include specifically the improvement and clarification of Article V of GATT, which covers transit issues. But perhaps even more importantly, the general improvement and clarification of Articles X (on transparency issues) and VIII (on formalities) will directly benefit the facilitation of imports, exports and also transit trade.

The trade facilitation measures included in RTAs tend to cover the same issues as those that are being negotiated at the WTO. In fact, they may be even more ambitious in their scope and the time given for their implementation.

Engaging in firm commitments in trade facilitation can help strengthen the case of reform-minded stake-holders at the national level. Often, trade facilitation reforms encounter opposition from vested interests, and if initial investments are required, may compete with other priorities. If there is firm international commitment – be at the multilateral or regional level - coupled with increased possibilities to obtain technical financial assistance, it is much easier to advance those reforms. We thus see an important opportunity for land-locked and for transit developing countries to both work towards an ambitious trade facilitation agreement at the WTO, and also to include trade facilitation commitments in their various regional trade and transport agreements.

UNCTAD supports its members in the negotiation of trade facilitation agreements, and in the implementation of the resulting commitments. And we pay particular attention to the needs of LLDCs and LDCs. Since the beginning of the negotiations at the WTO we have collaborated with other Annex D organizations. (As you know, Annex D of the WTO negotiating mandate calls upon UNCTAD, together with the World Bank, World Customs Organization, the OECD and the IMF, to support the developing countries during the negotiations and also afterwards, when it comes to implementing the trade facilitation reforms.) UNCTAD has also collaborated with regional organizations in meetings and training events focussing on the linkage of multilateral and regional trade facilitation commitments. At present, we are implementing a series of projects that aim at a sort of gap-analysis, comparing the current situation in the participating countries with the obligations ensuing from the future WTO Trade Facilitation Agreement, and developing an implementation plan that would ensure compliance with future commitments. About one third of the participating countries are LLDCs, notably Bhutan, Burkina Faso, Burundi, Nepal, Paraguay, Rwanda, and Uganda.

In the context of the trade facilitation negotiations, UNCTAD is also providing support to national trade facilitation committees, for example through an on-line repository for the sharing of experiences and best practices. Such committees are not only an important tool for analysing, negotiating and implementing trade facilitation commitments, but they are in fact about to become an obligation: According to Article 14 of the future WTO Trade Facilitation Agreement, I quote, “Each Member shall establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of provisions of [the WTO] Agreement.” Such committees are in fact also a useful mechanism to help countries collaborate and identify win-win situations for different stakeholders.

### **3. Trade facilitation and the common interest of land-locked and transit developing countries**

There is an increasing understanding in transit countries and their ports – which are often in private hands – that they actually benefit from attracting transit trade. Different stakeholders, especially from the private sector, from the transit and land-locked countries get together as it can be observed most recently in West, Central and Southern Africa and Central Asia, even before, in South America and South and Eastern Asia to identify and benefit from synergies.

Port operators seek business from traders in neighbouring countries; Trucking companies seek increased opportunities for cargo in broadened markets; Investors in transport infrastructure and investors seek greater returns from larger volumes of trade. Traders from the transit country increasingly realize that the traders from neighbouring land-locked countries are not necessarily a competition but by combining their cargo volumes, they can both benefit from lower transport costs and higher frequencies of international shipping services.

Policy makers and traders from land-locked countries, too, realize that they benefit from investments made in the transit countries, e.g. in infrastructure, trade facilitation reforms or port modernizations. Transit and land-locked developing countries see their respective position change in regional integration schemes: land-locked countries can become transit countries; for instance, Zimbabwe offer land links to South African exporters for their clients in Zambia; Lao PDR connects Central China with Thailand, Paraguay may see goods transit from Brazil to Argentina or Chile.

Partnerships between landlocked and transit countries is hence a critical element of the equation. UNCTAD supports strongly such partnerships between transit and land-locked developing countries, in particular through its project (funded by the UN Development Account) on “Capacity Building for Control Authorities and Transport Operators to Improve Efficiency of Cross-border Transport in Landlocked and Transit Developing Countries”. The aim of the project is to ease transport operations along transit corridors by creating collaborative clusters and measuring the performance of transit operations. The project, co executed with UNESCAP and UNECA, focuses on two pilot corridors: the East African Central Corridor (Tanzania-Burundi-Rwanda) and the Central Asian corridor linking Kazakhstan, Kyrgyzstan and Tajikistan. Another of our UN Development Account projects brings together representatives from national trade facilitation committees in five land locked countries – Bangladesh, Bhutan, Nepal, Rwanda, and Uganda – and three transit countries – India, Kenya and Tanzania- to share and compare respective national trade facilitation implementation plans, including on transit. UNCTAD has also hosted in Geneva round tables to help delegates identify common interests and advance in the negotiations of the improvements and clarification of Article V of GATT.

UNCTAD’s in this context is to bring together the relevant stakeholders from the private and public sectors, the providers and users of services, the policy makers from land-locked and transit developing countries to contribute to a better understanding by all of each other’s position so that convergence can be achieved. The role of trade facilitation in the integration of landlocked developing countries into the world economy cannot be underestimated.

# TRADE FACILITATION IN SUPPORT OF DEVELOPMENT OF LLDCS

*By Ms. Virginia Cram-Martos, Director, Trade and Sustainable Land Management Division, UNECE*

## 1. Introduction

LLDCs are characterised by a narrow production base, economically and physically distant from international markets and have inadequate infrastructure. These conditions lead to LLDCs being highly vulnerable to external shocks; have high unemployment and poverty levels; trade deficits and indebtedness.

## 2. Importance of Trade Facilitation

Trade facilitation is a high return relatively low cost action for supporting economic growth. Trade facilitation reduces economic distance to markets for LLDCs. However it does not fix/change the LLDCs' challenges of narrow production base, physical distance to markets and inadequate infrastructure. OECD<sup>15</sup> estimates show that at the global level a 1% reduction in trade transaction costs would bring annual gains of about \$40 million, with developing and transition economies being the biggest winners in relative terms. If looked at in terms of individual procedures, studies demonstrated that each day saved in shipping time is worth a 0.5 percentage point reduction of ad-valorem tariff<sup>16</sup>.

Example of Immediate Benefits: Reduced Steps for Export*				
Transport Mode	Number of Actions (Existing)	Expected Number of Actions (Future)	Expected Number of Reduced Actions	Expected Number of Reduced Actions (%)
Export by Ship	54	47	7	12.96
Export by Airplane	85	65	20	23.53
Export by Truck	35	16	19	54.29
Export by Train	49	18	31	63.27
Export from ICD	79	57	22	27.85

\*A process analysis study commissioned by Thailand Ministry of Transport, 2008 including the study of relevant rules, regulations and normal practices.

The main procedures needed for exporting through trucks across a border include ordering, booking a truck, documents preparation for the driver, prepare customs e-document and clear the cargo, export the cargo at the port, prepare imported documentations, and payment.

<sup>15</sup>OECD (2003) Quantitative Assessment of the Benefits of Trade Facilitation.

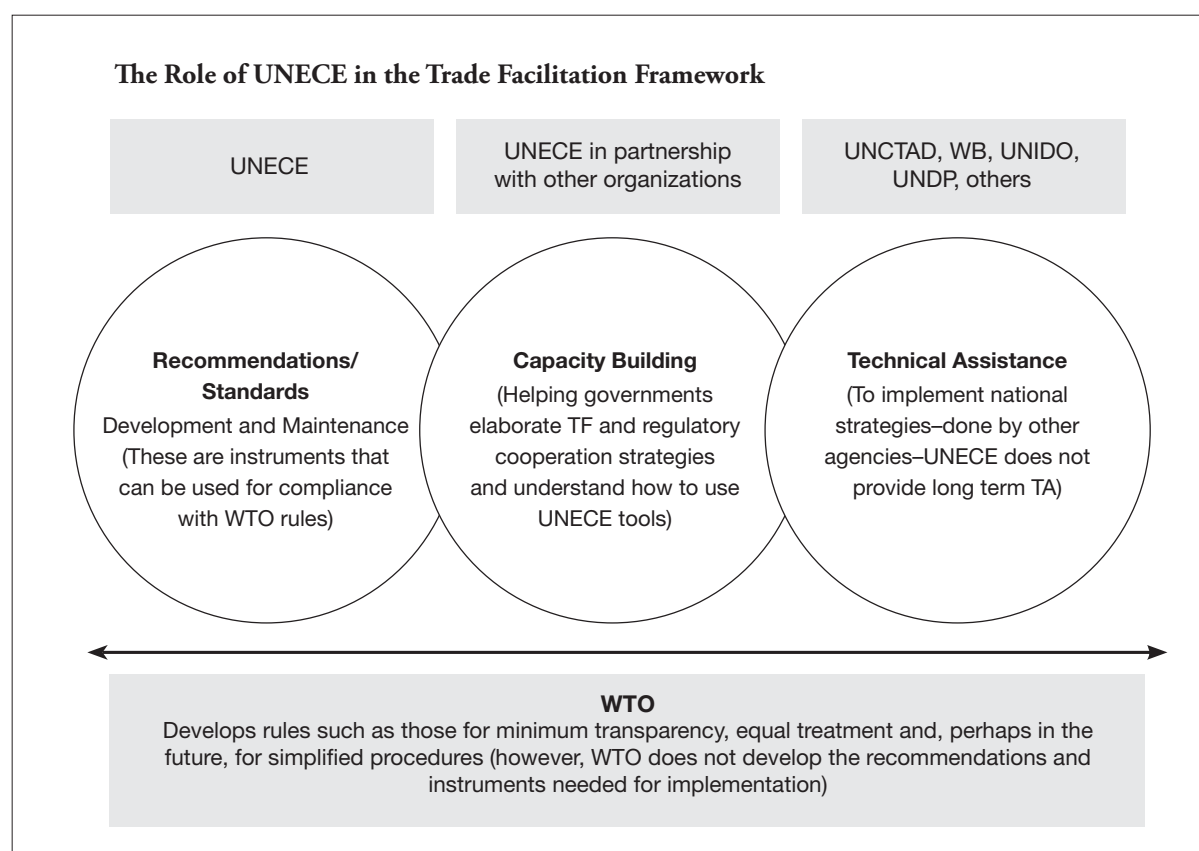
<sup>16</sup>Hummels, D. (2001) Time as a Trade Barrier, Mimeo, Purdue University, USA.

Example of Immediate Benefits: Reduced Time for Export*				
Transport Mode	Existing Usage Time (day)	Expected Usage Time (day)	Expected Reduced Time (day)	Expected Reduced Time (%)
Export by Ship	22	15	7	31.82
Export by Airplane	12	9	3	25.00
Export by Truck	12	7	5	41.67
Export from ICD	11	9	2	18.18

\*A process analysis study commissioned by Thailand Ministry of Transport, 2008 including the study of relevant rules, regulations and normal practices.

### 3. What Does the UNECE Do on Trade Facilitation?

The objective of the UNECE is to facilitate trade and trade-related economic cooperation among countries of the region and with the rest of the world. The Committee of Trade guides the work of UNECE on trade facilitation which is undertaken through the (1) UN Centre for Trade Facilitation and Electronic Business – UN/CEFACT; (2) *Working Party* on Regulatory Cooperation and standardisation; and (3) Working Party on Agricultural Quality Standard. The figure below shows a summary of UNECE's Trade Facilitation Support.



#### 3.1 UN Centre for Trade Facilitation and Electronic Business – UN/CEFACT

The objectives of UN/CEFACT include: to promote simple, transparent and effective processes for global business; and efficient and automated exchange of information. The means used to undertake the work include development of standards in an open and transparent environment; making the information freely available to all, public private sector partnership with over 300 international experts; and UN/CEFACT Forums and joint meetings of technical experts – 2 per year.

The focus of UN/CEFACT is on the business processes (defined broadly to include government processes) and regulatory activities underpinning the movement of goods with the objective of improving the overall international supply and value chain thereby stimulating economic growth.

UN/CEFACT promotes simplification, harmonisation and standardisation of procedures and associated information flows required to move goods internationally from buyer to seller and to pass payment in the other direction. The major trade facilitation actions include:

- Business Process Analysis for Simpler and More Predictable Trade Regulations and Procedures
- Trade and Government Consultation and Cooperation for a Stronger Public Private Partnership
- Document Simplification and Data Harmonisation for Eliminating Duplication and Increasing Interoperability in Supply Chains
- Single Windows for export and import procedures for Faster Clearance, Increased Revenue Collection and Improved Risk Management
- The UNECE provides technical and policy support to member states and develops tools such as the electronic single window, capacity building support and training resources.

### **National Action Plans for Improving The Trading Environment**

Member states use the UNECE evaluation methodology to construct a comprehensive picture of the procedural and regulatory framework underpinning trade activities. They propose immediate and long-term action-oriented recommendations to address identified procedural and regulatory barriers to trade for example: Belarus (2011), Kazakhstan (2012) and Tajikistan (2013).

### **UNECE Support for Aid for Trade**

The UNECE undertakes Aid for Trade (AfT) Coordination for SPECA<sup>17\*</sup> including SPECA AfT Implementation and Monitoring Council, AfT Roadmap for SPECA, SPECA Country and Regional Action Matrices, and working to improve implementation alignment with country priorities. Future focus will be on working with countries to develop bankable projects.

## **3.2 UNECE Working Party on Regulatory Cooperation and standardisation**

The UNECE is working to: reduce regulatory barriers to trade and help countries better protect their citizens through more effective regulation.

Main areas of work include:

### **Regulatory Harmonization, Sectoral Initiatives**

- Develop a common regulatory framework in specific sectors based on Recommendation “L” Examples include: Telecommunications, Earth-moving equipment, Pipeline safety

### **Risk Management**

- Aims at better technical regulations
- Best practice in balancing the need for safety and its costs
- Expert Group will be presented to EXCOM

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<sup>17</sup> SPECA–The UN Special Programme for the Economies of Central Asia (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan)

## **Market surveillance**

- Raising awareness of role of market surveillance
- Best practice in market surveillance
- Training/capacity building

### **3.3 UNECE Working Party on Agricultural Quality Standards**

The Working party aims to develop quality standards setting minimum requirements (commercial quality, maturity, sizing, tolerances, presentation, marking); prepare explanatory material; and promote UNECE standards worldwide, organize capacity-building: explain how they are applied and interpreted and what legal, institutional and technical infrastructure is required.

## THE ROLE OF TRADE FACILITATION AND ITS IMPORTANCE IN INTEGRATING LANDLOCKED DEVELOPING COUNTRIES (LLDCS) INTO THE WORLD MARKET

*By Mr. Gaozhang Zhu, Director of Compliance and Facilitation, WCO*

The WCO plays an important role in supporting customs administrations around the world in achieving trade facilitation, as one of its most important goals. The WCO is an international organization comprising 178 Governments from all parts of the world. It serves as a forum for exchange of ideas and thereby a means to identify best practices in Customs procedures. The WCO was created as the Customs Cooperation Council in 1952 to set international standards in supply chain management with a strong focus on facilitation of legitimate trade. From that beginning, 60 years ago, with a mere 6 Members, the organization has grown today to encompass a global body that collectively processes over 98% of global trade.

The very important role of customs is to ensure that cross-border movements of goods are, first of all, compliant with national laws and regulations, that the fiscal interests are met and that goods don't represent a safety threat for citizens. Security is also a very important element – ensuring goods are not exploited by terrorists. However, it is at the same time crucial to allow a smooth flow of legitimate goods across borders. This will allow countries to achieve economic competitiveness. Trade facilitation needs to be realized by the collaboration between Customs, other agencies involved in border regulations and businesses.

Customs and other border agencies need to understand that making their procedures efficient and effective will help the economy. At the same time traders should be aware why customs and other agencies require such measures and that, through compliant behaviour, facilitation (for example quicker release of goods), can be increased. The WCO highly values the direct involvement of the private sector in the work of its technical committees. This reflects the commitment of the WCO to take into consideration the views of all trade stakeholders and thus ensure that its work reflects trade's concerns and ensures smooth flow of legitimate cargo. All relevant players should work together, but sometimes there is a lack of this kind of cooperative mindset and, to overcome this, what we need is real political commitment, people's willingness and partnership among all relevant players.

The customs community and the WCO have produced many standards to meet the requirements of efficient and effective border procedures. The key standards are contained in the Revised Kyoto Convention for simplification and harmonization of customs procedures, complemented by many accompanying instruments and tools. However, for the implementation of WCO standards, which are often considered too technical, customs authorities need political support and also understanding and support from the business.

The Revised Kyoto Convention fully supports the provisions contained in the future WTO Trade Facilitation Agreement. Once concluded, the WCO will be expected to support the Agreement's implementation. Currently, the Revised Kyoto Convention has 82 contracting parties and WCO is encouraging all remaining Members, including developing and least developed countries, to accede to this extremely important instrument which serves as a blueprint for the reform and modernization of many administrations around the world. This Convention is the WCO's Trade Facilitation Convention and it supports Customs to more quickly clear legitimate goods and thus improves economic growth. The WCO continuously provides technical assistance to familiarize Members with its provisions and to identify implementation gaps. WCO's statistics show that one third of LLDCs have acceded to the Revised Kyoto Convention.

Improving transit is important for achieving trade facilitation. Landlocked developing countries are more than others affected by the lack of infrastructure and lack of cooperation with their neighbouring countries, because of their disadvantage of not having access to the sea. Very often transit procedures are not harmonized between states. It is important to have established links between Customs transit systems of these countries. Transit developing countries are themselves in need of improvement of technical and administrative arrangements in their transport and customs and administrative systems to which their landlocked neighbors are expected to link. In general there are sufficient international instruments on transit available and the Revised Kyoto Convention also provides key provisions for



simplification and harmonization of transit procedures. However there is not always sufficient readiness to accede to these international instruments.

Due to the ongoing uncertainty caused by the global financial crisis and recognizing that economic recovery is very important for many countries and that the need for regional integration is essential for moving towards economic growth, the WCO has launched the Economic Competitiveness Package. It entails further promoting WCO instruments, fostering enhanced cooperation among all stakeholders in international trade, sharing best practices among Members, developing new tools as appropriate and delivering capacity building.

Implementing WCO instruments such as the Customs in the 21st Century Strategy, the already mentioned Revised Kyoto Convention, the SAFE Framework of Standards to Secure and Facilitate Global Trade and other instruments and tools will ensure better border management, improved infrastructure, open and competitive markets in logistics, and harmonized regional standards. Such interventions will reduce trade costs, which leads to advantages for firms in the form of better export performance and increased investments. This, in turn, leads to job creation and increased government revenue collection which supports economic growth and competitiveness leading to poverty reduction and prosperity.

One of the goals of the Economic Competitiveness Package is to increase the number of contracting parties to the Revised Kyoto Convention, but also to enhance implementation of other WCO instruments and tools. For instance, working towards Globally Networked Customs and implementing the WCO Data Model will allow greater connectivity among customs; the implementation of the Risk Management Compendium will help manage risks in trade flows more efficiently and effectively; using the Time Release Study will help identify bottlenecks in cross-border movements in order to find solutions for shorter delays at the borders etc.

What is also very important is coordinated border management – a lot of facilitation can be achieved if the different agencies harmonize their requirements (eg licensing, data requirements). WCO's concern is thus to provide guidance to Members as to how the agencies can best cooperate. Part of the solution is the setting up of a national Single Window (this is also included in the WTO proposal for the Trade Facilitation Agreement). The Single Window enables the traders to submit information once to one agency, often Customs, which subsequently shares that information with other border agencies. The WCO offers a Compendium for Single Window to help its Members in turning this concept into reality.

The objective of the Economic Competitiveness Package is also to examine more closely areas needing more attention. One that has already been identified is transit. However, WCO is currently in the process of collecting Members' priorities and needs regarding development of additional WCO guidance and tools. With the WTO agreement on trade facilitation, the problem of political will can be overcome. The ministerial level WTO agreement gets more attention from senior political leaders and gets the mindset of state to focus on trade facilitation. Cooperation with other international community actors, such as donors can assist landlocked developing countries to benefit from trade facilitation.

One of the important roles of the WCO is to provide capacity building and technical support to its members in implementing international customs standards. The WCO, as the global centre of Customs expertise, strives to play a central role in supporting its Members with reform and modernization. The result is a more comprehensive, needs-driven and focused approach. Each Administration's needs are different and the assistance is tailor-made according to the Member's individual priorities. WCO's work includes carrying out diagnostic missions to assess the current situation, draft recommendations for improvements and support implementing of the recommendations.

LLDCs have the same level of access to WCO technical assistance and capacity building as all other members of the WCO. All countries within this group have benefited from different forms of WCO assistance. Diagnostic missions have been carried out in almost all of them and recommendations for improvements have been determined. However, political will and high level of cooperation between governmental agencies is necessary to push the modernization agenda forward on national level. Lack of integrity is also another element that can pose a huge threat on modernization efforts.

In the framework of the WTO trade facilitation negotiations, and as one of the Annex D organizations, the WCO is also committed to contributing to technical assistance activities organized by the WTO and Annex D organizations

to help developing countries to identify their implementation capacity regarding agreed trade facilitation measures.

In conclusion, trade facilitation can be enhanced by effectively implementing existing standards. Instruments and guiding tools are available and regularly updated. However, stronger political will is needed to support implementation and stronger partnership among Customs, other border agencies and the business.

## THE ROLE OF TRADE FACILITATION IN INTEGRATING THE LLDCS

*By Mr. Jean-Francois Arvis, Lead Transport Economist, International Trade Department, World Bank and Cordula Rastogi, Senior Transport Economist, Europe and Central Asia Region, World Bank*

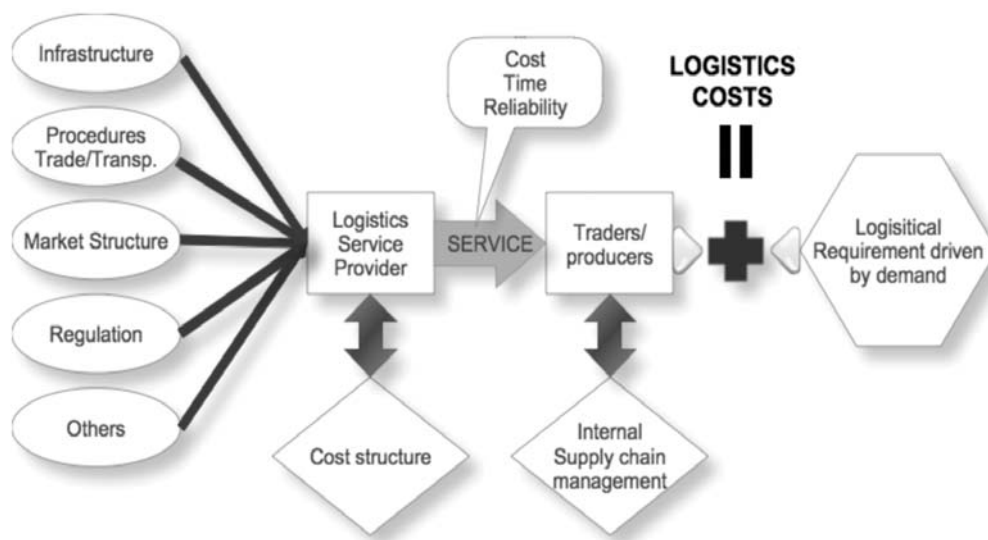
### World Bank-financed Almaty PoA activities

The World Bank finance Investment Projects under the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The Bank provides technical assistance through the Trade Facilitation Facility and partnerships. The Bank also produces and widely disseminates knowledge products through publications.

The key findings and lessons learnt from the implementation of the Almaty PoA shows that there is need for new solutions for an “old problem”.

### Shifting Priorities Towards Improving Services to Traders

Improving services to traders entails going beyond accessibility priorities ie. development of physical infrastructure although it is still a constraint and international law and regulations since there is lack of agreement and limited implementation towards improving services to traders. The key lessons from the World Bank’s research for the Almaty PoA indicate that there is need for a paradigm shift. An additional source of challenge to LLDCs besides transport cost and time it takes to transit is reliability. The sources of unreliability in corridors serving LLDCs can be from any part of the journey between the port and the point of destination in the LLDC for imports including at: port of entry; rail transit; multimodal transfer; road transit; border crossing; national transit; and clearance destination.



The paradigm entails moving away from primarily a lack of: infrastructure (road, borders, IT...) and legal framework, towards lack of implementation mechanism for transit, dysfunctional markets for logistics services, and governance (rents and corruption).

## **The major sources of unreliability in Corridors serving LLDCs**

Unreliability is largely a problem of fragmentation or quality of processes and services:

- Multiple clearances and control and not only at the border: the same procedure can be repeated up to seven times on certain corridors;
- No continuity across and even within borders;
- Typically much time is spent to initiate transit operations;
- Fragmented market structure of core services (truckers and brokers) and little incentive for quality services: monopolies, entry barriers, regulated freight operations;
- Infrastructure quality no longer the major cause of unreliability.

## **The Potential for Cost Reduction**

The potential for reducing costs in three key policy areas include:

- Transit systems and processes: ensure effective implementation mechanisms of transit agreement, and reduce multiple clearance, differentiated treatment of operators.
- Logistics Services market: Align incentives for efficient transport and transit operations, phase out anti-competitive practices such as cartels and queuing system wherever possible.
- Corridor Management: cross-border cooperative institutions, public-private dialogue, monitor performance (indicators).

In this regard, the objective of improving service delivery for traders implies to combine:

- Investment in infrastructure.
- Institutional capacity building
- Regulatory reforms

World Bank financed projects are changing towards combining and balancing support to investment and technical assistance, cross-border, trade and facilitation facility.

# SWAZILAND'S COUNTRY EXPERIENCE ON IMPROVING TRADE FACILITATION

*By H.E. Ms. Jabulile Mashwama, Minister of Commerce, Trade and Industry, Swaziland*

## Introduction

The trade policy developments on the continent as a whole have been informed by the common decisions taken by Heads of State at the African Union level where they have demonstrated an unequivocal will to see the trade agenda implemented. This is evidenced by the AU adopting a Theme at its two successive summits aimed at improving, 'Intra-African Trade', as well as the prominence of the trade agenda on most summit discussions and outcomes.

There has been a realisation by Africa of the need; (i) To improve trade amongst ourselves; (ii) To improve value addition at source; (iii) For diversification from commodity dependent economies; and (iv) For broad industrial development. All of these require trade facilitation programs to be in place and effective so as to realise gains to growth and development

In Africa, there has been a renewed appreciation of the role that RECs can play to improve market access. These RECs provide a platform for neighbours and members to discuss and reconcile trade issues, move forward partnerships and facilitate integration processes on the continent

A third of Swaziland is located on the border with Mozambique and two thirds with South Africa. The size of the country is 17 363 square kilometres and a population of 1,046, 000. Swaziland is a lower middle income country with a GDP per capita of U.S \$3565. Swaziland major exports include: Soft drink concentrate, Raw sugar, refrigerators/freezers, zippers, citrus fruit, beef, pulp, coal, textiles, and most recently ethanol (a by product of molasses from sugar). The key destinations of Swaziland's exports include: SACU market (approximately 70%), COMESA and SADC Countries (9%), EU (8%), US under Agoa (3.5%) Rest of the world (10%).

## Challenges

The major challenges that Swaziland face in improving its trade include: Lack of automation at the borders; -Central issuance of certificates of origin in the capital city; -Lack of co-ordination with neighbouring countries; Excessive amounts of time spent at border posts; and Inconsistent interpretation of customs legislation by border officials; In addition Swaziland faces challenges at exit ports. Durban port is far and congested and Mozambique port has under developed infrastructure. The road transport to the sea ports is very expensive whilst air transport is extremely expensive.

## Reforms

Swaziland developed an Investor Road map to address ease of doing business constraints e.g reducing the number of days for getting a trading licence, e-government, trading across borders. Swaziland has made some strides to improve the competitiveness of her traders. These include:

- the full operationalization of ASYCUDA(customs automation) and ultimate electronic data interchange between RSA and Swaziland,
- decentralization of the issuance of all Certificates of Origin by the Swaziland Revenue Authority which has cut costs and processing times for traders; and the
- ongoing work on reducing the number of documents and declaration points for both imports and exports with a view to set up a one stop point declaration for all traders.
- Reconciliation of VAT payment across borders
- Extension of border operation times
- Scrapping of additional motor vehicle insurance requirements in Mozambique
- Signing of memorandum of understanding between South African Revenue Services and Swaziland Revenue Authority
- Establishment of Joint Bilateral Commission with Mozambique to address all issues including trade facilitation

## **Swaziland's benefit from regional integration**

At Regional Level Swaziland is a member of Southern African Customs Union (SACU). Trade Facilitation and Infrastructure Development have been incorporated as part of the five priority areas in the new SACU Work Programme adopted by the SACU Heads of State and Government. Work towards implementation of this Programme started in October 2010 with the development of an Action Plan which identified activities aimed at enhancing cooperation, improving compliance and facilitation of intra-SACU trade.

The most notable successes of this Action Plan to date include:

- a. The development of a programme to improve trade partnerships and involve the private sector in the SACU-World Customs Organization (WCO) Customs Development Programme;
- b. The development of guidelines and criteria for establishing national customs-to-business stakeholder forums has been completed;
- c. The implementation of a national preferred trader programme has been adopted by all Member States; and

With the help of the World Customs Organisation, SACU Member States have developed a regional approach to risk management for SACU.

Swaziland is also a member of the Tripartite region composed of COMESA, EAC, SADC. Members of the Tripartite have adopted a framework to harmonize work on Non Tariff Barriers across the 3 trading blocks. This has culminated in an online mechanism for reporting, monitoring and elimination of NTB's ([www.tradebarriers.org](http://www.tradebarriers.org)). The Tripartite is encouraging harmonization of member state's customs standards in line with international customs standards from WCO, like the Kyoto Convention and Istanbul Convention, harmonization of Rules of origin across the 3 trading blocks with a view to simplification and generalization and harmonised axle rod limits. The Tripartite has established a Regional Customs and Transit Guarantee Scheme to assist with transit cargo, especially for landlocked countries.

## **Core Infrastructure Developments**

Transnet, a South African railway and port operator; and Swaziland Railways have agreed to jointly develop a 146 kilometre line from Lothair in Mpumalanga Province in South Africa to Swaziland. The line is aimed at being a coal transport route and would enable freight trains up to 200 wagons in length to travel across the border. The new line will also handle general freight volumes of unprocessed minerals and bulk products, and will add new rail transport capacity of 15 million tonnes to the region. The first trains on the new line are expected to start transporting the products in 3 years.

This project will enhance Swaziland's connectivity to ports of Richards Bay and Durban in South Africa, whilst also providing a linkage on the northern side of Swaziland to South Africa's. The project will bring local opportunities in quarrying, transport, equipment provision and hire, steel fabrication, engineering services, concrete sleeper production amongst other activities.

At regional level, the COMESA-EAC-SADC Tripartite Infrastructure project preparatory facility has been established to prepare feasibility studies and bankable infrastructure projects, which require funding. Financial support has been sourced from DFID. Under the SADC Regional Infrastructure Development Programme, Swaziland is advocating for funds, including from the Aid for Trade initiative, to be channelled to SADC transport corridors that will link Swaziland to less distant ports.

**SECTION SIX**

**IMPROVING THE TRADE COMPETITIVENESS,  
PRODUCTIVE CAPACITIES AND INVESTMENT  
CLIMATE OF THE LLDCS**

## DEVELOPMENT STRATEGIES TO IMPROVE TRADE: COMMODITIES MATTER

*By Mr. Parvinder Singh, Chief, Policy, Programme Management and Evaluation Unit, Common Fund for Commodities*

### The Role of Commodities in Development

Commodities are crucial to individual livelihoods, as well as national economic well-being and economic development of LLDCs. The significance of commodities is more widely recognised today in addressing food security and poverty alleviation. Commodity sector can deliver the key Millennium Development Goals (MDGs) by increasing basic food supplies, enhancing incomes and creating employment in the rural areas, improving terms of trade leading to better living standards, and greater gender equality contributing to women's empowerment. Commodities are a link to the global market thus a source of foreign exchange and also economic volatility.

### Challenges

Agricultural commodities are affected by the limited growth in agricultural productivity and efficient use of productive resources. Production of mineral resources besides economic and technical factors is also affected by governance. There is also the challenge of equitable distribution of benefits amongst commodity producers (agricultural or mineral resources). The volatility of commodity prices and limited value addition are also leading challenges.

A commodity dependent LLDC faces specific kind of vulnerability – vulnerability to markets (Exports-Imports). Higher share of commodity sector in economy means higher exposure to market risks and the same applies even periods of commodity boom. Unfortunately LLDCs lack most coping mechanisms which more developed countries may use to cope with exposure to volatile commodity markets.

### Commodity Prices

Commodity price boom in early 2000 created a false sense of security amongst commodity producing countries. As shown in the table below, percentage change in average real price for the 2009-11 period when compared to 1979-81 period is negative. Producers in LLDCs incur higher production costs because of higher transit costs and during a commodity price slump they have very marginal profits or are driven out of business or get indebted for long periods.

Average world primary commodity price indices over three-year periods 1979-81 and 2009-11					
Commodities	Average price, 1979-81	Average price, 2009-11			Percentage change in av. real price, 1979-81 to 2009-11
		Actual prices		As per cent of 1979-81, deflated*	
	Nominal (in U.S. currency)		As per cent of 1979-81		
Tropical beverages					
Coffee – arabica, c/kg	339	449	132	57	-43
Coffee – robusta, c/kg	304.3	193	63	27	-73
Cocoa, c/kg	265.7	300	113	49	-51
Food					
Sugar, c/kg	40.3	48	119	51	-49
Beef, c/kg	270.3	334.3	124	53	-47
Maize, \$/mt	124	214.7	173	75	-25



Wheat, \$/mt	169.3	254.7	150	65	-35
Rice, \$/mt	394.3	529	134	58	-42
Sorghum, \$/mt	121	195	161	70	-30
Bananas, \$/mt	368	894.3	243	105	+5
Vegetable oilseeds and oil					
Soya beans, \$/mt	294	476	162	70	-30
Groundnut oil, \$/mt	930.3	1,524.4	164	71	-29
Palm oil, \$/mt	603	903	150	65	-35
Agricultural raw materials					
Cotton, c/kg	188	233	124	53	-47
Cattle hides, c/lb	53.59	66.263	124	53	-47
Rubber, c/kg	126.7	346.3	273	118	+18
Tropical logs, \$/m3	225.7	445	197	85	-15
Minerals, ores and metals					
Aluminium, \$/mt	1,547	2,079.7	134	58	-42
Phosphate rock, \$/mt	43.3	143.3	331	143	+43
Iron ore, c/dry mt unit	26.7	131.3	492	213	+113
Tin, c/kg	1,546	2,001	129	56	-44
Copper, \$/mt	1,969.7	7,171	364	157	+57
Gold, c/troy ounce	458.3	1,255.3	274	118	+18
Crude oil, \$/barrel	34	81.7	240	104	+4
Unit value of manufactured goods (base = 2005)	47.97	111.13	–	–	–

\*Actual prices deflated by the Unit Value of Manufactured Goods. The prices are deflated between the two three-year periods by a factor of 0.4316136.

Sources: Thomas Lines calculations, using data from the World Bank and UNCTAD. © Thomas Lines 2012

### Key Commodity Issues for LLDCs

There is a need to address vulnerability of LLDCs i.e. (a) exposure to volatility, and (b) mitigate the impact and enhance their ability to cope. Known practical measures that can be used include: diversification and value-addition; market development; value-chain development; enhancing productivity; and advocacy, building partnerships and dissemination

At the global level the key issues include: shortening of the supply chain and the diminishing role of the State; restructuring of the global value-chains has increased the scale of operations of transnational corporations and their dominance in markets; concerns for health and food safety has led to the proliferation and more stringent sanitary and phyto-sanitary standards; shift from product to process certification has imposed requirement for traceability. Product differentiation is a key competitiveness strategy. Regional economic integration groups have become important players in capturing economies of scale in production and marketing and these create opportunities and pose challenges also.

## **Addressing commodity dependence in LLDCs**

It is important that LLDCs continues to drive toward solutions that will support accelerated growth in investment and trade. They should create domestic conditions to enhance competitiveness – monetary and fiscal policies, physical and supporting infrastructure, capacity building. Encourage FDI and PPP. Address the supply constraints by creating opportunities for employment, production and diversification through: entrepreneurial, risk free activities; upgrading production, labour skills; understanding and accessing new markets and new market structures; upgrading cross sectoral policy development capacity; and information and knowledge access.

New technologies, appropriate inputs, higher quality seeds and planting materials, and reducing wastage can increase agricultural productivity and competitiveness. Expansion of processing of primary products – moving up the value addition chain is important. Promotion of diversification – horizontal, vertical and geographical diversification of production – increased export earnings and/or reducing the dependency on a few commodities; risk management; and commodity finance reduces vulnerability of producers. Reliable storage is essential in marketing seasonal crops. Governments need to facilitate creation of regulated public warehousing as industry separate from trader companies.

## **Regional Integration**

Regional integration is the single biggest priority over the next decade in order to create a larger market. Deeper integration throughout the regions would enable greater levels of trade, providing a further boost to diversification and sustainable growth and would also create larger markets. Regional integration is critical to accelerated and sustainable growth. Creating larger markets with greater critical mass will not only enhance investment propositions, it is also the only way for LLDCs to compete effectively in the global economy. Bridging the infrastructure gap will be a key enabler of regional integration, growth and development. It also remains a key challenge and opportunity for investors. In addition pooling human, capital and natural resources and leveraging different comparative advantages will benefit the region as a whole.

## **Uniqueness of CFC**

CFC has an exclusive focus on commodities. Its projects are mainly: Aid for Trade; identified and implemented without formal governmental involvement; are proposed, prioritised, formulated and supervised by an (International Commodity Body) ICB; normally involve a counterpart contribution (in cash and/or kind) by the ICB, the project implementation authority or any other entity with a direct interest in the project (*inter alia* to foster ‘ownership’ and ‘sustainability’; and it aims systematically to cover all commodities that are of importance to least developed countries (LDCs) and to poorer groups within other developing countries.

CFC’s solutions are case specific. CFC is investing in rice food security programmes in Latin America and the Caribbean (LAC) and Africa. The introduction of innovative agronomic practices of irrigated rice cultivation (CFC contribution 974,980 USD) led to immediate increase of average rice yields by two tons/ha in the major rice growing areas of Brazil/Venezuela. This technology package is now introduced via private sector rice producer associations in all other major rice producing countries in Latin and Central America. The FAO rice outlook report on the results of the 2009 paddy season validated this success in the LAC region.

When market access is the problem, for example sorghum production in West Africa is a subsistence farming activity involving small farmers who produce for their own domestic needs and they have no access to commercial markets. A public private project partnership of CFC (contribution USD1,527,00) with international breweries (contribution USD 903,000) in West Africa led to the substitution of imported grains with locally produced sorghum.

Another project involves cassava which is a root crop with high yield in tropical conditions and high nutritional value but is highly perishable within 24 hours. Traditional processing does not retain quality for industrial use. Technology for high quality primary processing of cassava into flour creates forward and backward linkages. The forward linkages include: cassava flour cost only 70% of wheat flour, and it can also be used as substitute in bread, cookies and starch industry. The backward linkages include the fact that much of the processing equipment can be manufactured locally and creates demand for high value skills in quality control and production management.

What is important with agricultural commodities is devising precise targeting of interventions against constraints. The table below shows the possible entry points.

<b>Targeting of interventions</b>			
Production	Marketing	Capacity and capability	Financing
Small and scattered farm units	Transportation	Human and institutional	Inappropriate funding mechanisms
Risk management	Storage packaging and branding	Organisational support and development	Reluctance of commercial banks to finance agriculture
Quality	Grades and standards	Technical and managerial expertise	Lack of favourable policy for agricultural financing
Consistency in supply		Advocacy skills	Lack of venture capital

In conclusion, the commodity sector is interlinked across sectors, industries and Ministries. It is important for countries to achieve policy coherence and coordination so as to obtain maximum leverage from commodities. In addition it is important to foster national, regional and international cooperation for optimal results.

## EASING ACCESS TO GLOBAL MARKETS

*By Mr. Ankur Huria, Private Sector Development Specialist, International Trade and Investment Unit, World Bank*

### Introduction

Good trade logistics are important for improving trade competitiveness, productive capacities and the investment climate. The key elements of the investment climate agenda include: business taxation, trade logistics, investment policy, business regulation: including entry, licensing and inspections, and insolvency and alternate dispute resolution. However poor trade logistics affects the investment climate by creating tremendous costs for businesses including: (i) direct cost which include: Direct cost of transportation, Lost days due to delays, Cost of financing investment in inventory (interest paid or opportunity cost of capital), and Taxes, (ii) costs related to risks that include loss in market share, spoilage, shrinkage, and obsolescence, (iii) storage and handling costs that include costs for warehousing and storage especially when large inventories require additional space and handling and transportation in general and to overflow facilities.

Additionally, the current economic environment puts more pressure on profitability of companies everywhere because of slowing global trade trends, higher protectionism, decline in demand caused by declining incomes, and higher costs of financing because of scarce credit. Businesses in landlocked developing countries face even greater challenges to trade because the longer time it takes to import when compared to coastal/island economies. Studies have also shown that 60% of the landed cost is due to transportation and logistics. Logistics costs also have a disproportionate burden on small firms.

### Number of days to import

	Kazakhstan		Mongolia		Armenia		Zambia		Rwanda	
	Days	%	Days	%	Days	%	Days	%	Days	%
Documents processing	21	28%	28	61%	6	46%	27	61%	9	31%
Customs clearance/tech.control	18	24%	2	4%	1	8%	3	7%	4	14%
Port and terminal handling	11	14%	2	4%	2	15%	5	11%	6	21%
Inland transport	26	34%	14	30%	4	31%	9	20%	10	34%
Total	76		46		13		44		29	

Source: World Bank Doing Business Report 2012

### Improving Logistics and Reducing Transactions Time

Improving logistics and reducing transactions time has a direct impact on trade. This has direct implications for growth, private investment, jobs and poverty reduction. For example according to World Bank research, a ten% decrease in export time will increase exports from Sub Saharan Africa by 6.1%, South Asia by 5.8%, East Europe & Central Asia by 5%, Middle East & N. Africa by 4.1%, Latin America and Caribbean by 3.5%, and OECD by 1.7%.

### Investment Climate Trade Logistics Product

The objective of the World Bank's investment climate trade logistics product is to help clients create simple, efficient and accountable trade logistics systems and services that have a dramatic impact on economic development. The expected results and impact are to reduce the time and cost to trade, leading to increases in exports and savings to the private sector.

The core focus areas include to: (i) Simplify and harmonize trade procedures and documentation, (ii) Integrate risk management systems into border inspections and clearance regimes, (iii) Implement automation and single window systems, (iv) Promote regional integration, (v) Create efficient markets for logistics services, and (vi) Address trade logistics barriers along agribusiness supply chains.

Examples of the work of the Investment Climate Trade Logistics Product in LLDCs show that the work has introduced practical reforms that have significant implications for increase in efficiency and productivity for the private sector. In Rwanda, the World Bank has worked with the government to produce a logistics and distribution services strategy that can help them mitigate their constraints by transforming Rwanda's current logistics system as a supply route serving a landlocked location to an enhanced role where logistics and distribution facilities are strategically aligned to production centres that yield the competitive advantage necessary for exports to succeed.

In Armenia, the World Bank has assisted the government to introduce over 15 technical control regulations that simplify the investment climate for trade logistics. The government is now focused on improving agribusiness exports and the World Bank is assisting in identifying regulatory bottlenecks that hinder export growth.

In Burkina Faso, the World Bank has focused on supporting the Customs Authority for improving procedures and processes and supporting the implementation of the single window. In Zambia, Nepal, and Mongolia the World Bank begin assisting various government agencies to help streamline trade related procedures.

## **Conclusion**

When improving the investment climate it is important to focus on private sector impact. It is important to improve coordination and connectivity – between donors, between the private and public sectors and between public agencies. It is crucial to involve the private sector to validate reforms and impact so that there is – growth in trade including exports and supply chain improvements and savings to firms through better inventory control, lower interest charges, warehouse fees etc.

# IMPROVING TRADE COMPETITIVENESS, PRODUCTIVE CAPACITIES AND INVESTMENT CLIMATE OF LLDCs: ZAMBIA'S EXPERIENCE

*By H.E. Mr. Robert K. Sichinga, MP and Minister of Commerce, Trade and Industry*

## 1. Introduction

Structural transformation is an absolute necessity for LLDCs. Most LLDCs have been principally suppliers of raw materials/commodities that were then value added in today's developed countries especially under the colonial regime. This explains the traditionally low value of exports from some LLDCs particularly the ones in Africa. The exports and imports routes to the sea were primarily developed to ensure delivery of raw materials to overseas countries for value addition. This explains why developed countries account for higher value.

LLDCs under the colonial regimes were expected to import finished goods from the west hence trade routes were not well developed for imports nor intra-regional trade. As a result low value of goods from LLDCs leads to low capital formation thereby perpetuating poverty in LLDCs. This trend has to end and hence the necessity for structural transformation of LLDCs.

## 2. Zambia- Geographical Location

Zambia is a LLDC that suffers from the foregoing scenario. It exports US\$8.5 Billion per year. Zambia is a major producer (4<sup>th</sup> Globally) of copper and 2<sup>nd</sup> major producer of cobalt; 882,000 tonnes (2011), and a target of 1 million tonnes (2015).

Zambia's growth rate was 7.6% in 2011 and 8% 2012. Zambia has a population of 13.6 million with per capita income of only US\$1400. 74% of the population is below the age of 35. Zambia is a member of both COMESA and SADC Regional Economic Communities. It is also part of the Tripartite (COMESA-EAC-SADC) arrangement.

Zambia has 8 neighbours that it shares a border with namely Angola, Botswana, Democratic Republic of Congo, Namibia, Malawi, Mozambique, Tanzania and Zimbabwe. Zambia helped to politically liberate 5 of the 16 SADC countries and this accounts for a more conducive environment for agreements with its neighbours.

## 3. Major routes to seaports and other infrastructure

Zambia's major routes to seaports include (a) Durban and East London (South Africa through Zimbabwe); (b) Lobito (Angola through DRC- Currently Non-functional); (c) Walvis Bay (Namibia) – Mostly by road. Rail would be beneficial; (d) Dar-es-salaam (Tanzania); and (e) Nacala (Mozambique through Malawi) (Proposed)

Beira (Mozambique) – Now seeking Beira Route to service Malawi and Zambia by Zambezi River to Cabora Bassa Hydro dam.

Zambia has an oil pipeline from Dar-es-salaam, Tanzania to Ndola. It used to have rail systems with Zimbabwe into South Africa. The TAZARA railway line built in 1966-71 (With assistance from China) has now become a Development Corridor.

The greatest challenge of Zambia is to turn its landlockedness into land-linkedness. Two-thirds of the transport cost to the port is inland.

## 4. Value Addition

Zambia had by 1990 achieved a relatively medium level of value addition on some agriculture products. However the need for industrialization to add value to raw materials is great. Small quantities of copper are used for local beneficiation.

Cobalt is never beneficiated. Business and trade liberalisation in the 1990s, made Zambia a warehouse for finished goods from outside the country especially South Africa. Currently trade within SADC region favours South Africa (72%), Namibia (8%), and Zimbabwe (4%), balance of 12% shared by the remaining twelve countries in the region.

## **5. Diversification/ building of productive capacities**

The thrust is to re-build and build Zambia's own productive capacities. The conference on "Value Addition" would be held in October, 2012, to agree on areas of value addition. The thrust will be on commodity value chain in the following:

- Copper/metals fabrication;
- Increased agriculture production and agro-processing;
- Setting-up of Multi-Facility Economic Zones at Provincial level and Industrial Clusters at district Level;
- Need for skills training and technology transfer;
- Power infrastructure- an absolute must for Multi-Facility Economic Zones and Clusters;
- Road network to all districts and inter-connections to main highways;
- Revamping the entire rail system or cancelling concessions, which have failed to run for ten years;
- Enhance management of TAZARA (Railway to Tanzania- Dar-es-salaam); and
- Setting-up Intra-Africa Trade Centres (IATCs)- converting smuggling and "informal/ undocumented" trade to "formal" at selected border points with all the 8 neighbours.

Zambia is also part of the PIDA- Programme for Infrastructure Development in Africa.

## **6. Addressing the Supply Side constraints to enhance efficiency and reduce costs**

### **6.1 The role of the private sector**

The role of the private sector is crucial in addressing the supply side constraints. Zambia established the Private Sector Development in 2006 reform programme which has resulted in Zambia achieving the following:

- Sixth world-wide in getting credit;
- Fourth best reformer world-wide for starting a business;
- Best in COMESA on getting credit;
- Third in COMESA on overall ease of doing business, starting a business and paying taxes;
- Second in SADC in starting a business and getting credit;
- Fourth in SADC in paying taxes; and
- Fifth in SADC in overall ease of doing business.

As a result, Zambia was recognized among the top ten global reformers in the world in 2010. Zambia has also improved its ranking on the "Doing Business Index", moving from 90 in 2009 to 76 in 2010 and plans to be in top 50 for Ease of Doing Business.

Zambia has enhanced the consultative process and engagement with the private sector. The government entered into PPP for border management and infrastructure. The country has reduced the cost of doing business- ie. company registration can now be done within 24 hours through the Patents and Companies Registration Agency. The Multi-Facility Economic Zones are publically and privately owned industrial clusters for value addition at district level. One-Stop-Shops for business registration and export information have been established at all Provincial Centres.

### **6.2 Border facilitation and management**

Border facilitation and management-through establishment of One-Stop Border Posts at Chirundu Border with Zimbabwe. This has helped reduce border-crossing delays. The country has also increased/intensified use of ICT to

help with border and transit management systems and has streamlined border management with assistance from WTO, SADC and COMESA.

### **6.3 Reforms that have been undertaken**

The Citizen Economic Empowerment law was established to improve local/indigenous participation in business. The country undertook further changes in empowerment for human capital formation particularly of youths. Increased skills training with support of UNIDO. There has been increased involvement of parliament and local communities with business at local level. A law was established to incorporate Japanese KAIZEN practices to improve productivity and profitability with JICA Aid. The country is also undertaking policy reforms and measures to attract FDI into priority sectors.

## **7. Outstanding challenges**

While Zambia has made significant strides in improving the trade competitiveness, productive capacities and investment climate, challenges still remain that need to be addressed for Zambia to become even more viable and competitive. These challenges include:

- Poor infrastructure (Road, Rail and Water)- Zambia ranks 114 out of 125 countries in terms of poor transport and communication infrastructure;
- Low production capacities and productivity;
- Poor border administration-Zambia ranks 66<sup>th</sup> to 78<sup>th</sup> out of 125 countries in terms of efficiency of customs administration and transparency of border administration;
- Bottlenecks to trade such as tariff and Non-Tariff Barriers (NTBs);
- Some Member States such as Angola and DRC have not acceded to the SADC trade protocol which Uganda, Eritrea and Ethiopia and South Sudan have not acceded to the COMESA Trade protocol. This has the potential to slow down the process of integration.
- Insufficient electricity/power (i.e. Chanida Border cannot operate scanners because there is no electricity in the area); and
- Lack of weighbridges at some borders making it difficult to determine how much of products have gone or come into the country.

## **8. Way Forward**

Zambia will not relent in its efforts and taking positive and practical steps to turn its status as a Landlocked Developing Country to a Land-linked Country. The country is convinced that structural transformation, especially infrastructure development, value addition and increased intra-Africa trade with neighbours will significantly contribute to the development of Zambia and the region. While doing this, the Zambian Government is alive to the fact that addressing internal productive capacity alone is not enough to reap the maximum benefits hence they aim for commodity beneficiation. This requires regional efforts and cooperation, which has been built over the years. The country therefore seeks the support of donors such as China, European Union, German and Japan and various multilateral organizations such as the World Bank and UN agencies, among others, to help expedite infrastructure development and building national capacities for structural transformation.



**SECTION SEVEN**

**MOBILIZATION OF INTERNATIONAL SUPPORT  
MEASURES FOR FULLER INTEGRATION OF LLDCS  
IN THE GLOBAL TRADE**

# AID FOR TRADE AND FOREIGN DIRECT INVESTMENT: WHAT CAN LLDCS DO TO ATTRACT MORE AND BETTER ASSISTANCE?

*By Mr. Matthew Wilson, Counsellor, Office of the Director General of WTO*

## Introduction

AfT is the trade related component of ODA which is either in grant form or loans which have a certain component of concessional terms. AfT to LLDCs has increased tremendously since the baseline date of 2002-2005 reaching 9.1 Billion in 2010. A doubling from the 4.1 billion average in 2002-2005. This is part of the ever expanding envelope of AfT which in 2010 reached its highest level of US 45 B dollars an increase of 12 percent over 2009 and an increase of 82 percent since the baseline period. These figures do not include those from emerging countries such as Brazil and China so in reality the amount of trade related development assistance going to developing countries is substantially higher. Africa and Asia account for 77 percent of these flows receiving 16.7 and 17 B respectively. This increase is primarily because of the more than doubling of AfT to LDCs from 6.5 B to 13.7 B between the baseline period and 2010.

Of the 9.1 billion going to LLDCs, just over 65 percent or 6 Billion goes to LDCs. Broken down in geographical terms Sub Saharan Africa accounts for 37.8 percent, South Asia for 27 per cent, Europe and central Asia at 24.7, east Asia at 6.1 and south America at 4.1. The top five LLDC recipients were Afghanistan, Ethiopia, Uganda, Nepal and Burkina Faso.

## The importance of assessing the results and impact of AfT

The numbers are impressive but they do not really tell us that much in terms of the impact of the AfT nor why some countries receive large amounts while others very little. The WTO and its partners have spent a lot of energy trying to look at this issue of results and impacts. The focus of the 3rd Global Review in 2012 was on that issue or results- based on the series of monitoring questionnaires and case stories submitted by developed and developing countries; multilateral and regional organizations and private sector and academia. In analyzing these case stories which numbered over 270, we were able to develop a number of indicators that could measure the success of Aid for Trade projects and programmes. But why this focus on results and impacts? Because one of the most successful ways to continue to receive assistance is to show that it works and that it is having an impact on development and poverty. But this is a very challenging task- showing cause and effect and attribution is a science that no one has really yet mastered.

There is qualitative evidence that shows that in order to make aid for trade effective it must, *inter alia*, really be demand driven, it must be effectively monitored so that any changes in the projects or programmes to make them more effective can occur, it should not be tied, and there should be private sector buy in. Why is showing this important? Because reports indicate that despite the positive numbers in 2010 the impact of the economic crisis and the resulting budget tightening in traditional development partners will likely have an impact on future resources. Reports are that in 2011 major donors' aid to developing countries fell by 3%. And traditional donors are becoming more selective in who they will support- many of them are focusing on LDCs and LICs or countries with historical or strategic ties. Many middle and high income developing countries receive comparatively fewer AfT resources. The OECD in September 2012 released a report showing that the economies of G20 countries continued to slow down and the mid-year report of the Director General of WTO reassessed downward the expected growth of trade in the second half of the year.

Therefore in the expected future environment it will likely not be business as usual and if LLDCs want to remain on the development assistance radar more attention will have to be paid to showing results, by incorporating monitoring and evaluation in their projects, by focusing on regional needs and priorities and hence capturing the increasing amount of assistance going to regional projects and programs and support for closer and deeper regional integration.

## What can LLDCs do to attract more and better assistance?

LLDCS will have to lead by their needs- effective mainstreaming of trade in the sectoral and national development policies. This increases the premium of agencies such as the Enhanced Integrated framework (EIF) which has done an excellent job over the last few years in helping LDCs to build up institutional capacity and establish national processes to better identify and elaborate on trade related priorities. The EIF's role in helping to translate needs into actual projects and seeking to leverage resources for these projects is a key instrument to help LDCs to take better advantage of the resources which are available.

Better involvement of the private sector in the debate both in terms of identifying trade related needs and in partnering in the funding, implementation and maintenance of trade projects is another area that countries will have to continue to focus on. The role of south-south donors and emerging economies must also be better understood and its potential harnessed as a complement to traditional development assistance.

So although AfT levels have increased we find there is donor strain, an increasing focus on a subset of developing countries and an increased demand for results. But the opportunities for exploring south-south partnerships and PPPs and using the focus on results to improve the impact of development projects presents a new window to approach these aforementioned challenges.

Data that we have received shows that Other Official Flows are also increasing substantially. This is especially true for middle income countries. But there has been concern that this form of assistance could simply increase debt levels given the difficulty that some developing countries may have in repaying these loans.

There is also growing recognition that things are changing- that traditional development assistance can no longer be the single pole of growth that it has been for some countries in the past. The increased focus on FDI reflects a growing recognition that developing countries must own their development trajectory. We are increasingly seeing countries using traditional AfT and using it as a catalyst to attract additional foreign investment or to jump start domestic investment- this may be the way for LLDCs to proceed. Looking at a mixture of different portfolios and determining how different funding envelopes can be used to leverage additional finances.

Through examining the main results of a series of trade facilitation needs assessments which were carried out on over 100 WTO members we have seen that some of the main gaps in trade facilitation and border procedures- on the soft infrastructure side- were areas conducive for PPPs such as risk assessment, automation, and publishing of information. On the hard infrastructure side needs included the building and maintaining of roads, bridges, and border stations. There are many examples where the private sector has partnered with governments to help develop this type of infrastructure but with a profit making component such as using tolls and licenses. We have also found that targeted investment of AfT in addressing some of these hard and soft infrastructure constraints have led to exponential benefits and a high return on the initial investment. In fact studies conducted by the World Bank show that 1 dollar invested in trade facilitation leads to almost 70 dollars in return throughout the economy.

An examination of the AfT levels of countries such as Ethiopia and Nepal clearly shows that they are doing something right to attract this development assistance. Is it better mainstreaming? Their work with the EIF? Focused government and development related policies? There is potential for the LLDCs to share amongst themselves lessons learnt. How have some countries been able to attract assistance and what has led to the successes of their trade projects? These are questions that can be legitimately posed and debated in this group.

What we do know about capturing FDI is pretty clear however. The importance of complementary domestic policies focused on addressing corruption, improving the business and investment climate, streamlining trade facilitation procedures to make them more predictable and transparent- these are areas where financial assistance is not necessarily at the core but rather domestic policy, legal frameworks and regulations are what is required to engender improvements.

## **Conclusion**

AfT to LLDCs has increased substantially – primarily to LLDCs. Increased attention is being paid to the sectors of interests to LLDCs – markedly transport and logistics and to regional programmes. But levels of ODA and perhaps AfT may be flat in the future and donors are increasingly streamlining their portfolio of countries. New partners such as emerging countries could be targeted, mainstreaming must continue to improve, the role of the private sector must be increased and there has to be greater focus on impacts and results.

The recipe for attracting FDI is also being increasingly refined and the LLDCs' strong efforts to reform and improve the business environment and improve trade facilitation procedures are critical.

# WORLD BANK'S CONTRIBUTION TO THE ALMATY PROGRAMME OF ACTION

*By Mr. Jean-Francois Arvis, Lead Transport Economist, International Trade Department, Ms. Cordula Rastogi, Senior Transport Economist, Europe and Central Asia Region, World Bank*

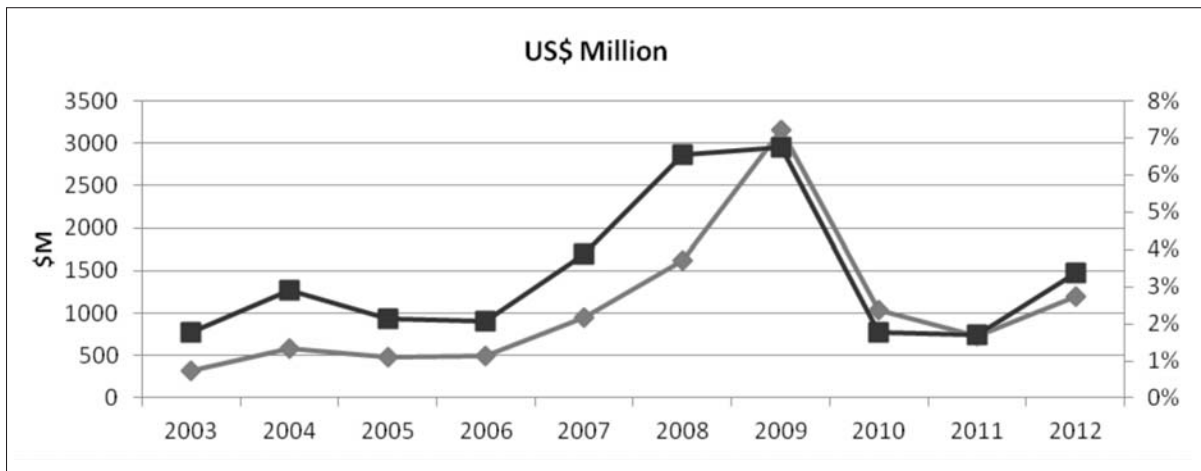
## Introduction

The World Bank's work towards the implementation of the APoA include projects under the (IBRD-IDA) portfolio; technical assistance: through the trade facilitation facility and partnerships; and knowledge production and dissemination.

## World Bank Financing (2003-2012)

Between 2003 and 2012, there are many World Bank funded projects that refer specifically to APoA as shown in the figure below. During the financial and economic crises, lending to LLDCs peaked, and 3-4% of the World Bank's projects are linked to APoA. In addition, 8 to 10 projects a year directly address APoA concerns, with most of these projects being implemented in Africa.

World Bank Funding to APoA related projects



Some of the World Bank projects are in the areas of regional integration, national capacity building, agro-food supply chains among others. There are many projects that relate to transport and development corridors, which go beyond investment in the transport infrastructure. Selected examples include: CEMAC transit trade facility (Douala Corridor); West Africa (Tema Ouaga); Africa North-South Corridor; Afghanistan (new tranche customs support), and Pakistan (national corridor); Kazakhstan (Western Europe-Western China transit corridor, customs support); Earlier projects: Beira, Mombasa corridors and other corridors that are not LLDC related include Mashreq, Abidjan Lagos, Caucasus.

## Technical Assistance: Trade Facilitation Facility (TFF)

The World Bank has established a trade facilitation facility which is multi-donor trust fund (40 Million US\$). The TFF supports concrete improvements in trade facilitation systems. The areas of focus include border management, trade infrastructure, logistics, regional, indicators, etc. The Bank provides technical assistance through the facility to help reduce developing countries' trade costs. The facility's emphasis has been on Africa and low-income countries.

Under border management, the facility supports integration of customs, product standards, tax, rules of origin, etc. On trade infrastructure, the facility aims to improve the management of key trade related infrastructure especially gateways and multimodal facilities. On logistics, the facility aims to improve the quality and professionalism of private logistics services, through technical and economic regulation and capacity building. On regional issues the facility aims to improve regional trade facilitation including transit systems. On indicators, the facility aims to enhance performance monitoring and indicators: e.g., data on time, cost, and reliability along corridors.

## **Global Support and Partnerships**

The World Bank provides support to the WTO trade facilitation negotiating group. The Bank also provides expanded assistance to address gaps on the ground. The Bank supports the Global Facilitation Partnership for Transportation and Trade which aims at pulling together all interested parties, public and private, national and international, who want to help achieve significant improvements in transport and trade facilitation in World Bank member countries. The World Bank also has private sector partnerships including private investors in west Africa corridors and road safety partnerships in East, West, and Central Africa.

## **Knowledge Products and Dissemination**

The World Bank has undertaken studies and prepared research and reports that are relevant to LLDCs including *The Cost of Being Landlocked* (2010) and *Connecting Landlocked Developing Countries To Markets* (2011). The Bank has also prepared reports on border management, enhancing trade and transport facilitation, and on logistics in developing regions. Based on their research, the World Bank stresses that lack of reliability and predictability of supply chains affect trade most, not just transportation costs. This is caused by fragmentation of institutions and procedures governing corridor transit not just border delays or poor infrastructure. The Bank has reviewed institutions and policies related to trade and transport corridors and their implementation in developing and industrialized countries worldwide.

The World Bank collects and analyses global data and manages a database. It prepares and publishes annually the Logistics Performance Index and Doing business Report. Other reports and data sets include corridor data, trucking services agreements database, port performance data, trade costs database and other knowledge sharing tools.

# **WIDER EUROPE PROJECT: AID FOR TRADE IN CENTRAL ASIA, SOUTH CAUCASUS, AND WESTERN COMMONWEALTH OF INDEPENDENT STATES**

*By Ms. Sheila Marnie, Economist, UNDP Central Asia*

## **Introduction**

Trade can lead to better human development outcomes, but the link is not automatic. The project aims to support the link between human development and trade and does so by working at different levels: national, regional, community. The focus of the project is capacity building on trade issues at national and local levels to help countries incorporate pro-poor, development-centred trade policies into national and local development strategies. It also focuses on strengthening trade capacity of agro-processing SMEs, cooperatives and farmers through business skills development, improving access to market information, access to finance, capacity development of associations for exports promotion, etc.

The Ministry for Foreign Affairs of Finland and Government of Luxembourg provided the funding for the first two phases of this project. The implementation of the project has taken place in 2 phases (i) Phase I: 2009-2011 and (ii) Phase II: 2011-2014. The budget in phase I was 1.6 Million Euro and for Phase II: 4.7 Million Euro. In Phase I, the project covered three countries in Central Asia, and in Phase II was expanded to cover 11 countries in Central Asia, South Caucasus, and Western CIS (Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Moldova, Uzbekistan, Ukraine, Belarus, Azerbaijan, and Turkmenistan). A third Phase of the project is currently being formulated, and will focus on the two low income countries of Central Asia, and involve in Uzbekistan in some of its regional interventions.

## **Phase I: 2009-2011**

UNDP undertook aid for trade needs assessments in the 11 countries. The objectives of the assessment included: identification of capacity gaps (institutional, human, etc.) and technical assistance needs; development of policy recommendations and action matrix for potential donor assistance; and development of concrete project proposals for aid for trade interventions.

The project also promoted economic development along transport corridors in Central Asia for SMEs, farmers and associations. The objective was to enhance the private and public sectors' trade-related capacity. Specific activities included: trade capacity building, expanding SMEs' access to financial services, enhancing trade related information capacities, and promoting eco-friendly technologies and green commodity.

## **Phase II: 2011-2014**

In the second phase the project is implementing the following activities:

- I. Linking producers with key markets along trade/transport corridors. Activities include establishment of Business Development Centres in Armenia, Georgia, Kazakhstan, Kyrgyzstan, and Tajikistan; provision of business training and advice on SMEs in Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova and Tajikistan; co-financing innovative investments in Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan; provision of trade information including business/exporters/investment guides in Georgia, online market places in Armenia, Kyrgyzstan, and Tajikistan; promotion of trade in services and training on vocational skills in Georgia; and environmental friendly agro-production and -processing in Armenia, Kyrgyzstan and Tajikistan.
- II. Better use of trade opportunities including establishment of an electronic trading facility for light industry in Belarus, capacity development for the fruit sector in Moldova, development of a regional trade strategy in Tajikistan, and development of a trade policy – national export strategy, WTO tariff commitments, export financing in Ukraine.
- III. Overcoming trade barriers including addressing informal trade barriers in Georgia and Moldova, trade capacity development in Armenia, Georgia, Tajikistan and Ukraine and trade support to agencies and entrepreneurial associations Kyrgyzstan, Uzbekistan and Tajikistan.

- IV. Supporting SMEs to benefit from trade through application of new technologies, tools for better market access for SMEs and certification, SME networking and trade fairs.

### **UNDP and CAREC**

Under the CAREC programme, large investments have been made in recent years to improve transport infrastructure in Central Asia, and to ensure better links to markets in China, Russia, Europe and also South East Asia. The UNDP is working through its local development programmes in Central Asia, as well as the Aid for Trade project, to try to ensure that transport infrastructure brings benefits to communities situated along the corridors, by empowering local authorities and local businesses to take advantage of the improved transport facilities.

### **Links to Border Management Programme in Central Asia (BOMCA)**

The Aid for Trade project is also cooperating and coordinating with BOMCA, the integrated border management project being implemented in Central Asia. The EU finances the project and UNDP implements. The project has been implemented since 2003 and is now in Phase 8, 2011-14. The Aid for Trade project is working to ensure that cross border trade is not negatively affected by the focus on ensuring border security. While the latter is of course important, it is also important that security objectives are obtained without increasing the costs of cross-border trade, or creating more barriers to this. Without improvements in border-crossing arrangements in the Central Asian space, it will be difficult for communities to reap benefits from the large investments in infrastructure mentioned above.

### **Conclusion**

The project has used trade to improve human development, through piloting different interventions which have been specifically tailored to local priorities. It has enhanced trade capacity and the national and local levels, stimulated income generation in disadvantaged areas, and helped improve access of local producers to finances and market information. In the next phase, it will have an increased focus on trade policies and trade agreements at the national, regional and international levels, and trade capacity building at the national level, as well as continuing to foster cross-border cooperation on trade-related issues in selected Central Asian countries, and building on the lessons of Phases I and II to continue to support small producers to expand and improve their export capacity.

**SECTION EIGHT**

**THE ROLE OF TRANSIT TRANSPORT AND  
ANCILLARY INFRASTRUCTURE DEVELOPMENT  
FOR INCREASED TRADE OPPORTUNITIES  
FOR LLDCS**



# THE DEVELOPMENT POTENTIAL OF THE EURASIAN REGION'S AIR TRANSPORT

*By Mr. Eduard Biriucov, Secretary General, TRACECA*

## Introduction

TRACECA is one of the leading and emerging international transport corridors, specifically aimed at strengthening and developing trade and economic relations and optimization of transportation in the Eurasian region. The civil aviation sector is a strategic sector of any transportation system. All the states of TRACECA note that Civil Aviation is an important part of the transport infrastructure and its effective functioning is a necessary condition for sustainable economic growth in developing countries and to improve the quality of life in LLDCs.

With globalization and increasing international trade and transport relations and intensive development of the tourism industry, the demands for quality service while ensuring timely delivery and flight and aviation security is of particular importance. It is these conditions that require us to address the increasingly promising new tasks in accordance with our common goals, promoting technological and legal framework needed for improving transport systems.

## The TRACECA Development Strategy

TRACECA countries decided on the TRACECA Development Strategy for the period up to 2015, adopted in 2006 in Sofia at the meeting of the Intergovernmental Commission (IGC) of TRACECA. One of the main goals of this strategy is to create a sustainable infrastructure chain for multimodal transport corridors with the help of Trans-European transport networks. Improving aviation safety is also a priority for TRACECA Strategy and one of the most emerging and urgent issues in the EU transport policy. Along with that our objectives in the long term are the integration of our countries into the global transportation system, the formation of a harmonized legislative environment that meets international standards, creating favorable conditions for the development of a competitive transport industry, thus ensuring a significant contribution to the economy of our states.

## The status of air traffic in the TRACECA region

According to forecasts by international organizations, the role of the main supplier of consumer goods in the future will continue for the Asia-Pacific Region, and the volume of traffic in the direction of Europe will grow. In these conditions, the material benefits will be received by those countries that manage to attract their transport communications transit traffic.

Policies of the countries of the region, aimed at expanding trade and economic cooperation and the removal of barriers to mutual trade, creates real prerequisites for the further growth of air cargo transportation, including transit. However, the existing capacity, as well as opportunities for international transit through the airspace of TRACECA member countries, is not used to the full. The Europe – Asia direction now accounts for about 8% of the global volume of cargo transported by air freight. It is about 4 million tons of cargo and mail.

In recent years this figure has been steadily growing, the rate of growth of air cargo is much higher than similar rates of growth of passenger air transportation. For example, freight between Europe and Asia by air in 2004, was about 3 million tons of cargo, and in 2008 already about 3.5 million tons, while today it is around 4 million tons. Of this amount through the airspace of countries – TRACECA member airlines carried about 300,000 tons of cargo.

Therefore, the direction Europe – Asia is regarded as one of the most attractive for the air transport business. The optimum ratio of the three main factors affecting the competitiveness (price, quality of service, delivery of cargo) will attract more in the future most of the traffic on our flight routes, which is one of the key mode for the transport of goods between Europe and Asia. In this respect, it is important for members of the TRACECA to consider the full potential of transport infrastructure, including airports and airways, as the natural and the shortest transit bridge between South and Central Europe and South-East Asia.

Attracting transit traffic, following the directions in the Europe – Asia, on the skyway, passing through the airspace of the TRACECA countries, will provide additional financial benefits in the form of fees for transit flights. Besides

increasing the number of technical landings of aircraft at airports, TRACECA countries will encourage the development of airport infrastructure and will lead to an increase in the number of jobs and income, and also from the refueling and maintenance of air transport services.

International experience shows that the integration of air transport systems of the parties and the issues of building a common market of air transport services should be given close attention. The same experience has shown that the constructive engagement of authorized government agencies, air carriers and other providers of air transport services yields good results. Only a few airports in the TRACECA countries can claim to provide modern and competitive air transport hubs. Among other issues remain unresolved discrepancy in the number of our country logistics and infrastructure component of the current and future development needs of commercial air links.

Since the establishment of the Intergovernmental Commission of TRACECA, significant structural changes have been made in most of countries: - separation of the functions of government regulation and economic activity in order to improve the efficiency and modernization of air transport infrastructure; - reforms aimed at reducing the number of structures to ensure operation of state property in the airports and air traffic control systems.

However, problems still remain and to solve them there is need to implement the following measures: - Not to restrict access to the market by licensing professional carriers and thus steadily increase control over safety; - Continue to seek investment to modernize the fleet of aircraft, airports, air traffic control systems and other air navigation facilities; - Improve the quality of aviation to the international standards; - Contribute to the competitiveness of transit cargo transportation and other services in the aviation market.

### **Investment projects in the aviation sector**

To date, within the framework of the TRACECA, the European Commission funded 80 projects worth \$ 171.2 million (including 66 technical assistance projects, 14 investment). These projects are aimed at creating an efficient and integrated multi-modal transport system at the EU level in TRACECA, as well as to improve the security of land, sea and air transport in the TRACECA region, and bringing it into line with EU standards, as well as the harmonization of legislation, improvement of the tariff policy, institutional strengthening. The implemented projects formed an environment conducive to attracting investment to the region. TRACECA strategy has defined a consistent method of identification of priority regional infrastructure projects for investment resources for their implementation. In the TRACECA transport infrastructure, investments to Micro-credit Financing Institutes today have made more than 2 billion euros. All in the field of aviation 3 projects for a total amount of 11 million euros were funded. These projects are mainly focused on strengthening human resources and skills development of air transport, as well as issues of aviation and flight safety in the TRACECA countries. At the moment, TRACECA continues to implement the project "TRACECA Civil Aviation Safety and Security "II."

Enhanced cooperation in the field of transport between the European Union, the countries of the Black Sea and the Caspian region, Central Asia and neighboring states is of general interest in the context of achieving sustainable economic and social development, peace and stability, and welfare in the Eurasian region. We strive to ensure that the results of our work contributed to the development of the competitiveness and attractiveness of the Transport Corridor Europe-Caucasus-Asia (TRACECA), and the joint work of the countries concerned has helped further liberalization of foreign trade and the reduction of barriers on the freight and transport, especially in the formation of an effective transit Eurasian route. We pay particular attention to cooperation with international specialized organizations involved in transport and trade development in the region, in order to strengthen the regional and interregional transport dialogue, and we believe that coordination of related programs and organizations will contribute to a more effective implementation of tasks, will avoid duplication of effort to optimize the use of resources and focus on doing the most realistic priorities and projects.

In this context, we are open to all initiatives for mutually beneficial cooperation, contributing to the process of integration of the TRACECA corridor in the global transportation system, the implementation of joint infrastructure projects to regional transport dialogue and the establishment of effective and reliable international transport links. In this regard, we offer to start constructive cooperation with IATA as a circle of issues that may be of mutual interest. At the next

meeting of the IGC, we plan to sign a memorandum of understanding with the European Civil Aviation Conference, which consists of 44 countries, which will further expand the scope of cooperation in the field of air transport between the Civil Aviation Administration of our countries and our European partners.

The implementation of the Basic Multilateral Agreement of TRACECA, goals and objectives of the TRACECA Strategy for the period up to 2015, along with further integration processes taking into account the current situation is for us the basis for the formation of qualitatively new conditions for regional cooperation. This process is playing an important role in the creation of attractive conditions for transit traffic, the elimination of various barriers in the path of international freight and transport, improving road safety, environmental protection, harmonization of legislation, the application of a flexible tariff policy, and issues related to the simplification of customs procedures.

# IRU ACTIVITIES AIMED AT FACILITATION OF TRADE, TRANSIT AND TRANSPORT IN EURASIA

*By Mr. Igor Rounov, Under Secretary General, IRU*

## **Introduction**

IRU is an umbrella non-governmental organization that has been working towards facilitation of international road transport worldwide for the last 64 years. The IRU's 173 members represent associations of road transport business community from 73 states on five continents. The IRU is a member of the UN Global Compact and is in special consultative status with the UN Economic and Social Council since 1949, while it is the UN accredited body on the implementation of the TIR Convention of 1975, remaining in force in many countries of the world, while in some landlocked states of Central Asia it is the only customs transit system available.

For many years, the IRU has been promoting the concept of facilitating long distance international road haulage. Within the framework of these activities, we cooperate with many international and regional organisations, participate in the process of achieving the Millennium Development Goals and also in implementing a number of international projects and programs aimed at developing transport and trade. The IRU actively participates in implementing the Almaty Programme of Action after its adoption by the Ministerial Conference of the Landlocked and Transit Developing Countries, held in Kazakhstan in 2003.

## **IRU's Activities on trade facilitation**

Since the 1990s IRU has been actively involved in promotion of the Euro-Asian road transport linkages. It has conducted several research studies and organized several road transport long distance caravans from Europe to China and back. While doing so, IRU has been actively cooperating with most reputable international and regional organizations: ADB, IGC TRACECA, GUAM, ECO, etc., as well as governments of Eurasian states.

In 2008, the IRU launched the New Eurasian Land Transport Initiative (NELTI). During 3 years road transport companies have carried out freight deliveries over the territories of 24 countries covering distances of over 3.5 million km, delivering 13,400 tons of cargo and crossing state borders over 2 thousand times. The haulage followed 5 main routes, along the roads crossing China, Central Asia and South Caucasus. The monitoring of all the haulage operations was conducted on the basis of improved UNESCAP methodology. NELTI has proved once again that there is commercial demand for road transport shipments between Asia and Europe, and that there is sufficient basic infrastructure that can be used for long-distance deliveries already today.

NELTI also clearly demonstrated that existing bottlenecks in the Silk Road today are mostly of administrative nature! The unharmonized procedures on the borders, the border crossing points with obsolete equipment and high level of corruption are the biggest problems which led to the situation when the drivers spend 40% of their time in waiting lines at the borders, and the bribes reach nearly one-third of the haulage cost. As a result, the average speed of freight haulage between Asia and Europe was reduced to merely 17 km/h.

Yet another important factor is inadequate ancillary infrastructure en route. This means not merely an infrastructural limitation, but a serious psychological barrier as well. Road transport companies in the EU are reluctant to make long trips to Central Asia. The motels are few, no safe parking facilities, service stations, quality fuel required for modern trucks. Most of the border crossing points are obsolete and cannot guarantee swift passage of trucks. Obviously, all of these problems make routes of the Great Silk Road less attractive, thus denying most of the Central Asian states the benefits of globalization. At present with ECO's participation, the NELTI Project is being implemented in the Central Asian and Far East states. There are plans to initiate the similar project in Latin America, where some of the countries are also landlocked (Paraguay, etc.) and face problems with border crossing and access to the markets.

Based on the results of NELTI, the IRU launched its Model Highway Initiative (MHI) aimed at facilitation of trade and transport in Eurasia which is based on a new approach to above mentioned problems. Model Highway Initiative was first presented in May 2010 in Tashkent during the annual meeting of Asian Development Bank. It immediately attracted

the attention of major international financial institutions (IFIs), international organizations (IO) and governments of Eurasian states.

The Model Highway is an exemplary stretch of road created by the joint efforts of national governments, international financial institution, inter-governmental organisation and business community to demonstrate the economic potential and business attractiveness of the reopened Great Silk Road. The core of MHI is creation of ancillary road infrastructure and simultaneous implementation of reforms in road transport area, as well as introduction of best international practices in border crossing procedures in transit countries. The Model Highway Initiative is the IRU's contribution to the implementation of the Almaty Programme's second initiative – "Infrastructure development and maintenance".

The main elements of the Model Highway Initiative include: (1). The first and most obvious task is to create a modern ancillary infrastructure (a group of facilities comprising border crossing points, logistical centres, parking lots, motels, fuel stations) which would facilitate international road transport in the region and improve drivers' work and rest conditions. (2). The second element of MHI is administrative reforms in the area of transport and customs services. As we could see from NELTI, corruption, bureaucratic problems, unharmonised legislation and border crossing procedures are the main obstacles for movement of goods in Eurasia. To eliminate this, the measures have to be taken by governments of transit states to improve customs services, simplify and harmonize border crossing procedures and introduce advanced European practices and technologies. It's very important that such reforms should be synchronised among participating countries and implemented simultaneously with the infrastructure modernisation. (3). Creation of a multilateral investment facility which constitutes the financial engine of the project. Objects of the ancillary infrastructure separately could never attract attention of major financial institutions. However if you create a pull of 50-60 small and medium sized investment projects, this would definitely create interest of part of investors.

IRU are planning to implement MHI in 2 regions: Black Sea region and Central Asia. The Central Asian section of the Model Highway is geographically quite complex. It starts at the border of China with Kazakhstan, on one side, and at Pol-e-Xomri city in Afghanistan, on the other side, and crosses the territory of several Central Asian states, including section of the well-known Western Europe – Western China highway. In average the length of one stretch of the road may range from 1500 to 2000 km. It should also meet the following criteria: (i) cross the territory at least of 2 states and ideally include 2 or 3 border crossing points, (ii) to be a part of a main road transport artery with high growth potential and (iii) to be included in the priority list for road infrastructure compiled by international organisations.

As the participants in the project are national governments, international financial institutions, international organisations and business community, the mechanism of implementation of the project should be based on public private partnership. Early in 2012 IRU organised a special meeting of Expert Group on the Central Asian stretch of MHI in Astana jointly with the Government of Kazakhstan. In the framework of this meeting participants discussed various aspects of MHI implementation and adopted recommendations to the national Government and international organisations. In the Recommendations participants supported the project and called the Government and international organisations to coordinate the activities aimed at road transport development taking into consideration implementation of MHI project.

Following the Expert Group meeting in Astana an agreement was reached between the Ministry of Transport and Communications of Kazakhstan and the IRU regarding development of a pre-feasibility study on creation of the Model Highway in Central Asia. Development of this document was afterwards commissioned to a reputable regional institution - Scientific Research Institute of Transport Problems of Kazakhstan (NIITK).

The study on the Model Highway stretch in Central Asia will be also presented in the capitals of transit states. The expectation is that these country presentations will be followed by signing of Multilateral Agreements by public authorities of transit states regarding a commitment to MHI and indicating the next practical steps. Based on the results of the above presentations and discussions, negotiations will be started shortly with regional development banks and other potential stakeholders regarding creation of regional infrastructure development fund which will be the engine of the implementation of the project.

The MHI is fully in line with the priorities and tasks of the Almaty Programme of Action. The MHI will have fast return on investments within the next 2-3 years. Successful implementation of the project will enhance transport and transit potential of the landlocked developing countries in Eurasia and will foster economic development of the national economies, showing that no country is landlocked to road transport.

## THE ROLE OF TRANSIT TRANSPORT INFRASTRUCTURE TO INCREASE TRADE OPPORTUNITIES FOR KAZAKHSTAN

*By Mr. Zhenis Kasymbek, Executive Secretary of the Ministry of Transport and Communications, Kazakhstan*

The successful integration into the world economy, and the creation of conditions for sustainable development of our country is inextricably linked to the increase in trade. The most important factor of competitiveness in international trade for Kazakhstan, as a country which has no outlet to the sea, is the establishment of efficient transit transport systems and the development of the transport infrastructure. Kazakhstan is in the center of the communication flow between Europe and Asia, and has a huge transit and transport potential. Kazakhstan does not have access to the open sea and the cost of transportation is by nature more than in countries with open access to the ocean, so it is extremely important for the country to have an efficient transport and logistics system that will transform the geographical disadvantage into an advantage, by creating opportunities for the creation of a “land bridge” between Asia and Europe.

Three priority areas of network of transit routes have been developed in Kazakhstan: 1) Russia – Europe; 2) China, Japan and South-East Asia; and 3) The countries of Central Asia, the Caucasus, the Black Sea, the Persian Gulf and Turkey. In 2011, the transit of goods through transportation corridors of the country was 16.5 million tons with an income of \$1 billion dollars.

As part of the program for the development of transport infrastructure for 2010-2014 the country provides for implementation of the sixty-one infrastructure project worth over U.S. \$ 23 billion. The country plans over the years to build a 1.6 million km of new railways, remodel and renovate more than 20 thousand kilometers of roads, modernize airport infrastructure, the development of national merchant marine and maritime ports. In order to diversify the existing transit routes between Asia and Europe Kazakhstan is implementing a set of measures aimed at straightening its routes for transit traffic, reducing the distance and time of delivery.

In the road sector – the construction of a transcontinental road corridor “Western Europe-Western China”, a length of 8,445 km including in Kazakhstan 2,787 kilometers (China – 3425 and Russia – 2233 km). The cost of the project is \$ 5.5 billion dollars. This road is the shortest route from China to Europe. Completion of the project will reduce the delivery of goods from China to Europe by road almost 3.5 times compared to the sea and ensure the growth of transit traffic in Central Asia, China, Russia and Western Europe. The European and International Bank for Reconstruction and Development, Asian and Islamic Development Banks, and the Japan International Cooperation Agency provided funding and loans for the project.

In 2000 Kazakhstan built 1176 km of new railway lines, and in particular: in 2001, a line Aksu – Delegen a total length of 184 km, which reduced transport distances of 300 km, as well as the commissioning in 2004 of the line-Khromtau Altynsarin of 402 km length which joined the Northern and industrial central regions of Kazakhstan with the western region with the shortest route. This year completed construction of two railway lines Zhetygen – Korgas (length 293 km), which opens the second crossing point with China, reducing the distance of freight traffic in the direction of China – Central Asia and the Persian Gulf. Construction of the two most important rail lines have started – Beineu – Zheskazgan, stretching 988 km and Arkalyk – Shubarkol length of 214 km. With the commissioning of Beineu – Zheskazgan creates direct cargo from Central Asia to Europe with reduced transport distances up to 1200 km. In 2008 a concession project for the construction of the railway line Shar – Ust-Kamenogorsk, stretching 151 km was implemented. This line has optimized traffic route in the East Kazakhstan region, and reduced the distance by 300 km. In 2001 and 2004, the railway sections Almaty – Uzyn agash-length 138 km and Yekibastuz – Pavlodar length of 132 km were electrified.

Given the growing shortage of wagons and locomotives, Kazakhstan is developing the domestic engineering industry with the involvement of the world's leading manufacturers such as General Electric, Talgo, Siemens, and Alstom. A modern plant for the assembly of a new generation of locomotives is already successfully operating in Astana on the technology of “General Electric” (150 locomotives per year). Together with the companies «Alstom» (France) and ZAO “Transmashholding” (Russia) Kazakhstan has started construction of a plant for the production of domestic freight and



passenger locomotives (100 sections per year). At the end of last year a plant for the production of Talgo passenger cars (150 cars per year) in Astana was put into operation. The cities of Petropavlovsk Törtüy organized the production of freight cars (about 4,000 cars per year) in 2009 and 2010. Ongoing work has increased the turnover by 1.5 times (from 183.8 million tonnes in 2001 to 279.6 million tons in 2011) and the volume of transit traffic in 3 times (5.6 million tons – 2001 and 15.1 million tons – 2011.). By 2020, we plan to increase the volume of cargo to 300 million tons (308).

With regard to the air transport industry, Kazakhstan has 20 airports, 15 of them have international status, including 10 airports that have a category of the International Civil Aviation Organization (ICAO). The reconstruction of artificial runway airports in Kokshetau and Aktau will be completed this year. The air industry program plans to implement 13-reconstruction projects airports using budgetary and extra-budgetary sources. To date, Kazakhstan has established more air service with 20 countries. By 2015 more than 15 new international air routes will be opened. In 2012: Almaty – Colombo, Singapore. In 2013: Astana – Athens, Copenhagen, Kaunas, Riga. In 2014: Almaty – Tel Aviv, Tehran, Islamabad. In 2015: Astana – Warsaw, Almaty – Mumbai, Shanghai. Steps are being taken to promote the activities of domestic airlines. There has been a successful development of the national airline “Air Astana”.

With regard to water transport, Kazakhstan has only one international trading port of Aktau on the Caspian Sea and is located at the crossroads of international corridors TRACECA and the “North-South”. Seaport Aktau is stationed at strategic location, both in terms of trade and exploration, production and transportation of oil and represents a major point of access to Central Asia, as well as the center of import, export and transport of many goods. Today, the share of Aktau seaport in the total turnover in the Caspian Sea is 31%. In order to increase its capacity, the Aktau port project is being implemented in phases by its extension to the north and construction of three dry cargo terminals. Due to the modernization of existing equipment and the introduction of new technologies, the expansion of the seaport Aktau throughput of Kazakhstan will be increased from 13.5 to 18 million tons.

The competitiveness of transit corridors can be ensured only if concerted action and equal conditions for all carriers in all the transit countries is brought to the same standards. It is important to create conditions for attracting investment in infrastructure projects, the removal of administrative barriers, automation of procedures, harmonization of tariffs, support to business initiatives to build logistics infrastructure. It should be noted that there are benefits to all participants in the transport process, who will participate in joint projects to develop transport and logistics infrastructure or become active users of logistics services offered by Kazakhstan. This is particularly advantageous in light of creating a common customs border at the turn of the countries of the European Union and China. Thus, the implementation of tasks and a favorable geographical position will allow Kazakhstan to become the future logistics hub and transit point of the Eurasian region, as well as an equal partner in building the transcontinental transport system.



# THE ROLE OF THE INITIATIVE “MODEL HIGHWAY IN CENTRAL ASIA” IN ENHANCING THE COMPETITIVENESS OF TRANSIT ROUTES IN THE REGION

*By Ms. Gulnara Bekmagambetova, Head of Division of the Kazakh Institute of transport and communications (NIITK), Almaty*

## Existing traffic volumes in the Central Asian countries

A key driver of economic development of landlocked and transit countries is their involvement in international trade and transport. It is important to reduce the cost of exporting and importing goods for LLDCs. This will stimulate demand and employment, increase the volume of exports and tax revenues to the national budget. That is why the realization of transit transport potential and attraction of additional international traffic are priorities of national strategies for the Republic of Kazakhstan and the majority of the Central Asian states.

Today, the share of Asian countries account for nearly a third of world trade. Their trade with European countries in 2011, according to the World Trade Organization was about 1.4 trillion US dollars, of which 40% were trade between China and the European Union. Over the last decade, there was a yearly increase of trade between Asia and Europe, estimated at 25-30%. Road transport has tremendous advantages in speedy transport of goods, as well as playing an integral role in the delivery of small consignments, which is especially important for small and medium-sized businesses in Central Asia. The region has a relatively well-developed road network, some parts of which are included in the road network of the Eurasian Economic Community, the Commonwealth of Independent States (CIS), TRACECA, and the Asian Highway.

However, despite the importance of road transport, countries use road transport only marginally. The share of international traffic varies from 2.4% of the total in Kazakhstan to 14.7% in Kyrgyzstan and 16.8% in Uzbekistan. The NELTI project implemented by IRU has shown that the main problems impeding the development of large-scale freight are regulatory in nature and exacerbated by the lack of modern support infrastructure and roadside service along the main road routes. The lack of quality support infrastructure – safe parking areas for trucks, equipped with modern equipment of border crossings, multi-service areas, motels and hotels, service stations, etc. These issues affect the speed and safety of the traffic, as well as the preferences of carriers when selecting a route. Quality of infrastructure has an impact on the value of the transport component in the price of the goods carried, which affects their competitiveness in international markets.

## The Model Highway Initiative

NIITK developed a pre-feasibility study of the prospects of the initiative Model highway on major transit routes in Central Asia, connecting Kazakhstan, Kyrgyzstan and Tajikistan, with branches to China and Afghanistan. In Kazakhstan the Model Highway covers part of the corridor “Western Europe – Western China”. The starting point is defined by the Kyzylorda oblast center, the route passes through the town of Taraz and Almaty to Khorgos border crossing point, connecting China and Kazakhstan.

Kazakh sections of the corridor are part of the new Silk Road passing through the area with a high population density, and are characterized by a very high rate of traffic flows.

The next Model Highway goes south from Central Asia through Kyrgyzstan, Almaty to Bishkek, Osh, Sary-Tash (with a branch to Kashgar) and further through Tajikistan to Dushanbe, Kurgan-Tube with access to Afghanistan via Nizhniy Panj to Pulekumri. The best part, namely 45%, of the highway is in Kazakhstan. Road network today can meet the demand for freight transport over medium and long distances. In addition, there is more investors than before: public funds and funds of the international financial institutions – the World Bank, Asian Development Bank, the Islamic Bank, the European Bank for Reconstruction and Development, etc.

## Road Reconstruction corridor project “Western Europe – Western China”

The project is still in the phase of implementation and it will be completed by the end of 2013. From Kyzylorda to Horgos of the corridor road reconstruction is being designed with the unit 4-lanes, pavement strengthening, to cater for heavy vehicles, construction of interchanges at major intersections, and device bypasses for major settlements. There is provision for extending the road between Shelek and Koktalom and that reduces the distance by 43.5 km. At the present moment only 13% of the section “Kyzylorda-Khorgos” is assigned to the 1st technical category. Similar projects are being implemented including road development in Kyrgyzstan and Tajikistan. However, if the road network in the region continues to be modernized, the supporting infrastructure is characterized by a lack of development and extremely low level of quality of services provided to road users.

### **Border Crossing**

The average time of daily crossing the border checkpoints located on the Model highway in the region is from 6 to 38 hours. The longest waiting time is observed at the border posts Korgas (Kazakhstan) and Khorgos (China). The most common causes of delays are the time required for customs clearance, loading / unloading and waiting in line. As part of the pre-study in August 2012 NIITK conducted a survey of the existing facilities supporting the road infrastructure along Route Model Highway in Central Asia. Some road side service facilities for Central Asia are inadequate without running water and sewage systems, which can be harmful to health, especially in the hot summer. The Kazakhstan section of Model Highway has several hotels within the territory, enough to accommodate trucks. For example the Avrasya complex on the site of Almaty-Kordai in Shelek has a hotel with a large fenced yard for parking trucks in the area of Almaty-Kordai. However, these services will be woefully inadequate after the launch of the corridor Western Europe – Western China, and a significant increase in the number of vehicles in all categories. The Ministry of Transport and Communications and the Agency of the Republic of Kazakhstan for Sport and Physical Education of the Ministry of Industry and New Technologies are currently working on a document that defines the minimum requirement needs of services by road users on public roads.

### **Availability of supporting infrastructure for Model Highway**

The problems with the provision of ancillary roadside infrastructure are common to all countries in the region. One can observe a significant number of stations in all the countries surveyed: 1 gas station for every 5 km in Kazakhstan, up to one station at every 9 km in Tajikistan. This is quite sufficient for the minimum security standards for petrol stations of 30-50 km. However, the main problem is often the quality of the fuel needs to meet the highest environmental standards and quality of services.

Motels in Kazakhstan on average are within 50 km, Kyrgyzstan – after 100 km, but most of these motels do not have parking. The actual distance between motels also often deviate significantly from the average. So in Kyzylorda the distance between motels is 817 km. The Zhambyl region has a length of 450 km plots without motels. At present, most of the plots are Highway Model rest areas, with trade and catering facilities. However, their development occurs randomly. There are complaints on the quality of service, lack of quality fuel and the lack of hygiene in the catering services. Throughout the Model Highway there is lack of protected parking lots and motels within the territory for freight transport. The motels currently under construction are for cars only or act as suburban hotels. Stations and stores of spare parts for trucks are available only in regional centers and towns.

As part of the pre-feasibility study an evaluation of investment into roadside service facilities infrastructure was undertaken. The evaluation noted the need for the construction of modern service facilities to meet the needs of international carriers. The complex should include: guarded parking with fencing and lighting, bathroom, hotel, shops, cafes, WC, phone and wi-fi. It is also desirable to include gas stations, car washes and service stations. The total cost of the design and construction of ancillary roadside infrastructure along full Model Highway length could range from 800 million to 1 billion U.S. dollars.

The next phase of the “Model Highway” initiative in the feasibility study is to:

- Determine the need for ancillary roadside infrastructure facilities for the “Model Highway” in the long term, taking into account all groups of road users;
- Develop model projects for roadside service facilities to meet the needs of international carriers;

- Determine the optimal location of their placement and size of the required land;
- Conduct a survey of the “Model Highway” sections and to develop proposals to improve traffic management in the most difficult areas with the possibility of increasing the number of long-distance trucks;
- Make suggestions to improve national legislation on international road transportation of goods, border crossing procedures, allocation of land for construction of roadside service and construction permits, etc.;
- Clarify the regional investment funds needed to develop roadside service;
- Identify specific investment mechanism for attracting and returning funds.

### **The Regional Infrastructure Fund for the MHI**

The success of a Model Highway in Central Asia will be possible only with availability of innovative investment fund based on various forms of public-private partnership. In implementing this MHI investment mechanism can become Regional Infrastructure Fund, whose function shall be:

- Gathering of financial resources from various sources;
- Allocation of financial resources for the implementation of specific development projects of ancillary roadside infrastructure;
- Monitoring the progress of work on the construction, reconstruction and modernization of all ancillary roadside infrastructure for the road network;
- Coordinate the establishment and operation of the Model highway with Central Asian governments, international organizations, financial institutions and businesses;
- Management of property, road infrastructure to achieve return on investment (through the creation of asset management companies-operators);
- Ensuring the repayment of the original investment for all investors (international financial institutions, commercial banks, business).

The volume of the infrastructure fund is estimated at approximately \$ 1 billion. All the money will be drawn from outside sources – from international financial institutions, regional development programs, national and foreign commercial banks, other funds, private for-profit companies – players in the international market of road infrastructure, etc. Thus the creation and operation of the MHI Regional Infrastructure Fund will not entail additional budgetary burden for the countries of Central Asia. However, the governments of Central Asia can contribute to the creation of Model Highway through the following mechanisms:

- Contacting the leading international financial institutions with the official support for the creation of a Model Highway and inviting them to participate in the MHI Regional Infrastructure Fund;
- Providing state guarantees for investment in a number of ancillary infrastructures and / or specifically provided “tax holidays”;
- Facilities of land acquisition along the road under the supporting infrastructure facilities or the direct provision of land;
- Creation of a favorable tax regime for businesses operating the ancillary roadside infrastructure facilities until payback on investment.

Thus, the governments will be able to contribute to the emergence of new growth points for businesses along the Model highway and its transformation into a national “development corridor”.

The preparatory phase for the purpose of establishing the MHI Regional Infrastructure Fund may be established by a project company, which will coordinate the work with all interested parties. The final configuration of the MHI Regional Infrastructure Fund will be determined within the framework of the Feasibility Study–Master Plan to create the Central Asian Model Highway.

Another important part of pre-feasibility study was to analyze the legal provision for ancillary roadside infrastructure development processes, and the regulation of international transport and border crossing in the country. The study

identified a number of links associated with a flaw or contradictory legislation on the siting and development of road infrastructure, the allocation of land, building permits, etc. Investing in the development of road infrastructure is quite risky for private capital and accordingly reduces their appeal.

Legislation on Investment and Concessions exist in Kazakhstan, Kyrgyzstan, and Tajikistan. It integrates the norms that regulate relations connected with investments, establish a common legal regime for foreign and domestic investment, providing guarantees to investors and the possibility of preferences (Kazakhstan and Tajikistan). In Kazakhstan, in 2006, the Law on Concessions, a specialized organization for concessions, adopted a package of laws. However, the current practice has shown that although the field is quite attractive for investors willing to work under PPP in the road sector, it has failed so far. Perhaps the reason lies in the fact that it requires large scale investments with long payback period, and the private sector alone cannot effectively manage all the risk on the project. At the same time, the state is also often not prepared to take risks, not only the political and legislative measures, but also economic. In these circumstances, the state and the private sector must find new ways to interact, and reimbursement of expenses to investors.

Work on the development of PPPs is being held in Kyrgyzstan and Tajikistan. In February 2012 Kyrgyzstan adopted a new law on public-private partnership. The Kyrgyz government intends to develop and adopt regulations and procedure manuals in the field of PPP, to amend the existing legislation in the field of transport. In Tajikistan in December 2011 the country adopted a new law on concessions, concession extension of relations on the processes associated with the construction of new facilities at the expense of the concessionaire with the condition of their subsequent transfer to the State. In our view, the law has not yet reflected all the necessary provisions, in particular it does not provide types, methods of state support for the concessionaire and the guarantee of its activities, the principles of risk sharing. However, Kazakhstan's experience shows that it is a necessary condition for attracting private capital to implement large-scale, long-term projects.

### **Conclusions and recommendations**

First, in the analysis confirmed a sharp imbalance between the development of main road infrastructure ("hard infrastructure") and roadside services ("soft infrastructure"). The ancillary infrastructure in the region is characterized by a lack of development and the extremely low quality of services provided to road users.

Second, until recently there was virtually an absence of attention from governments and international organizations to the development of ancillary infrastructure in the Central Asia region. The IRU project NELTI first drew their attention to this issue, in which the carriers themselves pointed to the poor state of road infrastructure and services along the Euro-Asian routes. However, the availability of high-quality ancillary infrastructure depends not only on the conditions of work and rest of drivers, which is one of the main factors to improve road safety, but also the attractiveness of transport and communications of Kazakhstan in Central Asia for international trade and transit. Thus, between the presence of secondary road infrastructure and the implementation of the priorities of the Almaty Programme of Action, there is a direct and unbroken causal link.

Third, the study found that private businesses strive to take the lead in the provision of roadside services along the roads. This is evidenced by the emergence of numerous catering outlets and even gas stations along major international routes in Central Asia. However, this process is not systematic. Roadside service are built spontaneously, the level of service provided is extremely low. In this case, facilities that have a longer payback period, such as multi-functional service areas and secure parking lots for commercial trucks are not created at all.

Fourthly, it was confirmed that the creation of Model Highway in Central Asia, in addition to the construction and modernization of the ancillary infrastructure should be accompanied by measures of legal and administrative measures to facilitate international road transport and border crossing procedures. The facilitation of international road transport will increase their volume, which will affect the payback of ancillary infrastructures and hence their attractiveness to private investors.

Fifth, work to create a complex of ancillary infrastructure should be systematic and coordinated. Existing standards and best practices in the creation and operation of the ancillary roadside infrastructure have proven effective in Europe, North

America and Japan. Science-based location of various facilities of roadside service along the entire Model Highway route, and the calculation of required investment and payback period should be implemented within a full-scale Feasibility Study – the so-called Master Plan for Central Asian Model Highway.

Sixth, creation of a regional infrastructure fund for the MHI will be the most effective mechanism for supporting the development of the Model Highway. The functions of the MHI Regional infrastructure fund will be to accumulate financial resources from various investors, allocation to specific projects supporting infrastructure development, coordination of the establishment and operation of the Model highway with Central Asian governments, international organizations, financial institutions and businesses, as well as in the management of the operation of the created facilities of roadside service via the control operator companies.

Seventh, the study found that the government of Kazakhstan and Central Asia will be able to contribute to the creation of the Model highway through an official request to the leading international financial institutions and development banks such as the World Bank, the Asian Development Bank, Islamic Development Bank, the European Bank for Reconstruction and development, etc. In addition, the contributions of national governments may be to provide government guarantees for investments in facilities supporting infrastructure, facilitation of land allocation for these objects, the creation of a favorable tax regime for business, developing roadside service.

The Regional Infrastructure Fund will be able to begin its work in 2014, which will allow for 2015-2016 to establish an international route, which crosses the whole of Central Asia from China and Afghanistan to the western borders of Kazakhstan, equipped with high-quality and safe roadside service. The Model Highway will become a corridor of development, stimulating business and employment in the area of its gravity, and the experience of the Model highway will be extended to other major transit routes of Central Asia.

## CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC)

*By Mr. Wang Hong, Principal Regional Cooperation Specialist, Asian Development Bank*

### What is CAREC?

CAREC is a partnership of 10 countries and 6 international financial institutions, each with clear roles. There is strong member state – international financial institutions collaboration, but leadership is by countries. The Asian Development Bank is the CAREC Secretariat. The CAREC programme is action-oriented – it is based on clear strategy and action plan; invests in transport, energy, and trade facilitation, and promotes capacity development and networking.

The Central Asia Regional Economic Cooperation (CAREC) Program has made great progress in moving toward its goal of development through cooperation during 2001-2010. Despite the many challenges, CAREC was able to establish itself as a premier regional cooperation program with a clear vision anchored on partnership, and a Comprehensive Action Plan (CAP), which defined priorities for cooperation. Over 100 CAREC related projects worth over \$15 billion have been formulated in the four core areas of cooperation – transport, trade facilitation, trade policy, and energy cooperation. Yet, CAREC could have achieved more.

### Transport and Trade Facilitation

Under transport and trade facilitation Strategy, CAREC program aims to upgrade the 6 transport corridors (1). Europe – East Asia Corridor, (2). Russian Federation – East Asia, (3). Mediterranean – East Asia, (4). East Asia – Middle East and South Asia, (5). Russian Federation – Middle East and South Asia (6). Europe – Middle East and South Asia.

The objectives of these CAREC related projects includes to: develop safe, people-friendly transport systems, and ensure efficient movement of goods and people by simplifying and harmonizing regulations that govern cross- border trade.

The approved CAREC transport and trade facilitation projects as of January 2012 are presented in the table below.

Approved CAREC Transport and Trade Facilitation Projects (\$ million; Jan 2012)							
Sector		Funding Source					
	ADB	EBRD	IsDB	WB	Govts	Others	Total
Transport	5,059	642	1,041	4,065	2,933	435	14,175
Trade Facilitation	48	-	14	133	50	1	246
Total	5,107	642	1,055	4,198	2,983	436	14,421

EBRD – The European Bank for Reconstruction and Development

IsDB – Islamic Development Bank

WB – World Bank

The CAREC programme has promoted customs cooperation and transit through capacity building and investments on customs reforms, customs modernization, adoption of risk management and post-entry audit, and joint customs control started safe packet systems in Kazakhstan and Kyrgyzstan in place and cross-border transport agreement signed by Kyrgyzstan and Tajikistan.

The programme carried out integrated trade facilitation including: establishment of regional association of freight forwarders, monitoring of corridor performance, and improvement of border crossing points and set up of single windows.

## **CAREC 2020: Focus Action, Results**

CAREC 2020 provides the strategic framework for the Program's next 10 years. It reflects the required enhancements in the CAP to move the Program toward its vision of *Good Neighbors, Good Partners, and Good Prospects*. CAREC 2020 will contribute to the Program's vision and goal by focusing on two distinct but complementary strategic objectives: (i) expanding trade and (ii) improving competitiveness. **Trade expansion** seeks to increase trade through transport connectivity, facilitation of cross-border movement of goods and people, trade openness, and energy trade. **Improving competitiveness** seeks to improve industrial competitiveness through transport connectivity, logistics and economic corridor development, the development of related business services, and energy sector cooperation.

The operational activities are on transport, energy, trade, CAREC Institute, and economic corridors. The 2020 programme has medium-term priority projects list, promotes country ownership and better partnerships.

## **Transport and Trade Facilitation Future Directions**

In transport and trade facilitation sectors, the CAREC programme will continue to implement priority projects as well as transport and trade facilitation measures including Cross-Border Transport Agreements along CAREC corridors and other behind-the border facilitation measures.



# THE ROLE OF TRANSIT TRANSPORT FOR INCREASED TRADE OPPORTUNITIES FOR LLDCS

*By Ms. Martine-Sophie Fouvez, Transport Regional Adviser, Division of Transport, UNECE*

## 1. Introduction

The Division of Transport at UNECE works to facilitate the international movement of persons and goods by inland transport modes and improve competitiveness, safety, energy efficiency and security in the transport sector taking into account environmental protection to levels that reduce adverse environmental impact of transport activities and contribute effectively to sustainable development.

## 2. Transport for sustainable development and regional integration

To undertake this work, in the four key areas of improved access to transport, affordability, safety and environmental protection, the UNECE develops and manages international legal Instruments such as the TIR convention; undertakes analytical work and capacity building activities to member States with appropriate Governance structures.

## 3. Transit Needs of LLDCs

The transit needs of LLDCs include:

Infrastructure development

Improved transit facilitation especially customs transit systems. The UNECE promotes the ratification of the TIR convention that allows for international transport of goods by road without frontier inspections. To date, over 3 million TIR carnets are issued annually.

Transit Freedom for road transport – cannot be separated from other types of market access rights. This can be achieved through bilateral agreements and multilateral quotas.

Border Crossing Facilitation: The Harmonization Convention, 1982 promotes facilitation of cross border transport of goods. This can be achieved through nationally coordinated, internationally harmonized, shorter, reduced formalities and controls of goods at borders. The new Annex 8 of the convention indicates the need for facilitation of border crossing procedures for road transport through facilitation of visa procedures for professional drivers, and facilitated border crossing procedures for goods, particularly for urgent consignments, such as live animals and perishable goods.

## 4. Conclusion

Transit rights still have different meanings. There is lack of agreement on the interpretation of Article V of GATT. It is important to undertake more work on the issue. It is crucial to promote increased use of the UN Conventions to increase transit and border crossing facilitation.



# OSCE-UNECE'S HANDBOOK OF BEST PRACTICES AT BORDER CROSSINGS – A TRADE AND TRANSPORT FACILITATION PERSPECTIVE

*By Ms. Jeannette Kloetzer, Deputy Head, OSCE Centre in Astana*

## OSCE rationale and scope of action

OSCE is a regional security organization with 56 participating states and 12 Partners for Co-operation. It undertakes political dialogue and practical work. It has three dimensions of activities: the politico-military; the economic and environmental; and the human. The OSCE's activities cover all three of these areas, from "hard" security issues such as conflict prevention to fostering economic development, ensuring the sustainable use of natural resources, and promoting the full respect of human rights and fundamental freedoms. It has a network of 15 field operations.

Out of 31 landlocked developing countries globally, 9 are OSCE participating States, and 2 are OSCE Partners for Co-operation. OSCE assists its participating States to tackle non-physical barriers to transport.

## Examples of OSCE engagement

Regional and national capacity-building/awareness raising activities on the UNECE Harmonization Convention, WCO SAFE Framework of Standards and Revised Kyoto Convention held in: Moscow, Belgrade (2006), Almaty, Tbilisi, Kyiv (2007), Astana, Balkanabat, Ashgabat, Tashkent (2009), Skopje (2011), Dushanbe (2012). EATL, Trans-European Motorways and Trans-European Railway meetings were held in: Tashkent and Turkmenbashi (2010), Almaty and Astrakhan (2011). OSCE Border Management Staff College in Dushanbe (since 2009) provides training on border management.

## OSCE/UNECE Handbook of Best Practices at Borders

The idea emerged in 2007, following the Belgian Chairmanship of the OSCE. An extra budgetary project was developed. Funding was received from the Governments of Belgium, Finland, France, Kazakhstan and the U.S. Stakeholders meetings and assessment visits were held in fall 2008 (Minsk & Bishkek).

The goal of the Handbook is to support OSCE countries in their efforts to make their border crossing practices more efficient, taking into account trade and transport facilitation as well as security aspects. The underlying rationale of the Handbook is 'economic' in nature to facilitate legitimate trade and transport across borders. The publication will become a reference document for national policy makers and senior customs and border guard officials when drafting and implementing their border and transit transport facilitation policies. The potential users include high and mid-level officials from transport, trade and finance ministries, customs agencies, as well as senior border crossing point staff; transport, freight and logistics communities as well as business associations; and civil society, academia and researchers.

The handbook makes important consideration of: balance (security and facilitation; between concepts; geographical), focused (on trade and transport), innovative (benchmarking) and challenges (diversity of the contents, vast amount of references to be consulted). The handbook has over 120 international best practice examples and case studies.

## Scope of the handbook

The handbook provides: a comprehensive overview of the relevant international legal instruments tools and standards at the disposal of policy makers; ways and methods to increase inter-agency co-operation and to harmonize procedures both *domestically* as well as *internationally*; and examples of how to improve policies for control, clearance and transit.

The handbook presents how to better balance security and trade facilitation and build stronger partnerships between Government and the private sector. It provides examples of risk-based approaches including through increased selectivity and profiling. It highlights the need to introduce a solid human resource management system including training on the use of IT. It also provides a comprehensive overview of border agency performance measurement methods based on the assumption that what gets measured also gets managed properly.

Upon request of national authorities, OSCE is ready to provide tailor-made seminars on specific aspects of the publication.

The handbook can be accessed on the OSCE and UNECE websites. The url for the publication is: [www.osce.org/eea/88200](http://www.osce.org/eea/88200).

## DEVELOPMENT OF TRADE AND TRANSIT CORRIDORS

*By Jean-Francois Arvis, Lead Transport Economist, International Trade Department, Cordula Rastogi, Senior Transport Economist, Europe and Central Asia Region, Virginia Tanase, Senior Transport Specialist, Transport, Water, Information and Communication Technologies Department, and Alina Mustra, Trade Specialist, International Trade Department, World Bank*

### **The corridor approach to transit transport**

Largest concentration of landlocked developing countries is in Sub-Saharan Africa. High transport costs are recognized to be a burden on the low value, high volume commodities that are produced (long distances, border delays, etc.). Reducing costs is critical to trade expansion and growth. The corridor approach is actively pursued to: help prioritize infrastructure investments and maximize returns to scale; and stimulate growth, trade and investment along key international transport routes.

The corridor approach is typically based on agreements between states that identify cross-sectoral cluster investment opportunities for PPPs. The expected outcomes of a corridor approach include improved access to seaports, stimulation of virtuous cycle of expanding regional markets, increased regional integration, a regional approach to FDI, job creation, Small and Medium Size Enterprise (SMMEs) development, and strengthened planning and managing capacity of local governments and rapid economic growth.

### **Challenges experienced in corridors**

The corridors are extremely dysfunctional worldwide apart from Western Europe. Logistics costs supported by traders come from “soft” constraints that affect service delivery. These constraints include inadequate market for services (trucks), unreliability of corridor supply chain increased by inadequate design of transit arrangements for goods and vehicles, and high rents. The corridors are also affected by the challenge from lack of incentives for change and political economy constraints.

### **Improving Corridor Performance**

Interventions focused on improving the performance of the corridor need to be based on an assessment of corridor performance using several corridor performance indicators. The performance indicators are on all aspects of the corridor including the infrastructure, trade and transport procedures, regulations, market structure, logistics services etc. The objective of the interventions is to reduce cost and time and improve reliability.

### **Relevant World Bank-financed Corridor Projects**

Some of the relevant World Bank-financed corridor projects include: CEMAC Transport and Trade Facilitation – Douala Corridor, West Africa – Tema Ouaga, North-South Corridor linking southern and east Africa, Afghanistan (new tranche customs support), and Pakistan (national corridor), and Kazakhstan (Western Europe-Western China transit corridor, customs support). Some of the earlier projects include Beira corridor, Mombasa corridor, and Abidjan Lagos corridor.

### **Example of the Northern Corridor**

The Northern corridor links DRC, Burundi, Rwanda, Uganda, Kenya, (and South Sudan). It is one of the best known and probably most studied corridors in Africa. 95 percent of the goods that are imported into, or exported out of, Uganda pass through the port of Mombasa. There is a rail line on the route but 90 percent of the cargo on the corridor travels by road. From 2006 to 2009, trade volume at the port of Mombasa grew at close to 9 percent a year, with most of that cargo going along the Northern corridor – along with bilateral and other domestic trade.

The objective of the northern corridor project is to improve the movement of cargo and tackle delays and inefficiencies through: effective implementation of the EAC Customs Union Protocol; increasing transport and logistics services efficiency; and improving railway services in Kenya and Uganda.

Achievements accomplished so far in the Northern Corridor include lower transit costs and transport times along a key road route linking Kenya's international seaport at Mombasa with Uganda and other countries in Africa's interior,

and aiding trade between these interior countries and the outside world. Transit times at the border have now been reduced from three days to three hours. The dwell time at the port of Mombasa is down from 19 to 13 days, and transit time along the Mombasa-Nairobi-Kampala section of the route has dropped from 15 to five days. Processing times at the Mombasa Port have been lowered due to information sharing among agencies and joint inspection of cargo and exchange of electronic information due to increased cooperation between Kenyan and Ugandan agencies. Efforts are underway to develop a one-stop border post so as to ease of movement of cargo and increase in vehicle utilization.

## **Conclusion**

The development of trade and transit corridors requires holistic regional planning with the view to unlock growth potentials in “lagging” regions. However each corridor is unique and development prospects depend on the convergence in temporal and geographical space of several factors (political, economic, global trends, etc.). Evolution is not a linear process from transport to development corridor but mutually reinforcing processes are at play. Development requires active participation of the public and private sectors including all levels of government (local, provincial, national). It is critical to assess upfront the economic fundamentals as there are usually competing routes and investments.

**PART II**

**COMPILATION OF STATEMENTS DELIVERED  
AT THE FOURTH MEETING OF TRADE  
MINISTERS OF LANDLOCKED DEVELOPING  
COUNTRIES HELD ON 12 SEPTEMBER 2012  
IN ALMATY, KAZAKHSTAN**

**SECTION ONE**

**MINISTERIAL DECLARATION ADOPTED AT  
THE FOURTH MEETING OF TRADE MINISTERS  
OF LANDLOCKED DEVELOPING COUNTRIES**

## ALMATY MINISTERIAL DECLARATION ADOPTED AT THE FOURTH MEETING OF TRADE MINISTERS OF LANDLOCKED DEVELOPING COUNTRIES, HELD IN ALMATY, 12 SEPTEMBER 2012

We, the Ministers and officials responsible for trade of the Landlocked Developing Countries (LLDCs), meeting in Almaty, Kazakhstan, on 12 of September 2012, with the objective of defining common positions on strategies, new measures and actions to address the most pressing trade and development needs of our countries, providing guidance for the preparation of the ten year review Conference of the Almaty Programme of Action and expressing the need to continuing working with a successor plan;

*Noting that* lack of direct access to and from the sea impairs the economic and social development of the landlocked developing countries and that our geographical disadvantage reduces our growth dynamics compared with coastal countries making our countries the most disadvantaged ones in their respective regions;

*Reaffirming* that trade liberalization requires a balanced, well managed and fair approach for developing countries, in particular for LLDCs;

*Emphasizing* the potential benefits of the multilateral trading system for achieving a non-discriminatory, rules-based and predictable trade environment which would provide every country, regardless of its territorial size, population, or level of development the opportunity to effectively and beneficially participate in global trade;

*Underlining* the critical importance of concluding the negotiations on the Doha Development Agenda with development-related outcomes that take fully into account the trade and development needs, challenges and priorities of LLDCs;

*Recognizing* that addressing the challenges of landlockedness requires appropriate domestic policies and measures by their transit neighbors, as well as a supportive international environment, to create positive synergies between the State, society and business;

*Expressing* our concern about the re-emergence of rising food and energy prices, compounded by the negative impact of climate change, which adversely impact on the economic and social progress achieved by the landlocked developing countries in recent years and have increased their vulnerability and weakened their ability to achieve the Millennium Development Goals;

*Underlining* the need to adopt general as well as specific support measures for LLDCs in the WTO, as well as in other relevant trade fora, taking into account the particular needs and special problems of these countries;

*Recognizing* the importance of the universal membership of the WTO, while *highlighting*, at the same time the serious challenges, faced by LLDCs acceding to the WTO — namely Afghanistan, Azerbaijan, Bhutan, Ethiopia, Kazakhstan, Lao PDR, Tajikistan and Uzbekistan;

*Recalling* the Almaty Declaration and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries;

*Recalling* also the United Nations Millennium Declaration and the outcome of the 2005 World Summit;

*Further recalling* the Asunción Platform, the Ulaanbaatar Declaration and the Ezulwini Declaration;

*Recalling* the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want” inviting Member States, as well as the United Nations organization and other relevant international, regional and subregional bodies, to speed up further the implementation of the specific actions in the five priorities agreed upon in the Almaty Programme of Action.;

*Recalling* the Doha Mandate adopted by the UNCTAD XIII Conference, mandates UNCTAD to further address the special trade, investment and development needs of landlocked developing countries;

*Recalling* the General Assembly resolution 66/214 on convening a comprehensive ten-year review conference of the Almaty Programme of Action in 2014, based on preparatory work at regional and global levels as well as through thematic events,

We the Ministers

Aware that the impact of the financial crisis and the economic slowdown in major developed countries has spread to developing countries, including the landlocked ones, and that economic recovery has remained so far fragile and uncertain,

State that strengthening international cooperation with a view to improving the international economic environment and to unlocking international trade negotiations in all areas, together with the construction of a supportive, fair, balanced and rules-based economic framework, are key elements for the promotion of inclusive and equitable economic growth and sustainable development,

*Agree* as follows

### **Development Objectives**

Poverty reduction and sustainable and inclusive development are key and fundamental development objectives of Landlocked Developing Countries. The structural transformation, including modernization and specialization of the productive sectors and improving physical infrastructure has to be done in a way that is supportive to achieving national development objectives and internationally agreed development goals, including the MDGs.

### **Developing Productive Capacities**

With a view to mitigating the adverse development impact of landlockedness, comprehensive, coherent and coordinated policies are needed at all levels in the areas of investment, infrastructure (production, transport, telecommunications and energy), logistics (transport and trade facilitation), technology, to support efforts of LLDCs towards:

- The development of a strong science and technology innovation base to addressing many of the persistent and emerging trade and development challenges that our countries face. Cooperation in the transfer of appropriate technology will play a key role in this regard.
- The development of national and local productive capacities, product and market diversification, upgrading physical infrastructure in order to enhance competitiveness, profitability, and reducing vulnerability to external shocks.

Reaffirm our commitment to undertake bold action for industrial and agriculture sector development, supported by sufficient policy space and complemented by action at the global level to effectively address the distorting effects of measures such as export subsidies, and calling other WTO members to do the same.

Call upon the international community to assist with the design and development of vulnerability indicators that would serve as early warning mechanism to assess external shock vulnerability.

There is a need for concerted measures and actions to support LLDCs' efforts to reduce commodity dependence, including through the diversification of their export base, and enhanced processing of the commodities. We call upon the international community to enhance efforts to support LLDCs including through the EIF and other programs, in diversifying their exports, through – inter alia – the transfer of relevant technologies, support to developing and strengthen their productive capacities, and capacity building in developing relevant policies;

### **Promoting investment**

Public and private investment, including foreign direct investment, should be strengthened. Moreover, LLDC governments, with the support from bilateral and multilateral donors, should encourage and facilitate private sector development,

including native industries, through, among others, promoting public and private partnership, entrepreneurship development and supports to small and medium-sized enterprises.

### **WTO Negotiations**

We urge the international community to work towards the establishment of clear, balanced, fair and transparent trade rules. We call upon the members of the World Trade Organization to advance all areas of the Doha Development Round within the framework of the single undertaking, particularly in areas that have strong positive impacts on the trade flows of LLDCs, such as trade facilitation, market access and the elimination of NTBs and other trade distorting measures, as well as implementation issues. Moreover, in a time of fragile economic recovery, we urge our partners to refrain from imposing measures that limit market access.

The WTO negotiations have to be conducted in a way that enables effective, full and democratic participation of all WTO Members through maintaining a multilateral, transparent, bottom up and member driven negotiation process in order to arrive at a successful conclusion with an ambitious, balanced and equitable outcome which ensures, inter alia, improved market access for agricultural and non agricultural export products of LLDCs;

We express our commitments to the ongoing negotiations on Trade Facilitation, particularly of Freedom of Transit and Special and Differential Treatment and call on Members to accelerate progress in these areas, which are particularly important for LLDCs to gain a more efficient flow of goods and services as well as improved international competitiveness resulting from lower transaction costs.

The future agreement on trade facilitation, in the final outcome of the Doha Round, need to contain binding commitments ensuring the freedom of transit, customs cooperation, expedited movement, release and clearance of goods, as well as, special and differential treatment with financial support.

We call for the adoption of more ambitious and development-friendly text that would address the issues that are important for the exports and imports of LLDCs.

Reiterate our support to the proposal made by the members of the Sectorial Initiative in favour of **Cotton (C4)** related to the ambitious reduction of the agricultural domestic support which distorts the international cotton market. WTO Members are also urged to adopt measures to improve market access for cotton and cotton derived products;

### **WTO Accession**

The **accession procedure** for landlocked developing countries should be simplified. We stress the need for taking into account the individual levels of development and the special needs and problems caused by the geographical disadvantage of being landlocked during the accession process to the WTO. All provisions on Special and Differential Treatment reflected in the GATT and in all WTO agreements must be effectively granted to all acceding LLDCs;

### **Aid For Trade**

Aid for Trade, including EIF, is essential for our countries to make effective use of the multilateral trading system. Aid for Trade to the transport and storage sector, to support regional integration, and to establish and support transit corridors in LLDCs and transit countries should be a priority for Aid for Trade commitments to LLDCs. We welcome the fourth Global Review of Aid for Trade in 2013 and we encourage the WTO and the OECD to map the assistance provided to LLDCs.

Call upon development partners to effectively support the Aid for Trade initiative, through speedy disbursement of funds, giving adequate consideration to the special needs and requirements of LLDCs, including capacity-building for the formulation of trade policies, participation in trade negotiations and implementation of trade facilitation measures, development of trade-related infrastructure as well as the diversification of export products and strengthening of productive capacities with a view to increasing the competitiveness of LLDCs' products in export markets;



## **International Support**

We urge our bilateral and multilateral donors to increase their technical and financial assistance in areas of interest to LLDCs in support of our national efforts to overcome the obstacles imposed by geography and to integrate LLDCs more beneficially into the multilateral trading system. This assistance should complement our national efforts aimed at diversifying the domestic production structure and ensure a better integration into the global economy with competitive goods and services that minimize transaction costs related to the specific geographical situation of LLDCs.

By expressing our appreciation to the cooperation provided by the organizations of the United Nations system, in particular UNCTAD, OHRLLS, UNDP, UNIDO, the UN Regional Economic Commissions and other international organizations, especially WTO, WCO, CFC, IRU, ITC, the World Bank and the regional development banks, regional organization, regional economic communities, we invite them to strengthen, within the context of their respective mandates, their efforts to help mitigate the constraining effects of landlockedness on our economic development and to provide more and better targeted technical assistance for the structural transformation of our economies.

We attach high importance and intend to further strengthen South-South cooperation and triangular cooperation as a means for diversified trade opportunities, additional foreign direct investment flows that contribute to the sustainable development of LLDCs, as well as cooperation in the transfer of appropriate technology.

We will further broaden regional integration as a mechanism towards improved transit transport connectivity and for ensuring greater intra-regional trade, common regulatory policies, border agency cooperation and harmonized customs procedures as well as to promote a better coordination and deepening of regional markets. We support the ongoing regional integration processes in our regions and call on our partners to support these initiatives. We should join and implement UN Facilitation Agreements.

## **New and Emerging Challenges**

In addition to efforts aimed at improving our transit transport situation, LLDCs need to be prepared to face the new and emerging challenges and boldly grasp opportunities. We also appeal to our bilateral and multilateral donors, as well as relevant international organizations, to assist LLDCs in addressing these challenges.

Call for international support to help the LLDCs to address the negative impacts of climate change on the availability of natural resources, in particular water and arable land. Desertification, land degradation and scarcity of water for human consumption as well as for industrial and agricultural purposes pose a real threat to the livelihood of future generations in many LLDCs.

Climate change adaptation and access to climate friendly technology have become priority issues for many LLDCs. We call on the international community to adopt and to implement pertinent measures that help LLDCs, consistent with the UNFCCC commitments, to adjust to the impact of changing climatic conditions. In this regard, we welcome the Astana Green Bridge Partnership Program which would be of special importance to encourage transfer of green technologies to LLDCs.

LLDCs should make better use of the opportunities that information and communication technologies offer to participate in international trade with exports, particularly services, that are less or not distance-sensitive. We therefore call on bilateral and multilateral donors to provide financial and technical assistance needed to improve both the IT infrastructure and connectivity in our countries and to train the human resources required for such activities.

Food insecurity poses a serious threat to the political, social and economic stability of LLDCs. Overcoming this challenge requires multifaceted solutions which includes *inter alia* the elimination of trade distorting measures, technological upgrading, addressing the effects of climate change in the agricultural sector and elimination of speculation in the global food markets.

Sustainable development should guide LLDCs efforts in achieving food sustainability.

A strong energy infrastructure in LLDCs is needed to advance the development of domestic productive capacity and to better connect the regional and international markets. We call on the international community to enhance its support to create such infrastructure in our countries. In this context, we also reemphasize that resources should be mobilized for the production, distribution and marketing of clean energy.

### **The Almaty Programme of Action for Landlocked Developing Countries**

Note that the Almaty Programme of Action contributed to some progress in landlocked developing countries and their transit neighbors in implementing important policy reforms to remove physical and non-physical barriers to the effective participation of LLDCs in global trade. However, this progress was uneven among the LLDCs and often limited in scope and impact. Worse, the global repercussions of the economic crisis in developed countries threaten to undermine this progress in many LLDCs. Furthermore, over the past ten years, challenges and opportunities have arisen for LLDCs that were not yet visible at the time of preparing the Almaty PoA, hence we seek to have the opportunity to enhance the Almaty Agenda

Recognize the efforts that have been made at national, sub-regional, regional and international levels to improve and maintain the physical transit transport infrastructure to allow greater access of LLDCs to and from sea ports and the international markets. However, given the large gaps in and poor quality of transport infrastructure, we call on the international community to increase specific and targeted financial and technical assistance to the development and maintenance of physical transport infrastructure in landlocked developing countries and their transit neighbors, with a view to closing of the missing links, to enhancing intraregional connectivity and ensuring the proper functioning of transit corridors;

### **The Way Forward**

Emphasize the need to strengthen the coordination of LLDCs in trade negotiations at WTO, giving particular attention to freedom of transit and other relevant aspects of trade facilitation, elimination of distorting measures, market access with particular emphasis on our development needs and supporting the accession process of the landlocked acceding countries.

LLDCs, including through their Missions in Geneva, should strengthen their substantive cooperation with UNCTAD on matters of particular interest to LLDCs, including trade, development and interrelated issues in the areas of finance, technology, investment and sustainable and inclusive development.

We urge those LLDCs, which have not done so, to accede to the Multilateral Agreement on the establishment of the International Think Tank for the LLDCs in order to bring the Think Tank to full operation, and invite the Office of the High Representative and relevant organizations of the United Nations system, Member States, including development partners, and relevant international and regional organizations to support the think tank, as it will play an important role in enhancing the analytical capability of LLDCs and provide home-grown research to cater for our specific needs.

We commit ourselves to engage fully in the preparatory process for the ten-year review conference of the Almaty Programme of Action and to participate in the conference itself at the highest level possible. We call upon our bilateral and multilateral donors and the international community to give particular importance to the preparatory process and invite them to actively participate in the conference;

We express our expectation that the comprehensive ten-year review conference should come up with a successor programme of action which outlines concrete and comprehensive measures and actions to be pursued by LLDCs, their transit neighbors and other partners, and their partners to enable the landlocked developing countries to integrate more effectively into the global trading system and move closer to achieving the internationally agreed development goals.

We request the relevant United Nations Organizations, particularly UNCTAD, UN-OHRLS, UNDP, UNIDO, the UN Regional Economic Commissions, other international organizations, especially, WTO, WCO, CFC, IRU, ITC, the World Bank, regional development banks, regional organizations, regional economic communities, national parliaments, the private sector, the civil society and other stakeholders to support and provide inputs to the preparation of a successor programme of action of the Almaty Programme of Action;

Invite donor countries and the international financial and development institutions to make voluntary contributions to the Trust Fund established by the Secretary-General to support the activities related to the follow-up to the implementation of the outcome of the Almaty International Ministerial Conference, as well as the participation of landlocked developing countries in the preparatory process and in the comprehensive ten-year review conference itself.

### **Acknowledgment**

We express our sincere appreciation for the constant efforts undertaken by Paraguay in its capacity of Coordinator for trade and development issues of the Group of Landlocked Developing Countries in Geneva, and by Lao People's Democratic Republic in its capacity of Chair of the Group of LLDCs in New York,

We express our profound appreciation to the Government and the people of Kazakhstan for hosting this event.

**SECTION TWO**

**STATEMENTS DELIVERED AT THE OPENING  
SESSION OF THE FOURTH MEETING  
OF TRADE MINISTERS OF LANDLOCKED  
DEVELOPING COUNTRIES**

## **STATEMENT BY H.E. DR. NAM VIYAKETH, MINISTER OF INDUSTRY AND COMMERCE, LAO PEOPLE'S DEMOCRATIC REPUBLIC, AND CHAIRMAN OF THE GROUP OF LLDCS**

Honourable Ministers, Distinguished Ladies and Gentlemen,

It gives me great pleasure to address our Fourth Ministerial Meeting in my capacity as the Chairperson of the Group of LLDCs and on behalf of the Bureau.

I want to start by thanking His Excellency Mr. Bakytzhan Sagintayev, Minister of Economic Development and Trade of the Republic of Kazakhstan, and through him, the Government and people of the Republic of Kazakhstan for hosting this important Meeting, and for the warm welcome we have received since our arrival in Almaty. I wish to commend the great support, commitment, and priority that you give to the development issues of the Landlocked Developing countries.

I would like to thank H.E. Mr. Manuel Maria Caceres, Vice Minister of External Affairs and Economic Issues of Paraguay, Coordinator of the Group of LLDCs on matters related to trade and development in Geneva for his leadership and personal commitment on the development interests of the landlocked developing countries. I am also most grateful to the many Ministers and senior government officials who made strong commitment to be here today, and recognize the great significance that we attach to trade.

I also wish to extend my gratitude to our partners the United Nations system, international organizations, donors and others who are present today.

This is a meeting that our Group decided to hold regularly to discuss critical issues related to enhancing the trade potential of LLDCs and for articulating a common position on key issues on the international trade agenda.

Let me now highlight some of the salient issues regarding the theme of our meeting -Unlocking the Trade Potential of landlocked developing countries. Since our last meeting, our countries are on the recovery path from the impact of the global financial and economic crisis. Our exports as a Group that had declined by 42 per cent in 2009 from \$154 billion in 2008 increased to \$ 158 billion in 2010, a figure that is slightly higher than the pre-crises period.

We have achieved some progress in trade facilitation. I particularly recognize some of the great initiatives that have been implemented including use of the single window concept, one stop border controls, modernization and the increased use of ICTs for customs clearance, the establishment of dry ports and inter-modal transit transport systems, and enhancing the reliability of logistics and supply chains – to mention just a few.

Landlocked developing countries are making some progress in acceding to the World Trade Organization. My country for example has made excellent progress in the accession process.

There has been a continued increase in Aid for Trade disbursements to LLDCs, which increased from US\$4.7 billion in 2008 to US\$6 billion in 2010. Our countries have benefited from increased official development assistance despite the global economic crisis. We have also increasingly benefitted from external financial support under South-South cooperation. However despite this impressive progress, our countries have not yet reached their full trade potential. Much more remain to be done. Allow me at this juncture to highlight some aspects that require our concerted efforts in order to increase our trade potential.

Our countries still experience high transport and trade transaction costs. This has continued to be a major stumbling block in our pursuit to achieve our trade potential. The establishment of a secure, reliable and efficient transit transport system, which is the overarching goal of the Almaty Programme of Action, remains critical for landlocked developing countries to be able to reduce transport costs and enhance the competitiveness of their exports on regional and global markets.

We need to continue working on developing and maintaining the physical transit transport infrastructure and close the missing links. Our countries should try to continue finding ways of mobilizing domestic resources. However the cost implications of meeting the requirements to establish and maintain an efficient transit transport system are of such magnitude that the landlocked developing countries must be supported by increased international support including increased aid commitments for infrastructure development, Aid for trade, increased FDI flows, Public-Private Partnerships, and increased South-South Cooperation. Development of complementary infrastructure in the energy and communication sectors is important to improve logistics and connectivity and reduce transit delays.

More needs to be done to improve trade facilitation in order to realistically reduce the high costs associated with crossing the borders. In this regard there is need to further simplify and standardize customs procedures, make transit and border regulations more transparent, and streamline administrative procedures.

The ongoing efforts to support the accession process of the landlocked developing countries are commendable and we call for continued provision of enhanced assistance to countries that are in the accession process. It is important that the individual levels of development and the special needs and problems caused by the geographical disadvantage of being landlocked are fully taken into account during the accession process to the World Trade Organization.

The successful conclusion of the Doha Development Round is of utmost importance to the landlocked developing countries, in particular in the area of trade facilitation, to ensure their unhindered access to and from the sea and to reduce their transit time and cost. We call for the adoption of more ambitious and development-friendly text that would address the issues that are important for the exports and imports of landlocked developing countries. The ultimate objective must be the lowering of transaction costs by, inter alia, reducing transport time and enhancing certainty in trans-border trade.

Let me also note that our export earnings which are highly dependent on commodities remain vulnerable to external price shocks. There is a need to reduce commodity dependence through diversifying our export base, improving our productive capacities and enhancing processing or value addition to our export commodities. We also need to tilt towards more trade in services that are not easily subjected to current obstacles in transit.

Landlocked developing countries can benefit substantially from specialized high quality research, formulation of common positions for concerted actions of the landlocked developing countries at international fora, compilation and sharing of best practices on issues concerning landlocked developing countries and capacity building initiatives on trade issues. In this regard, the international think tank for landlocked developing countries to be set up in Ulaanbaatar, Mongolia, is expected to contribute in this capacity. However the full operationalization of the International Think Tank will take place when the Multilateral Agreement on the Establishment of the Think Tank enters into force after ten landlocked developing countries have become part of the Agreement. In this regard, I wish to call on all of the Governments of the landlocked developing countries that have not yet done so, to come forward and sign and ratify the agreement.

We welcome the UN General Assembly's resolution that calls for the convening of the comprehensive ten-year review Conference of the Almaty Programme in 2014. This will be a chance for us to assess the implementation of the Almaty Programme of Action thus far and develop a new framework for the next decade. Let us all actively engage in the preparatory process for this ten year review conference.

In conclusion, I would like to applaud the efforts made by our development partners, the United Nations system organizations, other international organizations, the regional development banks, and other stakeholders to remove physical and non-physical barriers to trade in our countries. I hope that you will continue to support our efforts to become better integrated into the global trading system and reach our trade potential.

I trust that our deliberations today will be very fruitful.

I thank you for your kind attention.

## **STATEMENT BY H.E. AMBASSADOR MANUEL MARIA CACERES, VICE-MINISTER OF ECONOMIC RELATIONS AND INTEGRATION, PARAGUAY**

Honourable Ministers, Distinguished Ladies and Gentlemen,

It is an honor for me to participate in this Meeting of Ministers of Trade of LLDCs. First of all, I would especially like to thank the Government and people of Kazakhstan for their hospitality and for hosting this event. It is of particular satisfaction to my country that the Fourth Meeting of Ministers of Trade of our Group takes place in Almaty, a city that received us almost ten years ago in a significant Conference to our countries where we adopted the Program of Action. Thus, Almaty has already carved a place in the history of LLDCs, and we have no doubt that the outcomes of this meeting shall also substantially contribute to address the trade and development priorities of our Group paving the way for the Review Conference to be held in 2014.

Let me also give a warm welcome, on behalf of the Government of Paraguay, to Mr. Acharya, recently appointed High Representative for the Least Developed Countries, LLDCs, and Small Island Developing States. I would like to thank him for his participation in this meeting, it being one of his first official assignments in such position. This shows his interest and commitment toward our Group. We wish him success in his duties. Please rest assured that you can count with the permanent support of my country.

This meeting takes place within an international economic context that is still fragile and uncertain. The current economic downturn was not our making, but we still have to face its consequences. Moreover, our group has been affected by a series of crises related to energy, food, and the harmful effects of climate change. On the other hand, the stagnation of the Doha Development Round may negatively affect the fulfillment of the mandate to incorporate the “development dimension” into the Multilateral Trade System. Development should be the foundation and driving force of globalization. A fair, just, transparent, inclusive and foreseeable multilateral trade system based on development, should support the effective opening of markets and the creation of opportunities for developing countries and particularly for the most vulnerable and small ones such as the LLDCs.

In this complex world scenario, LLDCs should aim to achieve that our geographical disadvantages be mitigated and that we may effectively participate in the multilateral trading system.

Since the recognition of our special situation by the UN General Assembly, we have taken important steps toward the international recognition of the problems and special needs of LLDCs. However, there is still a long way ahead until the international community may thoroughly understand the difficulties that we face in order to achieve our development, eradicate poverty from our countries and be active participants in international trade.

As part of these efforts, we have institutionalized the Meetings of Ministers of Trade of LLDCs, which meets for the fourth time, with the aim of analyzing the situation of our countries and our priorities, by joining efforts to overcome difficulties and achieving common positions in the different negotiation fora.

It is an honor for Paraguay to coordinate the Group of LLDCs on issues related to trade and development in Geneva. Allow me briefly to inform you on the activities and tasks performed in these areas as Coordinators of the Group, in particular, since the last ministerial meeting.

We met in Asunción in 2005, Ulaanbaatar in 2007 and in Ezulwini in 2009, in order to establish a reference framework for negotiations of the Doha Round. Finally, we cannot forget the successful meetings that we had at the margins of UNCTAD XII in Accra and the recent UNCTAD XIII in Doha in April of this current year.

We have mainly worked within the World Trade Organization in some areas related to negotiations of Trade Facilitation, through the presentation of several proposals related to freedom of transit. In this context, our intention is to have a legal instrument that contributes to the streamlining of trade, the elimination of barriers that increase costs to our trade, and the expedited movement.

In terms of the Aid of Trade Initiative, we have presented our concerns and expressed our needs in the Global Reviews of Aid for Trade held in 2007, 2009 and 2011, respectively, requesting a special attention to our countries. Aid for Trade can be an essential tool so that the LLDCs may compensate in some way their condition, by improving their efficiency and economic competitiveness. In this sense, it is worth to point out that during the last programs of work adopted, references to the LLDCs have been included. We look forward to the upcoming Fourth Global Review to be held next year with a focus on the private sector and Global Value Chains.

An essential area referring to LLDCs is related to WTO accession. Eight members of our group are currently negotiating their accession to the WTO – a complex, long and expensive process. Our participation as Coordinator in different Working Groups is to make an appeal to so that LLDCs are not be requested grants which are beyond their economic, financial and development possibilities, and above all, that the particular and unchangeable condition of being a landlocked country be taken into account. We hope that accession guidelines may be adopted for LLDCs, as those recently agreed upon for the Least Developed Countries.

Another important scenario of activity that Paraguay has been coordinating related to LLDCs is within the United Nations Conference on Trade and Development (UNCTAD). Since the creation of UNCTAD, we have place a special emphasis on our countries within its mandate, primarily taking into account that UNCTAD is the focal point in the United Nations System for trade, development and interrelated issues of finance, investment, technology and sustainable development.

In addition, in the last couple of years we have promoted the strengthening within UNCTAD, of the special attention given to LLDCs. Our delegation, as the Coordinator, led the LLDCs' position throughout all the conferences preparatory process, in the selection of the theme and subthemes, and in the presentation of a "Position Paper" containing our group's view.

It is worth pointing out that we did not have an easy task. However, the balance on the positioning of the LLDCs' situation was positive, and certain areas and positions were advanced in connection with previous Conferences. Thus, the Doha Mandate, which builds on the Accra Accord, is the guide of the UNCTAD for the next four years, so the organization can keep on its work of support in favor of the LLDCs. In addition to transport and infrastructure, it has been established that the needs of LLDCs should be further addressed in areas of investment, trade and technical cooperation, one of the three work pillars of UNCTAD's work.

Being the Group of countries which is less attractive to FDI, we have worked closely with the UNCTAD Investment Division. An Investment Forum aimed at LLDCs has been held, investment policy reviews and investment guides have been prepared for many LLDCs. Furthermore, the World Investment Report of the last three years includes a section devoted to LLDCs. In addition, there has been close coordination with the Division for Africa, Least Developed Countries and Special Programs, in charge of the LLDCs, whose support has always been permanent, and with the Division on Technology and Logistics, particularly referring to transport, infrastructure and trade facilitation. We hope to strengthen this relationship, and we believe that the high-level representation of UNCTAD at this meeting represents the commitment of the Secretary- General and of the organization towards our Group.

I would like to take this opportunity to especially thank the Deputy Secretary-General, Mr. Petko Draganov, and Directors Anne Miroux, Taffere Tesfachew, and Guillermo Valles, and Mr. Gunter Fischer for their participation in our meeting, which we very much value. We particularly appreciate not only your presence today but also your continuous and permanent commitment to our group.

We are sure that discussions and exchanges in this meeting will be very fruitful to all of us, and will provide valuable input to the challenges in front of us regarding the WTO, UNCTAD, the Review of the Almaty Program of Action and the successor plan.

I wish you all fruitful and constructive deliberations.

Thank you very much.



## **STATEMENT BY H.E. MR. GYAN CHANDRA ACHARYA UNDER- SECRETARY-GENERAL AND HIGH REPRESENTATIVE FOR THE LEAST DEVELOPED COUNTRIES, LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES**

Honourable Ministers, Distinguished Ladies and Gentlemen,

On behalf of the Secretary-General of the United Nations and on my own behalf I would like to wholeheartedly express my sincere gratitude to Minister Mr. Bakytzhan Sagintayev and the Government and the people of the Republic of Kazakhstan for their gracious hospitality and for the excellent arrangements that have been made since our arrival in Almaty. The Secretary General has also expressed his best wishes for the success of the conference. I wish to commend the great support, commitment, and priority that you give to the development of the landlocked developing countries so evidenced by the landmark United Nations Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Cooperation that was adopted at the United Nations Ministerial Conference held right here in 2003.

This support is in line with your dedication to contribute to the purposes and principles of the United Nations including through the promotion of non proliferation, confidence building measures and regional cooperation. I wish to assure you, that your exemplary commitment and generosity to landlocked developing countries is widely recognized within the United Nations system.

My sincere thanks and deep appreciation go to Minister Nam Viyaketh of the Lao People's Democratic Republic, for his country's able chairmanship of the Group of Landlocked Developing Countries at the global level and for his very important statement this morning. A word of appreciation is also due for Ambassador Saleumxay Kommasith for shouldering that responsibility very effectively at the United Nations in New York. I also would like to commend Paraguay, for the leadership in promoting the interests of landlocked developing countries as their coordinator on trade and development matters in Geneva.

It is a special pleasure and honour to join you, the Ministers and delegates from LLDCs, in this meeting which is my very first official assignment since my appointment as the UN High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. I would like to assure you of my unwavering commitment in carrying out this major responsibility in support of the most vulnerable countries.

I am also very thankful to our partners in the United Nations system and other international and regional organizations for the excellent work that they are doing to support the efforts by the LLDCs to better harness trade for their development.

Your meeting has been convened at an appropriate time. The General Assembly adopted last December resolution 66/214 that calls for the convening of the comprehensive ten-year review Conference of the Almaty Programme of Action in 2014. This particular Ministerial Meeting on trade assumes a special significance as it will help you to come up with a common agreement on key trade issues of LLDCs for input into the substantive preparation of the Ten-Year Review Conference of the Almaty Programme. My office, therefore attaches particular importance to this Meeting.

Among others geography plays a very important role in the trajectory of economic growth and prosperity. Studies by many development economists like Paul Collier and Jeffrey Sachs have shown that the high cost of transport and infrastructure challenges have cost the LLDCs as much as 1.5 to 2 percent of their growth rate per annum. Therefore high transport costs, compounded by delays, fees, cumbersome border crossing and customs procedures, and other regulatory constraints continue to constitute the greatest impediment to LLDCs' trade competitiveness, equitable access to global markets and the overall welfare of their people.

For example, according to the World Bank's Doing Business 2012 data, LLDCs incur the highest transport costs to export a container averaging about US \$2700 compared to about \$1000 in transit developing countries and about US \$3600 per container for importing compared to about \$1500 in transit developing countries. These high transport and

trade transaction costs, diminish export profits, inflate the prices of imported inputs for manufacturing and discourage investment thereby negatively affecting overall sustainable development in LLDCs.

Other challenges to increasing trade of LLDCs include limited productive capacity, heavy reliance on primary commodities, lack of export diversification, other supply-side constraints, and limited market access for some of their products.

Since the adoption of the Almaty Programme of Action there has been increased visibility and recognition of LLDCs on the international level and in the United Nations. The implementation of the Almaty Programme of Action, has contributed to increasing LLDCs' exports from about 0.5 percent of total world exports to just over 1 percent of world exports. The speakers before me have eloquently highlighted other achievements that have been made in implementing the Almaty programme of Action including enhanced trade facilitation, improved transit infrastructure and connectivity, and increased international support in the form of Official Development Assistance, Aid for Trade, South-South co-operation, and debt relief. However despite this progress much more needs to be done to increase the trade potential of LLDCs. It is true that robust and prudent national efforts are indispensable, but it is also incumbent upon the international community to come up with comprehensive and coherent support measures in favour of LLDCs.

Let me briefly touch upon a few issues that are of critical importance for increasing the participation of LLDCs in world trade in the context of the upcoming ten-year review of the Almaty Programme of Action. There is need for coherence at all levels behind the border, at the border and beyond the border.

First, investment into hard infrastructure – including the development and maintenance of the physical transport infrastructure in both landlocked and transit developing countries and closing of the missing links is still necessary. Reinforcement of connectivity is key to ensuring rapid development in LLDCs.

Second, investment into soft infrastructure or trade facilitation – the policy and regulatory reforms including making transit and border regulations more transparent, streamlining administrative procedures, harmonizing and standardizing rules and documentation and simplifying border control and procedures is crucial. In the context of the current trade negotiations, LLDCs should vigorously seek to ensure that their special needs including freedom of access by all means of transport are addressed.

Third, improved market access for agricultural and non-agricultural goods originating from LLDCs is crucial, besides special and differential treatment to them.

Fourth, continued technical support for LLDCs that are in WTO accession process is vital in order to expedite their accession. They should be provided with necessary flexibility and longer transition frameworks in these negotiations.

Fifth, Regional integration and cooperation is crucial for development of LLDCs. This promotes connectivity, trading capacity, market expansion and upgrading of the value chains for LLDCs.

Sixth, There is need to scale up international support in the form of both technical and financial support to help LLDCs to expand supply side capacities to take advantage of trading opportunities already at hand and to allow them to expand their international trading frontiers. In this regard ODA, Aid for Trade, foreign direct investment and South-South cooperation should be fully harnessed to address the physical and non physical barriers that separate LLDCs from the broad currents of world trade.

Finally, I would like to emphasize that as we prepare to review the Almaty Programme of Action, and develop a new, more comprehensive, common action-oriented framework for the next decade, there is need to address the trade issues in a coherent and holistic manner ensuring that broader aspects of development are also addressed beyond the transport issues. For example efforts to improve the effective participation of LLDCs in the international trading system need to be accompanied by efforts to build productive capacity, promote value addition, diversification, technology transfer, information and communication technologies (ICT), infrastructure development, and improved market access, thereby leading towards betterment of the lives of the people in LLDCs.

Let me conclude by assuring you, that the United Nations as a whole and my Office in particular, will continue to support the efforts of the LLDCs toward that worthy and achievable end.

I wish you success in your deliberations

I thank you for your kind attention.

## **STATEMENT BY MS. VALENTINE RUGWABIZA, DEPUTY DIRECTOR-GENERAL OF THE WORLD TRADE ORGANIZATION**

Honourable Ministers, Distinguished Ladies and Gentlemen,

Thank you to the Government of Kazakhstan and to the United Nations Office for the Least-Developed countries, Landlocked Developing countries and Small Island Developing States for the invitation to participate in this important meeting. The WTO Director-General Mr. Pascal Lamy asked me to extend his wishes to you for a successful and productive series of discussions.

My participation at this 4<sup>th</sup> Meeting of Trade Ministers of Landlocked Developing Countries and the thematic session which will follow is an indication of both my personal interest, for as you may know I am from a landlocked country, and the continued support of the WTO for the better integration of LLDCs into the Multilateral Trading System. You can therefore be assured of the WTO's full engagement in the preparatory process for the Ten Year Review Conference to be held in 2014.

I will begin with a brief assessment of the global economic context, provide you with an update on the Doha Development Agenda (DDA) negotiations and other areas of work in the WTO and then briefly address where the work in the WTO can best support the elements of the Almaty Programme of Action. On the first issue, you are all fully aware of the uncertainty which has plagued the global economy since the economic crisis began in 2008-2009. Global unemployment remains too high especially in some developing country regions, and the WTO's projections are that trade growth will further decelerate this year to 3.7 per cent, down from 5 per cent in 2011. The current Eurozone crisis is also troubling for global growth with recent reports showing that the growth-led momentum needed to lift Europe out of its crisis remains elusive.

I am, however, cautiously optimistic about the outlook for the LLDCs. The LLDCs experienced an increase in economic growth from 3.1% in 2009 to 6.6% in 2010 and when I examine the trends in merchandise exports, for example, the figures show an increase in value of these exports from US 33 Billion in 2003 to US 158 billion in 2010. Their share of global exports has also increased from 0.5% in 2003 to approximately 1% in 2010 and LLDCs registered a 9% increase in merchandise imports in 2010. In terms of FDI, LLDCs did register an aggregate 12% decrease in FDI inflows in 2010 but saw its share of global inflows increase from 2% in 2009 to 4% in 2010.

On the surface these are indeed positive trends. But of course we must dig deeper and as we do, we see that not all LLDCs benefit from these trends and in those countries that do, much of the increase is due to higher commodity prices but with the concomitant fluctuations and unpredictability that accompany them. Another concern is the high concentration of LLDCs' exports both in terms of export market concentration and in the limited diversification of the basket of goods. A major concern remains, of course, the high cost of getting your goods to markets which continues to put all LLDCs at a structural disadvantage.

Hence, despite some admittedly positive signs we must not, metaphorically, 'remove our foot from the gas', rather efforts should be focused on maintaining and enhancing these positive trends and ensuring full operationalization of the Almaty programme of Action.

Potentially aggravating an already perilous global trade reality is the constant threat of protectionism. During and after the crisis we saw many countries, particularly developed countries, enact certain measures to bolster growth and employment in their domestic economies. However the WTO's most recent monitoring report from mid-June shows that governments are still implementing new measures which restrict or potentially restrict trade and that this situation is further aggravated by the relatively slow pace with which governments are rolling back existing, trade-restrictive measures.

Protectionism breeds further protectionism and the cumulative impact is one which is potentially disastrous for small and low-income developing countries. The international community is increasingly recognizing the need to redouble efforts to keep markets open and trade flowing. I hope this will also be a message emanating from this Meeting.

The Members of the LLDCs are a varied and geographically disparate group brought together by the common and shared notion of 'landlockedness'. Many of you are full and active WTO Members, some are in the process of accession and others have not yet begun that consideration of joining the WTO. I am certain however that all of you have been following the negotiations under the DDA. It is no surprise therefore when I tell you that these DDA negotiations have indeed reached an impasse. This impasse however should not be mistaken for malaise. For even though Members have found it difficult to move forward on the path charted in 2001, there remains a willingness to look for new ways to address elements of the negotiations, especially those areas of particular importance to developing countries- especially the LDCs- of which a number of you are.

At the 8th WTO Ministerial Conference in December 2011 Ministers adopted a number of decisions. One in particular was the need to clarify and strengthen the guidelines for LDC accession. I am very pleased to report that on 25 July the WTO General Council agreed to and formally adopted such a decision which will bring greater confidence and build more trust in the ability of the WTO to address the specific needs of LDCs in accession.

Let me now turn to the DDA. To find new momentum, Members have agreed to explore new negotiating approaches that might open the way to results, starting with those areas of negotiations that might be ready for early conclusion. One of these areas is trade facilitation which is, of course, of great interest to you.

Geography matters for trade. When it comes to exporting goods to overseas markets, LLDCs are at an inherent disadvantage compared to coastal states as their exports must pass through neighbouring countries simply to reach the nearest port. Imports face the same obstacles in the opposite direction. Higher transport costs coupled with bureaucratic costs combine to make trade more difficult and costly. The trade facilitation negotiations are continuing constructively at the technical level. There is a general agreement that Trade Facilitation is a win-win and that a multilateral Agreement can bring tremendous dividends to the multilateral system and to Members at the local and regional level.

For LLDCs trade facilitation is a *sine qua non*. I know for many of the countries here today, trade facilitation is a major potential deliverable and that has been clearly translated in the critical role that the LLDCs have continued to play in the negotiations. All elements of these negotiations- Article V, Article VIII and Article X- are of extreme relevance to you. Article V on transit especially, is crucial. For LLDCs, trade facilitation is one of the core elements of the Almaty POA and beyond. Arguably it is one of the main political and economic 'non-negotiables' for you.

Although the WTO continues to enhance its monitoring and surveillance function, expand the range and reach of its technical assistance and capacity building and continues to serve as the seat of adjudication for international trade disputes, there is no doubt that efforts to conclude the DDA must continue. LLDCs have a great deal to gain from a successful conclusion of the DDA negotiations. Your continued support as one of the driving forces behind finding a solution to facilitate efforts to break the deadlock is essential.

Aid for Trade is also a fundamental component of the discussion this week. LLDCs, by virtue of their relative poverty and economic isolation, stand to reap substantial gains from Aid for Trade, such as in the areas of building productive capacities, trade-related infrastructure and trade development. Given your reliance on multi-country transit corridors, the focus on regional, sub-regional and cross-border issues in Aid for Trade is also a priority.

Aid-for-Trade commitments to LLDCs have risen steadily since 2002-2005. Total commitments to LLDCs in 2010 stood at US\$ 9.1 billion – a more than 100 per cent increase over the original baseline figure of US\$ 4.1 billion. Given the impact of the economic crisis on donor budgets the prognosis for Aid for Trade commitments for the immediate future is flat. But Aid for Trade is much more than just the numbers. Aid for Trade is also about developing the internal capacity, with necessary external support, to be able to better determine your trade-related needs through enhanced mainstreaming of trade within sectoral, national and regional policies. It is also about better harnessing the funding and operational potential of other actors, such as the regional development banks, the economic commissions and the national and the private sector.

The vision for Aid for Trade moving forward is that it progressively encompasses the concept of “aid and investment for trade” with a strong private sector development component. The theme for next year’s Global Review in July 2013 is ‘connecting value chains’ and is very much predicated on this notion of helping developing countries to better access and exploit the potential benefits which value chains offer to them. Regional integration and private sector investment are important components of this, as is trade facilitation. Exploring the potential of regional and global supply chains is an area that could form an important focus for you during the post-Almaty phase.

I anticipate dialoguing with you in even greater detail on these issues and more during the thematic session later this week. Once again I thank you for the invitation to address you this morning and I look forward to the stimulating discussions to follow.

## STATEMENT BY MR. PETKO DRAGANOV, DEPUTY SECRETARY-GENERAL OF UNCTAD

Honourable Ministers, senior trade officials, distinguished representatives of international and regional organizations, ladies and gentlemen.

Today's meeting brings us back to the great city that gave its name to the first UN-wide programme for landlocked developing countries. Based on the notion of strong partnerships between LLDCs, transit countries, and development partners, the Almaty Programme of Action highlights the pivotal link between efficient cross-border transport, beneficial participation in international trade, and sustainable rates of economic growth.

Allow me to share briefly some of UNCTAD's general reflections on the progress made by LLDCs so far and the way forward. The LLDCs as a group have recorded an impressive trade performance in recent years. Total exports increased almost fivefold between 2000 and 2010 growing by more than 20 per cent annually. However, despite this remarkable achievement, the share of the Group in global trade is still modest at 1.04 per cent in 2010. In fact, it has been receding since 2008, when it reached its peak of 1.21 per cent.

Moreover, their exports tend to be concentrated in a few countries and in a few products. Six countries account for 70 per cent of the total exports from LLDCs. In terms of products, crude oil and natural gas account for almost 60 per cent of the total, with minerals and metals being the second largest category. This specialization in transport-intensive raw materials appears paradoxical given the transport constraints faced by LLDCs. Conversely, exports less sensitive to transport and distance play only a marginal role. For example, trade in services other than tourism, which is of economic importance to a few LLDCs, is still limited and with a low exports value.

The review process of the Almaty Programme of Action is an opportunity to reflect on the past and more importantly, develop a vision of the future. It is not premature to state that the Almaty Programme of Action has made a positive impact in several areas. Firstly, the awareness of the challenges faced by LLDCs has increased globally. Today, they are prominent on the international development agenda, ranging from the Millennium Development Goals and the multi-lateral negotiations in the WTO to the Doha Declaration adopted at the UNCTAD XIII Conference.

Secondly, concrete areas of success in the implementation of the Almaty Programme of Action can be found in various transit operations and infrastructure projects in Latin America, Africa, and Asia. Thirdly, LLDCs increasingly benefit from new regional trade agreements. In addition to terms of transport and logistics, many of these include measures for improved transparency, simplification and harmonization of trade documents, and better coordination between border agencies. As a result transaction costs in international trade are now lower for a number of LLDCs.

The promotion of efficient transport systems is an important objective for these countries. And, these efforts must not stop at the borders. Close cooperation with the transit countries is a *sine qua non* for improved connectivity. The Almaty Programme of Action rightly puts great emphasis on transit policy issues, trade facilitation and infrastructure development. UNCTAD would like to see these amply reflected in a successor document to the Almaty Program of Action.

But the development of adequate infrastructure and transit systems is not sufficient to strengthen the position of LLDCs in international trade. LLDCs should be able to grow from being land-locked into being land-linked. Key ingredients of their development policies should be strong regional integration and an economic specialization that fits the geographical location.

Investment should be attracted to the production of goods and services less sensitive to distance or transport costs. LLDCs should promote the production of higher value and lower bulk goods, such as precision instruments, IT components and pharmaceuticals, or services in tourism, education and ICTs. In export agriculture, LLDCs could target high-end crops, off-season and organic produce that lend themselves to cost-efficient transport and premium prices.

Since its inception in 1964 UNCTAD has been associated with the issue of LLDCs. This long-standing involvement has helped the organisation to better understand the needs and problems of LLDCs as development challenges, which call for more than just technical and infrastructural remedies. We also see a number of emerging challenges and opportunities for LLDCs on the path to sustainable development in the changing physical and economic environment of our planet today.

UNCTAD stands ready to continue its support to the Group and the achievement of its development objectives. I therefore wish this meeting every success.

Thank you very much.



## **STATEMENT BY MS. SEBNEM AKKAYA, WORLD BANK COUNTRY MANAGER FOR KAZAKHSTAN**

Excellencies, distinguished guests, ladies and gentlemen

It is my pleasure to be able to address this distinguished audience on behalf of the World Bank. At the start, I'd like to say that I would probably not be surprising this audience today by noting that helping Landlocked Developing Countries overcome their geographical disadvantages has long been part of the global development agenda. Significant resources have been devoted: i) to generate a better framework (conventions and treaties have been agreed and signed), ii) provide funding for infrastructure; and iii) support technical assistance. The 2003 Almaty Programme of Action has been instrumental in elevating the profile of these efforts by calling for landlocked and transit developing countries to refine their regulatory frameworks; increase their regulatory transparency; and simplify border control and procedures.

A lot has been accomplished since – Costs and time required to trade have been reduced in a number of developing countries. Still, some key challenges continue to impede the ability of LLDCs to more effectively engage in international trade. International assessments, including the Logistics Performance Index, have identified the logistical un-friendliness, in particular the overregulation, poor quality services and underinvestment in a number of developing countries.

Let me now turn to the World Bank's role in advancing this important agenda. Clearly the Almaty Programme of Action is very much aligned with our development objectives in areas such as transport, trade logistics, customs and trade, which are central to our engagement in key regions such as the Africa region and the Central Asia region, together hosting most of the LLDCs.

As a knowledge Bank, we particularly feel responsible and committed to help review and analyze what works and what does not work, and transfer this experience from one trade corridor to another.

Concerning instruments of our assistance, the World Bank Group is one of the largest financiers of projects aimed to improve trade and trade facilitation. Between the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) we lend about 1-1.5 billion dollars per year to projects in LLDCs, in transit countries or projects that have a regional dimension, directly contributing to the Almaty Programme of Action. This corresponds to about 12 projects per year on average. The largest such investment project is currently implemented in Kazakhstan, namely the Western Europe-Western China Project with Bank's contribution of more than 2 billion dollars.

In addition to financing, the Bank is providing technical assistance at the country-level or to regional institutions, administering a donor funded Trade Facilitation Program, which prioritizes low income countries. The largest Project under this Facility helps the Economic Community of Central African States to develop and implement a comprehensive Trade Facilitation Project that addresses such areas as the performance of corridor and its transit regime, including a single window project at the port of entry in Cameroon. We also have several on-going activities in the Central Asia region, including the review of corridor performance as well as advisory support on the planned development of new transport links (e.g., between China and Uzbekistan through the Kyrgyz Republic).

Not all of our activities are about facilitation and corridors. Some of them are tackling some of the priorities identified in the Almaty Programme of Actions. And some are addressing the other connectivity challenges of LLDCs, including energy, air-transportation, or regional financial systems along with promotion of productive capacity and export diversification.

Additionally, through our advocating role in multilateral initiatives we are actively helping advance the trade and trade facilitation agenda globally.

Let me now briefly turn to issues and priorities emerging from our activities. An important finding of our work in recent years is the need to focus on improving service delivery for traders. More specifically, the cost of transportation

(per unit) is not necessarily the main issue, but rather the unpredictability of the supply chain, and delivery schedule of goods. And this unreliability is only partly an issue of infrastructure development, as it is also influenced by a lack of proper implementation of a transit system, procedural complexity, and under-development of service markets, such as trucking.

We also find that the problems are often outside of the boundaries of the LLDCs and not necessarily at the border: in many instances, most of the time is spent by goods at the port of entry. For example, this is typically one to three weeks in the case of transit countries in the Africa region. The conclusion is that, transit systems, which govern the movement of goods from origin to destination, have serious implementation issues and require more attention.

Our work demonstrates that for the improvement of services to traders, there is no “quick fix recipe”, but a series of interrelated processes and incentives. A key lesson from our experience is that, it is important to combine investment in physical infrastructure with soft facilitation measures, including on trade logistics, transport market improvements and institution building to improve the efficiency of supply chains and obtain sustainable results.

Let me conclude my remarks noting our strong commitment to advance implementation of the Almaty Programme of Action over the coming period.

Thank you very much for your attention; I wish you a successful conference.

### **SECTION THREE**

## **STATEMENTS DELIVERED BY DELEGATIONS OF LANDLOCKED DEVELOPING COUNTRIES AT THE FOURTH MEETING OF TRADE MINISTERS**

## *Armenia*

### **H.E. Mr. Ara Petrosyan, Deputy Minister of Economy of the Republic of Armenia**

Mr. Chair, honorable colleagues, it is my great pleasure to speak on behalf of the Republic of Armenia in this Meeting. I would like to express my gratitude to the organizers of this event and my admiration to the Kazakh people for their warm hospitality.

The absence of sea, remoteness from markets, weak transport infrastructure, cumbersome customs and border crossing administration and procedures, and high transportation costs remain a real challenge for LLDCs on their way to integration to the global markets and benefiting from international trade. It became normal that transportation costs put LLDCs, in a relatively disadvantaged position compared with the countries that have a continuous access to the sea. In this context it is important to stress the key role of the First International Ministerial Conference of LLDCs, Transit Developing Countries and Development Partners held in Almaty in 2003, when Almaty Programme of Action was adopted. It is a unique tool that established a multilateral platform for LLDCs to address their specific constraints and find beneficial solutions.

The mitigation of negative effects resulting from having no access to the sea is still an ongoing priority for the Armenian Government. In this regard, trade liberalization, infrastructure development, capacity building activities, business climate improvement and the active participation in facilitating international trade are considered to be the major instruments in achieving the general goal.

In 2003, Armenia acceded to the World Trade Organization, which was an essential step in trade liberalization and involvement in the multilateral trading system. Due to generally accepted WTO rules and principles, Armenian economic operators are given wider market access opportunities on most favoured nation basis and avoid unnecessary obstacles during exportation.

Meanwhile, strengthening of bilateral trade cooperation and facilitation of trade between countries has been strengthened. Armenia has concluded Free Trade Agreements with Commonwealth of Independent States (CIS) countries (Kazakhstan, Moldova, Russia, Turkmenistan, Ukraine, Georgia, and Kyrgyz Republic). Armenia has also launched negotiations with the EU to establish Deep and Comprehensive Free Trade Area, which will enable 95% of Armenian goods to be exported to the EU duty free. Currently, Armenia benefits from the Generalized System of Preferences (GSP) treatment granted by the European Union, the United States, Canada, Norway, Switzerland and Japan.

By the way, the external turnover of Armenia in 2011 was 26.9 % of the total with CIS Countries, while it was 32.4 % of the total with the EU countries. In 2011, the major five trading partners were Russia, China, Germany, Iran and Bulgaria.

In recent years, activities to improve the business climate have been enhanced. Due to regulatory reforms aimed at streamlining such processes as starting a business, registering property, dealing with construction permits, protecting investors, facilitation and simplification of procedures of customs and taxation administration, Armenia has been continuously improving its ranking and is now the 55<sup>th</sup> according to the World Bank's Doing Business 2012 report.

The global financial and economic crisis adversely affected LLDCs, including Armenia. Nevertheless, since 2010, Armenian economy began to recover from the crisis, and GDP growth reached 2.2% and subsequently 4.7% in 2011.

The major challenge for LLDCs' trade and access to new markets is the inadequate transport infrastructure. In this area, one of the ongoing projects of Armenia is the construction of the North-South road corridor. It envisages the reconstruction of the operating roads and their correspondence to meet the first category of international standards. 556km of roads will be reconstructed in the framework of the project. After reconstruction these strategic roads will provide facilitated traffic from Armenia's southern border to the Georgian border, and further on to the Black Sea ports.

In 2012, the Republic of Armenia approved the concept of Rehabilitation and Reconstruction of the Main Transit Highways of the Republic of Armenia. The concept envisages the rehabilitation of the three main roads connecting Armenia to its Northern neighbor Georgia with a total length of about 550km.

To conclude, a number of measures have been taken, but still there is a need for cohesive efforts and engagement of human and financial resources of all partner countries and international donor organizations. It is critically important that the interests and concerns of LLDCs be fully taken into account while establishing new transit systems.

Meanwhile, regional and sub regional cooperation and integration can play an important role for addressing specific problems of transit transport. In this context, support from existing sources, mechanisms of regional dialogue and integration among LLDCs is essential. Assistance in the area of trade facilitation within the WTO framework should also be enhanced for LLDCs.

Finally, I would like to mention that the Government of the Republic of Armenia is looking forward to the Ten-Year Review Conference of the Almaty Programme of Action to be held in 2014. It will give us an opportunity to thoroughly review the implementation of the Almaty Programme of Action and assess its effectiveness.

Thank you Mr. Chair

***Bolivia***

**Mr. Pablo Guzmán, Vice-Minister of International Trade and Integration**

In the course of supporting the Declaration of the Fourth Meeting of Trade Ministers of Landlocked Developing Countries the Delegate of the Plurinational State of Bolivia made this declaration, in order for it to remain in the records of the meeting:

I have been instructed by my Government, in the occasion of fully supporting and endorsing the Ministerial Declaration Fourth Meeting of Trade Ministers of Landlocked Developing Countries, to express and reiterate the view expressed earlier by Bolivia at the time when the Convention on Transit Trade of Landlocked States (July 8, 1965), and the United Nations Convention on the Law of Sea (December 10, 1982) were signed- that the Plurinational State of Bolivia is not a Landlocked State, but a country that has been deprived of its access to sea and its own coast by temporary circumstances.

The unrestricted and unconditional right of transit should be recognized in international law as an inherent right of landlocked countries and territories, for reasons of justice and the need to facilitate such transit as a contribution to the overall progress on the basis of equity.

Bolivia hopes that in the near future, along with the Republic of Chile, we can find through dialogue a formula to overcome the difficulties that separate us and fix this situation with a solution that includes sovereignty, as established in Resolution 686 of the Organization of American States, in the interests of brotherhood in the Americas and the strengthening of friendship between the peoples of Bolivia and Chile.

Bolivia never failed to maintain this view, which is inherent for its national sovereignty, and in signing this statement, leaves evidence of its willingness to cooperate for the development of States without seacoast.

## ***Botswana***

### **Mr. Mothusi Bruce Rabasha Palai, Permanent Representative of Botswana to the UN and other International organizations in Geneva**

Your Worship the Mayor the City of Almaty, The Minister of Economic Development and Trade of the Republic of Kazakhstan, Honourable Ministers, Excellencies, Senior officials of International Organisations, and Distinguished delegates.

At the outset, I would like to express my delegation's gratitude to the Government of the Republic of Kazakhstan for the splendid hospitality, as well as for making this event possible. By hosting this meeting for the second time, the country demonstrates the importance it attaches to the development issues of LLDCs.

The theme "Unlocking the Trade Potential of LLDCs" is instructive as we prepare for the comprehensive 10 year review conference of the implementation of the Almaty Programme of Action in 2014. It is our hope that the review will lead to a strengthened, a more comprehensive, and an action-oriented successor plan for the next decade that will lead to the realisation of the full potential of LLDCs. My country commits to the preparatory process of the conference and indeed to the Review Conference.

It has been eight years since the launch of the Almaty Programme of Action. Thus it is not too early to reflect on the road travelled. Whilst effort has been and continues to be expended towards the realisation of the goals of the programme, results are still not impressive. The challenges as identified years ago continue to persist. Our economies are still disproportionately reliant on agriculture and mining for exports. Transport costs in comparison to the costal economies are on the increase, and trade volumes continue to be low.

These challenges continue to undermine our development efforts, and we continue to do poorly on the social development sphere, making the attainment of the Millennium Development Goals uncertain. Whilst as a group, we have realised economic growth in recent years, this growth is undoubtedly unsustainable. Economic growth attributed to rising commodity prices can only be celebrated with caution as commodity prices are prone to price volatility. In this regard, the continued over-reliance of our economies on commodities renders them extremely vulnerable. On the other hand, the agriculture sector, which is also the mainstay of most of our economies, is threatened by climate change. The looming uncertainties in the global economy also continue to undermine efforts made by LLDCs.

We agree that weak transport infrastructure in both transit as well as in LLDCs, increases the costs of and time associated with importing needed production inputs and the exportation of final products. This effectively increases the economic distance between the LLDCs and the world markets. This situation makes the LLDCs unattractive to Foreign Direct Investment. This is evident in the key reports that analyse the competitiveness of economies. For example, according to The World Bank Doing Business and the World Economic Forum Global Competitiveness Reports, LLDCs continue to record un-impressive results. The unattractiveness of LLDCs to investors negatively affects the overall sustainability of our economic development.

The establishment of a secure, reliable and efficient transport system, which is the overarching goal of the Almaty Programme of Action, remains critical for LLDCs, if they are to boost their competitiveness. Complementary to building secure transport infrastructure, other reforms like harmonisation and standardisation of border controls and procedures, simplification of customs documentation, automation of border clearance procedures, amongst others, are also significant. As noted in the background documents, undertaking these projects requires heavy investments. In this regard, continued smart partnerships between the LLDCs, transit countries and development partners remains critical.

It should be acknowledged that, whilst the development of infrastructure is critical and remains necessary, it is by no means the solution to all the challenges of LLDCs. The diversification of our traditional exports cannot be over-emphasised. The creation of competitive advantage in areas that are not sensitive to transport cost remain critical. The processing of primary commodities at source not only adds the much needed value, but may also reduce their bulkiness and associated transportation costs.

Achieving the much need diversification, may not be easy in the current state of the Multilateral Trading System, which is characterised by imbalances. Tariff peaks, tariff escalations, Non Tariff Barriers, and subsidies amongst others, impede the efforts by LLDCs to diversify from their traditional exports. Thus, the expedited conclusion of a fair and balanced DDA, that takes into account the special needs of LLDCs, is ever more urgent.

Similarly, the building of Information Communication Technology (ICT) infrastructure, strong technological and research base, functional Intellectual Property Systems, amongst others, remain fundamental to our advancement. These initiatives not only require huge financial investments, but they also need legal and regulatory reforms, institutional and administrative overhaul, and as such, the call for international support to LLDC in these areas should not be surprising.

Botswana's remains committed to the implementation of the Almaty Programme of Action. Like some countries, we are both a landlocked and a transit country.

Botswana continues to make efforts to implement projects that are intended to facilitate quicker and efficient movement of goods across its border. Transport infrastructure development claims the second largest allocation of the development budget. Currently major projects include, the construction of a rail/road bridge between Zambia and Botswana along the North-South Corridor – being a collaboration efforts with Zambia. Two major railway projects which are still at planning stage – the Trans-Kalahari Railway and Coal Port Project, which is a bilateral project between Namibia and Botswana; and the Ponta Techobanine Railway and Port project, which is a tripartite project between Mozambique, Zimbabwe and Botswana.

Botswana has also secured a dry port in Walvis Bay, Namibia, for which we remain grateful to Namibia. Plans are afoot to establish One-Stop Border Posts, one with Namibia and another with Zambia. This is to mention but just a few major initiatives undertaken in collaboration with neighbours which are within the spirit of the Almaty Programme of Action.

At regional level, there are several initiatives that are being undertaken at the level of Southern African Development Community (SADC), Southern African Customs Union (SACU) and at the tripartite level (EAC, SADC, and COMESA). Building synergies at regional level will aid the achievement of our goals, hence the funding of projects at that level remains critical and is encouraged. In this regard, we express our appreciation for the continued support and encourage increased funding of regional projects and programmes.

Before I conclude, let me take this opportunity to make an appeal to our development partners on the issue of immediate withdrawal of assistance following graduation from the Least Developed Countries category. Our experience is that this act undermines the efforts achieved to reach the classification of middle income. As LLDCs and countries with special needs, the support of development partners remains critical even after graduation as our economies remain fragile. The immediate withdrawal of financial assistance and the effective marginalisation which occurs undermines implementation of the Almaty Programme of Action.

In conclusion, let me express our appreciation to the international donor community and international organisations for their continued support for our development effort in general.

I thank you for your attention.



## ***Burkina Faso***

### **Mr. Bumper Nazaire, Director General, Ministry of Industry, Trade and Crafts of Burkina Faso**

Excellencies, distinguished Ministers, Ladies and Gentlemen.

At the foremost, let me convey to you the sincere regret of the Minister of Industry, Trade and Handicrafts of Burkina Faso who because of time constraints could not be with you this day, on the occasion of the Fourth Meeting of Ministers of Trade held in Kazakhstan this beautiful country with rich culture and legendary hospitality. I would like to extend my sincere thanks and gratitude to the people and government of the Republic of Kazakhstan for having accepted to host this meeting and for the excellent arrangements made to ensure its success.

Our meeting takes place in a context marked by the persistence of the global financial and economic crisis and its disastrous effects on the economy of developing countries, particularly LLDCs. This crisis, which began in 2010, is making LLDCs to suffer the brunt of the impact of rising food prices and soaring oil prices and could further worsen the vulnerability of our economies. Therefore strong and effective measures need to be taken at national, regional and international levels. Even if the signals emitted by the major international exchanges and economic ministers from industrialized countries indicate a current trend of slow recovery of the global economy, however, we fear that the LLDCs, which are most vulnerable will continue to suffer for a long period from the impact of the current crisis. Obviously, the crisis has led, in particular, a decline in our export earnings, a reduction in official development assistance, a drop in foreign direct investment in the various countries and the rise of protectionism in developed countries.

According to the report on the situation and prospects of the global economy in 2012, several constraints undermine the provision of funds for development. The uneven recovery of growth in the world, the risk of deterioration of the sovereign debt crisis in Europe, and increased risk aversion by investors. At the same time, development assistance and other forms of official flows were being affected by greater fiscal austerity and sovereign debt problems in developed countries. Important questions also remain about the adequacy and composition of development assistance and support to the liquidity of financial markets. The aid granted in 2010 is below the amount promised in 2005 by the Group of Eight (G8) in Gleneagles. On the positive side, and donations from non-conditional loans increased, especially for aid to Least Developed Countries (LDCs).

Multiple challenges beset us on all sides and which may undermine the laudable efforts as we work to accelerate the implementation of the Almaty Programme of Action and the achievement of the Millennium Development Goals by 2015. We must strengthen further cooperation between our countries and adopt strategies to overcome the global economic crisis and ensure effective integration of our economies into the international trading system. In this respect, the choice of the central theme of this meeting “International Trade: Trade Facilitation and Aid for Trade” has a special significance.

Indeed, according to the International Monetary Fund in “Global Economic Prospects 2012” the recovery in world trade slowed, as the growth of trade in goods fell by 12.6 percent in 2010 to 6.6 per cent in 2011. In both years, the growth of world trade will continue to weaken and should be around 4.4 and 5.7 per cent in 2012 and 2013. The main reason for this decline is the slowdown in global economic growth, especially in developed countries. Although financial speculation has been placed on the agenda of several international forums in 2011, including the Group of 20 (G20), no decision has been taken so far at the international level to better regulate markets of raw materials.

I also remain convinced that through the high level discussion, the unique reflections and especially the relevance of the recommendations that will be made during this meeting, we will achieve satisfactory results. If the crisis has highlighted a duty of solidarity through support of stronger international community, it has nevertheless stressed the urgent need for LLDCs to further strengthen their economic cooperation in order to put all their weight in the global economy.

Slow progress in multilateral trade negotiations leaves the field open to bilateral trade agreements between unequal partners sometimes forces and allows the idea of negotiations through “variable geometry” to find support among member states of the WTO. These new developments endanger the cornerstone of the multilateral trading system since its inception in the late 1940s. In this perspective, we must work towards a rapid conclusion of the Doha with results that effectively meet our needs.

During the last decade, real economic growth in Burkina Faso was on average 5.2%. This growth was mainly driven by the primary and tertiary sectors on average, respectively 3.1 and 1.3 percentage points of GDP, and to a lesser extent, the secondary sector to the tune of 0.8 points. These performances have helped reduce the rate of poverty from 46.4% in 2003 to 43.9% in 2009. On the commercial side, the past decade has been marked by increased participation in international trade. The growth rate between 2000 and 2009 of the volume of trade (imports + exports) was approximately 196%, an increase of 177.1% for exports and 253% for imports. However, this increase is characterized by the predominance of a few primary products (mainly cotton and gold).

Constraints to international trade are mainly related to the isolation (located at least 1000 kilometers from the nearest port), including the constraints of physical infrastructure, human resources and geography. In particular, the lack of access to the sea and insulation compared to large urban centers, the lack of transport infrastructure, the cumbersome transit procedures are factors that impede trade and undermine the ability of countries to participate in trade more efficiently.

To cope with these issues at the national level, Burkina Faso has embarked on a program of building its infrastructure. A dry port is being built in Bobo Dioulasso and its main objective is to contribute to improve the cargo handling. Significant advances have been made in terms of trade facilitation. The implementation of the Single Window enables economic operators to perform in one place, all the formalities relating to the operations of imports or exports.

At the Customs Administration, a considerable effort is being made to facilitate the procedures of import and export through the automation of the Customs Administration in the implementation of computerized clearance system Automated System for Customs Data (ASYCUDA). This system allows: collection of customs duties and taxes on the goods; faster clearance of goods; and produces accurate information for management services.

In the same vein the customs administration has undertaken an extensive collection of single window clearance documents. This system, called SYLVIE System should help shorten the processing time required for customs clearance of goods, secure the various documents processed to have a trace of the various operations for better control and improve the attractiveness and sanitation business climate.

The establishment of a road maintenance fund also plays an important role to ensure better management of matters relating to the maintenance of road infrastructure.

Burkina Faso intends to step up cooperation with transit countries to solve the problem of isolation. In this sense, a treaty of friendship and cooperation was recently signed with the Cote d'Ivoire and led to strengthening of road infrastructure and transit. It provides for: Construction of the highway Yamoussoukro-Ouagadougou; The rehabilitation of the railway Abidjan-Ouagadougou via Niger; The construction of the railway Cotonou – Abidjan via Ouagadougou and Niamey; Creation of a Joint Management Committee for the Abidjan – Ouagadougou railway and combine their efforts to accelerate the construction of the one stop border post in accordance with the provisions and relevant programs of West African Economic and Monetary Union (WAEMU).

In the same vein, a tripartite meeting involving Mali, Burkina Faso and Côte d'Ivoire met and led to the development of priority actions for the period 2012-2014 and on actions targeting the development of trade between the three outlying towns (Sikasso, Korogo, Bobo-Dioulasso). Trade and transport featured prominently in the meeting. In the transportation component, planned actions include to: Develop communication infrastructure and service and ensure smooth flow of traffic; Ensure the facilitation of road transport and transit through the simplification and standardization

of procedures for crossing the border; and Build and maintain storage areas for raw products including perishables and arrange parking for service vehicles markets. On the commercial side, the tripartite meeting provides for the setting up of processing units of raw materials in one of the three targeted cities with the consent of all stakeholders in the field of agro-industry for products such as cotton, fruits and vegetables, oilseeds, the livestock-meat.

In addition, within the framework of the Strategic Plan of Transportation, there is provision for construction of road, rail and air. In this sense, the construction in 2020 of a new airport will undoubtedly contribute to greater use of the airways as a means of transportation of export goods. The construction of a new dry port in the city of Ouagadougou is also in the plan and should further strengthen infrastructure. The effective implementation of the WAEMU's project on one stop border posts should help boost trade by allowing not only to make the crossing formalities quick but also will minimize transportation costs.

I cannot conclude without thanking the Government of the Republic of Kazakhstan, the UN OHRLLS and all the generous donors for their invaluable support which has contributed to the success of this important event. My thanks also go to our Permanent Representatives in New York and Geneva, UNCTAD, WTO and all of our capitals experts who have spared no effort for effective preparation of our meeting.

Thank you for your kind attention.

## ***Burundi***

### **Ambassador Patricia Rwimo, Permanent Secretary to the Ministry of Commerce, Industry, Posts and Tourism of Burundi**

Excellencies, Honourable Ministers, Ladies and Gentlemen and All protocol observed.

I would like first to convey to you greetings from H.E. Mrs Victoire Ndikumana, Minister of Commerce, Industry, Posts and Tourism in Burundi. She thanks you very much for the invitation and wants to apologize for not having personally participated in this meeting.

For my part and on behalf of the delegation of Burundi, we are particularly honored to participate in this Ministerial meeting. Our gratitude goes mainly to the Government and people of this beautiful country Kazakhstan and all those who contributed to the organization of this session and for the hospitality and warm welcome.

For us this is an important opportunity to share ideas and experiences, to learn, and to contribute to finding solutions to the challenges faced by LLDCs who do not have a coast. As you can see, this meeting is of special importance to us. In Burundi we have realized that the future of a country or a region depends in particular on its ability to create or renew partnerships between people, institutions and key organizations through regional dynamics and concrete cross-border actions. Burundi also considers that trade is an important instrument for growth and poverty reduction.

On the regional level, Burundi, being a small market, has resolved to adhere to several trade agreements allowing it to accede to large markets such as COMESA and East African Community (EAC). We actively participate in bilateral and regional negotiations (Customs Union, Economic Partnership Agreement between EAC and the European Union (EU)), the establishment of the tripartite free trade area between COMESA, EAC, and SADC, that enable us to undertake large projects at regional scale.

Internationally, Burundi is a member of the WTO and benefited from its support in different areas of trade facilitation in the framework of the Doha Round. We also are part of the negotiation groups of Africa, Caribbean, Pacific (ACP) countries and the least developed countries.

For that, the Government of Burundi has undertaken various reforms to improve the business climate and attract domestic and foreign investors by harmonizing and modernizing the legal and regulatory framework. We have also established an institutional framework to promote dialogue and cooperation between the public and private sectors. We are also working on improving export diversification and value addition to our products. Challenges remain for us LLDCs who are handicapped by the isolation of our countries from ports, experience hurdles in transit transportation, and the persistence of non tariff barriers. We fully endorse the Almaty Ministerial Declaration to be adopted by this meeting. We wish full success to the work that we are involved in and we are all about to see a promising future for the LLDCs.

Thank you for your kind attention.

## *Ethiopia*

### **Mr. Geremew Haile, Director, Trade relations and negotiations, of the Ministry of Trade of the Federal Democratic Republic of Ethiopia**

Mr. Chairman, Excellencies, and distinguished delegates.

Allow me at the outset to convey to all delegates here the warm greetings of my minister; Minister Kebede Chane, Minister of Trade of the Federal Democratic Republic of Ethiopia, who wished to be here but unable to do so due to unforeseen circumstances that happened in the country due to the unexpected loss of the beloved Prime Minister, the beloved son of Ethiopia and that of Africa.

I would like also to thank the Government of Kazakhstan for so generously hosting this 4<sup>th</sup> Ministerial Conference, for the wonderful arrangements made, and for the warm hospitality extended to us since our arrival in this beautiful city of Almaty.

A special feature of the Almaty Programme of Action is its focus on action-oriented specific measures to be undertaken by both landlocked and transit developing countries with the support of their development partners. These specific actions will be implemented in five priority areas, namely Fundamental Transit Policy Issues, Infrastructure Development and Maintenance, International Trade and Trade Facilitation, International Support Measures, and Implementation and Review. Thus, the Almaty Programme of Action provided a win-win opportunity for landlocked and transit developing countries in establishing efficient transit systems.

At this juncture let me share with you the experiences and some the efforts made by the Government of the Federal Democratic Republic of Ethiopia to implement the objectives of the Almaty Program of Action. The Government of Ethiopia with the agreement of the Government of Djibouti, the coastal neighbouring state based on the bilateral Agreement on the Utilization of the Port of Djibouti, Maritime and Related Services; introduced a new structural adjustment strategy to the entire logistics chain in import-export activities and Ethiopia's international cargo movement through the coast. The strategy is aimed primarily at eliminating institutional, procedural and logistic bottlenecks contributing to high transport costs affecting the import and export of Ethiopian cargo.

Under this bilateral agreement signed between Ethiopia and Djibouti, Ethiopia's national ocean carrier, the Ethiopian Shipping and Logistics Services Enterprise is designated as the Multimodal Transport Operator for Ethiopia's import cargo. The Enterprise can also be protected under a cargo reservation policy scheme in accordance with international accepted freight share rules and practices.

The Government of Ethiopia also introduced, a more transparent and simplified procedures in transshipment of load centers, multimodal transport facilities, a dry port scheme and logistic services to encourage and improve goods handling capacities and to provide economies of scale with handling and transit costs, infrastructure capital costs, and running expenses.

Ethiopia is one of the eight LLDCs in the process of accession to the WTO. At this juncture we would like to thank all member countries of the WTO who are supporting our accession process especially members of our LLDC group. We would like to recognize and thank the priority concern given by this conference on the issue of challenges faced by the countries in the process of accession especially of the challenges related to Landlockedness.

We also would like to recognize the recently approved recommendation to further strengthen, streamline and operationalise the 2002 LDC accession Guideline.

However, the challenges of accession specially demands from WTO plus commitments by member states above and beyond the individual level of development faced especially by Landlocked countries like Ethiopia is a real challenge that practically would affect their development endeavors to get out of poverty and meet the Millennium Development Program.

In conclusion, I am confident that this Ministerial Meeting will send a clear political message beyond mere declaration to all members of the WTO for the effective implementation of the recommendation to further strengthen, streamline and operationalise the 2002 LDC accession Guideline.

I thank you very much for your attention

## *Nepal*

### **Honorable Deependra Bahadur Kshetry, Vice Chairman of National Planning Commission**

Honorable Ministers, Excellencies, Distinguished Delegates, Ladies and Gentlemen.

At the outset, I would like to join the previous speakers in expressing my sincere appreciation to the Government of Kazakhstan for organizing this important meeting in co-operation with UN-OHRLLS in this historical beautiful city of Almaty. I would like to congratulate you, Mr. Chairman, on your assumption of chairmanship of the meeting would like to assure you of full co-operation from my delegation. I also thank the High Representative Mr. Acharya, who happens to be my compatriot, and his team for their constant efforts to bring forward the agenda of LLDCs.

We, as a group of world's 31 LLDCs would like to urge the international community to create a level playing field in the international trading system. Efforts of these countries towards economic and social development are predicated, among others, upon their robust policies and strategies to overcome constraints on increasing their international trade. The trade of these countries accounts for just 1% of total world trade which demonstrates their continued marginalization in the mainstream of world trade regime.

The geographically disadvantageous position of LLDCs, in terms of remoteness and lack of territorial access to sea, limited transit transport infrastructure both in the LLDCs and the transit countries, weak export bases and cumbersome transit procedures renders our exports high cost and adds additional burden on our competitiveness. Furthermore, socio-economic developments of LLDCs have faced constraints and challenges in view of several bottlenecks in transport, transit and connectivity within and outside.

Ten years down the road, since the adoption of the Program of Action has helped us gain experiences and lessons from its implementation. However, new challenges have emerged from fast changing global economic scenario, including economic downturn and financial crisis, food and energy crises and crisis of climate change. We are much concerned about these new phenomena that would further exacerbate difficulties of LLDCs. The vulnerability of the LLDCs get even more complicated by both internal structural constraints and external shocks.

This situation calls for the global partnership, cooperation and collaboration to overcome the challenges that we are facing today. Special needs of LLDCs, therefore, are required to be addressed more vigorously, particularly through a new platform for effective international partnership in the comprehensive review of the Almaty Program of Action in 2014. This may require deeper consultations at national, regional and international levels to identify the country specific problems and challenges in the new global context besides the review of the progress of the implementation of APoA.

As a landlocked country with mainly mountainous terrain, roads and aviation are only major modes of transportation in Nepal. Negligible railways, poor and inadequate road infrastructure, high transportation costs are our major setbacks. Our nearest port, is over a thousand kilometers away from the border. Moreover, Nepalese exporters find difficulties to compete in global markets due to weak standardization and conformity, lack of an accreditation system and sufficient testing facilities.

All such constraints impose high transaction costs and delays on Nepalese exporters to compete in international markets. Major export items have undergone sharp declines, while imports have been rising sharply, increasing trade deficit and posing difficulties to the socio-economic development process.

While implementing the Almaty Program of Action, especially after Nepal's accession to WTO, Nepal has initiated a number of trade facilitation measures, including establishment of dry ports for international trade; harmonization of working days and hours in border customs offices; reduction of the number of documents for import and export; simplification of trade and customs procedures; initiatives for rationalizing fees and charges; application of ASYCUDA, and Post Clearance Audit. Additionally, the Single Window System and Electronic Data Interchange are in the process

of being introduced to further modernize the Customs administration.

The new Trade Policy (2009) and Nepal's Trade Integration Strategy 2010 recognize the effective role of trade in transforming the traditional agrarian economy into modern economy. The strategy underlines to strengthen national capacity to benefit from trade related technical assistance and aid for trade, and promote currently 19 priority export potential product development activities.

Nepal appreciates initiatives taken by the United Nations and development partners to deal with the constraints faced by LLDCs. I believe that the international community and development partners should further extend their support and cooperation to address the special needs and concerns of LLDCs and provide increased, targeted, predictable and sustainable financial and technical support along with the fulfillment of all the past commitments relating to Official Development Assistance. In the case of Nepal, we feel urgent need of foreign direct investment in the most potential areas like development of infrastructure and hydropower.

The Almaty program of Action is an effective tool to cope with the challenges of the LLDCs through the establishment of the global framework of action for developing efficient transit transport system along the transit corridors for removing physical and non-physical barriers in their trade. We emphasize the full implementation of the Almaty Program of Action and assessment of the post-Almaty specific needs of LLDCs.

Last but not least, we urge the international community to develop a concrete program of action with adequate resources for implementing the Almaty Program of Action and reiterate our commitment to undertaking actions at national level in this regard. We also believe that all the meetings scheduled for deliberations from now on would come up with concrete recommendations for a post-Almaty discourse on transit transport cooperation recognizing the real needs of LLDCs.

Thank you.



## ***Lesotho***

### **H.E. Mr. Sekhulumi Ntsoale, Deputy Minister, Ministry of Trade and Industry Cooperatives and Marketing**

Chairperson and distinguished delegates.

It is a great privilege and an honour for me to participate in this very important meeting dedicated to the third priority of the Almaty Programme of Action. Allow me to extend, my sincere appreciation to the UN Office of the High Representative for the Least Developed Countries, the Landlocked Developing Countries and Small Island Developing Countries (UN-OHRLS) for its continuous efforts in addressing the special needs of LLDCs as laid out in the Almaty Programme of Action, and in organising a series of thematic meetings to review its implementation. Special thanks also go to the Government of Kazakhstan for the warm welcome, hospitality and excellent facilities provided for this conference.

Trade is an important engine for economic growth, however, due to geographic location of LLDCs, their participation in international trade is not significant and they are highly disenfranchised in reaping fruit from multilateral and regional trade arrangements which should in turn contribute meaningfully in their domestic economies. Lack of territorial access to the sea, remoteness and isolation from the world markets which inflate the transportation costs and lower their effective participation in international trade is one of the major bottlenecks to the economic development of LLDCs. The meeting convened here is indeed timely and important for us to assess the progress achieved thus far as well as to forge the way forward.

In the past decade, FDI has been one of the key drivers of growth for Lesotho. Between 2000 and 2004, Lesotho received large investments in the textile and clothing sector. These investments were driven mostly by preferential market access opportunities through the US African Growth and Opportunity Act (AGOA). It is important to note that among other issues, ease of doing business and access to markets is paramount to attracting FDI, hence the importance of Trade Facilitation.

We did indicate previously that One-Stop Business Facilitation was a reality in Lesotho. The One-Stop Business Facilitation was established in 2006 to ease the administration of establishing businesses and obtaining manufacturing and traders' licenses as well as work permits for foreigners. The following Departments and Agencies are represented in the One-Stop Business Facilitation: The Department of Trade and Industry; The Lesotho Revenue Authority; The Department of Customs and Excise; The Department of Home Affairs; The Registrar General and The Department of Employment and Labor.

With the establishment of this office, a number of administrative adjustments have been achieved and recently, the One-Stop Business Facilitation Centre is implementing the new Companies Act of 2011 which came into effect on 1 October 2011. This Act provides for significant changes to the forms and processes for the registration of private and public shareholding companies in Lesotho. One of the key purposes of the new Companies Act is to significantly reduce the time taken to the register companies in Lesotho.

It is worth noting that apart from being land locked, Lesotho is in a peculiar situation of being wholly surrounded by its only neighbor, South Africa. There is a relationship between the Lesotho Revenue Authority and South African Revenue Services. This relationship is informed by amongst others the following: The two authorities cooperate on the number of fields bilaterally, these include the signing of a Double Tax Agreement, a Memorandum of Cooperation on Capacity Building and Technical Cooperation, and the Agreement on the Administration of Value Added Tax.

Sub-regionally, the Lesotho Revenue Authority and South African Revenue Services actively participate in the customs activities of the SACU. The Customs Technical Liaison Committee oversees the Customs direction within SACU. In 2004 SACU countries agreed on five key customs initiatives with every country being responsible for one initiative and Lesotho is in charge of ensuring that One-Stop Border Posts are established within SACU. In the case of Lesotho specifically it will obviously have One-Stop Border Post with South Africa only given her peculiar situation while others

will have such borders with more than one country. The Customs Technical Liaison Committee is in the process of developing a new Customs strategy.

At a regional level both countries are members of the SADC. The Sub-Committee on Customs Cooperation and the Sub-Committee on Tax Cooperation, along with the Amended SADC Trade Protocol and its provisions on Customs cooperation provide a framework for both Customs and Tax activities.

There are however challenges on the ground. The current reality within Southern Africa is that cross-border transport costs range between 30 and 40% of the price of goods in some cases. This compares poorly with the developed world average of around 4%. These costs are as a result of a range of factors including delays at border posts, duplication of controls and coordination failure between national administrations.

The main constraints, from a Customs point of view, to a smoother movement of trade at border crossings between South Africa and Lesotho are: Lack of harmonised processes and procedures; Lack of a common platform for the exchange of risk information; Lack of common trader management schemes between the two countries; Multiple inspections for imports and exports; Limited cooperation and exchange of information; and Lack of a common IT platform to enable faster processing of transactions and connectivity between the two administrations.

In spite of the market access opportunity provided through AGOA, Lesotho has been unable to diversify her product range exported to the US and in addition has not been able to diversify away from the US market. There are two Trade Capacity-Building projects in the Ministry of Trade and Industry to address the problem of diversification so that Lesotho can be integrated into the international trading system, The Private Sector Competitiveness project and the Enhanced Integrated Framework (EIF).

The Lesotho Enterprise Assistance Program is a matching grant facility launched by the Government of Lesotho in collaboration with the World Bank to help Basotho Private Enterprises improve their competitiveness in domestic and export markets. The scheme is housed within the overall Private Sector Competitiveness Project, under the aegis of Ministry of Trade and Industry Cooperatives and Marketing and was designed to help qualifying enterprises purchase consultants and other services to help them diversify and expand their product lines and their domestic and export markets. Grant assistance of 80% of costs of an approved 'action plan' is available to private companies, and 75% to Business Associations and Chambers of Commerce.

The approved activities for Lesotho Enterprise Assistance Program assistance (disbursement + commitments) to date accounts for 93% of the Program's grant budget while the total disbursement is 80% of the Program's grant budget. In total, approved applications are from companies that have employed 21 857 people while approved associations have total membership of 1 100 businesses. There has been an increase in the number of quality applications coming from Small Micro and Medium Enterprises majority of which have been approved and translated into implementable action plans.

With regard to the EIF the National Implementation Unit was set up and fully fledged. The National Implementation Unit is in the process of submitting a Tier two project. The project's goal is to contribute to the enhancement of Lesotho's sustainable economic growth, employment, food security, nutrition and poverty alleviation through building and strengthening capacity of smallholder producers to commercialise, diversify and promote production of fresh fruits and vegetables for domestic and exports markets.

As much as there are efforts made nationally and regionally, more needs to be done in order for the LLDCs to be integrated into the global trading system and benefit from the opportunities brought about by rapid globalisation. We the LLDCs need to work together in a coherent manner and focus our concerted effort on the rule making process of the WTO at the multilateral level. We need to intensify our efforts in harnessing the support of other groups within the WTO for the outcome of ongoing negotiations, though they have stalled, to be on our favour. It is my delegation's belief that this important meeting will outline the future actions in addressing our common concerns.

I thank you.

## ***Lao People's Democratic Republic***

### **H.E. Nam Viyaketh, Minister of Industry and Commerce, Lao PDR**

Honorable Ministers, Distinguished Ladies and Gentlemen.

I would like to take this opportunity to briefly discuss how we are coping with the key challenges associated with high logistics and trade facilitation costs, partly due to a landlocked supply chain, and how we are leveraging Aid for Trade to improve our competitiveness by improving trade facilitation and enhancing regional and international economic integration.

Lao PDR's economy has been growing rapidly in the past decade, largely driven by high investment in natural resource sectors, namely hydro-electric power and minerals, and closer regional economic integration. Real GDP grew at average of 7.1 percent during 2001-2010 and is expected to increase to 7.5 -8 percent during 2011-2015. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from LDC status by 2020.

In the five years since 2006, Lao PDR's trade with the rest of the world has grown substantially. The value of both exports and imports has more than doubled. Lao PDR is an active member of Association of Southeast Asian Nations (ASEAN), and in the final stages of accession to the World Trade Organization.

Lao PDR continues to integrate more closely into the rapidly growing regional economy through implementation of commitments within the ASEAN, the maintenance of relatively low tariffs, and through improved physical infrastructure and connectivity with neighbors. This has resulted in strong growth in cross-border flows of goods, services and investment.

International economic integration is a key focus of the National Social Economic Development Plan 7, which contains a strong focus on accession to the WTO. We hope and expect that all requirements for this important process will be complete by the end of 2012.

Over the years, and with particular acceleration since 2006, we have passed necessary laws and regulations and ensured that they are now all in line with WTO requirements. With the support of partners and projects identified in the Diagnostic Trade Integration Study 2006 we are now well advanced in the reform of our licensing regime, customs valuation, Sanitary and Phytosanitary measures and Technical Barriers to Trade and Intellectual Property requirements. We have also reformed numerous other areas, including: trading rights; import regulations; foreign exchange and payments; pricing policy; the investment regime; industrial policy; internal taxes; fees and charges and compliance with WTO export restrictions.

It will be a challenge, however, to implement many of these regulations effectively, and to ensure that the benefits of the reforms are maximized.

In Lao PDR we have made the decision to view ourselves as a "land-linked" country, rather than a "land-locked" country. Therefore, trade facilitation is of paramount importance. We recognise that we need to reduce the costs of trading in order to ensure the competitiveness of our exporters as well as the overall economy. Efforts are being made to introduce automated information systems for customs clearance, along with more modern risk management techniques at the border to reduce clearance times and improve the efficiency of revenue collection. However, non-customs agencies have lagged behind and the cost of a landlocked supply chain taxes competitiveness. Encouraging steps have been taken to improve inter-agency border coordination through the establishment of a National Trade Facilitation Secretariat in 2010, and the approval by Cabinet of a National Trade Facilitation Strategy and Action Plan in 2011. Efforts are being made to publish information on trade-related processes and procedures as a part of related efforts to harmonize and simplify border requirements.

However, while much of the higher level legal framework now meets WTO norms in terms of transparency and non-discrimination, lower level technical implementation lags behind, resulting in fewer than anticipated actual benefits to the private sector.

Since 2006 we have worked hard at increasing the ownership and effectiveness of our trade programme. Developments to date have given us the confidence to take charge of the diagnostic and programatic planning requirements within the EIF, and to proceed with a nationally led Diagnostic Trade Integration Study. Our approach has been gradual, with a focus on the involvement of all key partners, including Government, the private sector and development partners, to build a common country ownership.

Development partners have also worked closely with us in increasing harmonization and simplification in various projects, allowing more time to be spent on implementation. In particular, the implementation of the last Diagnostic Trade Integration Study has been greatly facilitated by the establishment of a Multi-Donor Trust Fund– the Trade Development Facility –which completely harmonizes various donor interventions from the perspective of the Government. The investment of these projects in the capacity of the National Implementation Unit and overall Governance structure has also meant that other projects such as the UN Trade Cluster project can be more easily coordinated through the National Implementation Unit, aligned to the Government Financial Year, and based on government procedures for nationally implemented activities.

Lastly, we have also harmonized the steering committees for the Trade Development Facility, the EIF and the UN Trade Cluster project into a combined programme steering committee– what we call the Program Executive Committee. This means that the various projects can be aligned more closely to government priorities, and work in conjunction with each other as the engines of our trade programme. Over time we expect that this Committee will include more development partners within the context of our new Trade and Private Sector Working Group.

I hope some of the experiences mentioned are relevant to other countries and useful to our efforts to remove physical and non-physical barriers to trade.

Thank you for your kind attention.

## ***Malawi***

### **Mr. Derby James Grant Makwelero, Director of Trade in the Ministry of Trade**

Excellencies, Distinguished Ladies and Gentlemen.

Let me first greet you all on behalf of the people of Malawi, the Warm Heart of Africa, and indeed on my own behalf. I wish to inform you that Malawi values highly the efforts made by the Government of the Republic of Kazakhstan in hosting this meeting of LLDCs, which demonstrates its commitment to the economic development of these countries through trade as the engine of growth.

The theme of this meeting “Unlocking the Trade Potential of LLDCs” is appropriate because it sends a message to the world that our countries have the trade potential that needs to be tapped. Despite the LLDCs’ vulnerability to external shocks, evidence shows that financial support provided to some LLDCs such as Malawi by developing partners, and initiatives such as Aid-For-Trade, for example, has resulted in increasing exports in these countries. On this point, let me thank the development partners who have provided such assistance.

Let me now introduce my country, Malawi, since the expectation of this meeting from my statement is to share experiences of my country as an LLDC. Malawi is a landlocked country with a population of approximately 15million, with a total area of 118, 484 square kilometers of which 84, 000 square Kilometers is land mass and the rest is water. With its small size, Malawi is worst hit by effects of global economic and financial crisis just like any other LLDC. Malawi was however been able to increase its exports from about 0.5 billion United States dollars in 2001 to about US\$ 1.1 billion in 2010.

On its own, this seems to be a great achievement, indeed. But when imports are factored into the equation, the result is negative trade balance. From US\$ 0.7 billion in 2001, imports increased to US\$ 2.2 billion in 2010. Malawi has hence not been able to balance its trade in the period of ten years referred. In fact, the gap worsened over this period.

Malawi’s exports face challenges mainly in the form of supply-side constraints at both production and transport stages. Water and power supply challenges as well as heavy reliance on one mode of transportation which is road transport, has impacted negatively on Malawi’s exports in a serious way. While challenges due to water and power supplies have affected the production capacity of exports, road transport has increased prices of goods due to exorbitant transport costs, worsening the competitiveness of Malawi’s exports on the international markets.

Let me now come to trade facilitation experiences for my country. Malawi’s reliance on road transport for its exports has forced the Government of Malawi to make improvements on roads by rehabilitating existing roads as well as upgrading some seasonal roads to all weather roads. These works have resulted in the reduction of cost of transport of export goods from the original 60% down to 45%. However, cost of transport for exports in Malawi remains high compared to its neighbouring countries because of trade facilitation challenges. In this regard, Malawi has a trade facilitation program to address issues of border management which result in increased transit costs of exports. Under this program, Malawi acquired ICT program known as ASYCUDA together with neighbouring countries. Malawi has also established one border post with Zambia. Malawi also established a legal framework to reduce the number of documents required to clear goods at its borders from fourteen (14) to five (5). I would like to acknowledge that most of these results have been achieved with the assistance of Malawi’s Development Partners to whom Malawi owes a lot. Malawi is yet to introduce e-tracking of cargo and single windows and automated scanning facilities.

Coming to participation at international trade talks, Malawi is convinced, just like other LLDCs that its participation in the international trade talks for market access is not only essential but also a must. Despite the slow rate of increase, Malawi’s exports require both a wide and varied export market both traditional and non-traditional products. My country therefore participates in multilateral trade talks in various groupings to secure market access for its agriculture and non-agriculture goods. As a LDC, Malawi qualifies for special and differential treatment which needs to be sustained by influencing adoption of trade disciplines and decisions which address special needs and concerns of LLDCs. Hence,

Malawi supports the proposal for LLDCs to find a way of pushing for conclusion of Trade Facilitation negotiations as part of the Doha Round.

On the Global Economy challenges, as stated before, Malawi continues to experience the effects which have slowed down its progress in achieving the Millennium Development Goals. Malawi's exports still lag behind imports while foreign reserves are always inadequate, FDI also continues to decline, leading to increasing unemployment and poverty. Malawi is nonetheless making efforts to reduce poverty levels by putting in place a number of initiatives in an effort to address this situation. At the moment, the focus is on value-addition and diversification of exports. Malawi would like to move from relying only on export of primary and unprocessed agriculture commodities to processed products which will fetch higher prices on the international market. The country is also shifting from focusing only on traditional agriculture products such as tobacco and tea to others such as legumes and pulses. Apart from agriculture sector, Malawi is also venturing into other sectors such as mining where FDI is in great need. The country believes that the development of these initiatives would address the vulnerability of commodity price volatility and other related external shocks.

My country faces insufficient water and power supplies, poor road infrastructure and intermittent communication provisions which have a serious impact on the overall export performance. This is the whole reason why Malawi supports the review of international support measures in the form of ODA and other sources of support such as South-South cooperation to increase the LLDCs' ability to tap on the trade potential as a development tool. The review should enhance the role of private sector to mitigate the supply-side challenges in order for the LLDCs to integrate into the global trading system.

Finally, let me assure you that Malawi values highly these discussions and expects the meeting to come out with outcomes which include (a) A common position for LLDCs as in the previous three meetings, (b) New Measures and Actions, (c) A Work-plan and Roadmap of Deliverables as well as (d) Monitoring and Evaluation report which can be a basis for discussion at the next meeting. I thank you all for your attention.

## ***Moldova***

### **H.E. Mr. Sergiu Ciobanu, Deputy Minister of Economy of the Republic of Moldova**

Ministers, Excellencies, Distinguished delegates, Ladies and Gentlemen.

It is an honour and a pleasure for me to attend this important Meeting of Trade Ministers of LLDCs. Let me take this opportunity to express my sincere gratitude to the government of Kazakhstan for hosting this event here in Almaty. Also, I would like to mention that next year we will mark the 10th anniversary of the Almaty Declaration and Programme of Actions. This will be an important and significant event for us taking into account the difficult times that our economies are experiencing now.

Statistics show that world trade continued to recover in 2011, albeit at a much slower pace than in 2010. After a strong rebound of more than 14 per cent in 2010, the volume of world exports in goods decelerated visibly, to 7 per cent, in 2011. The level of total world exports had fully recovered to its pre-crisis peak by the end of 2010, but it is estimated to be still below the long-term trend level by the end of 2011. In the outlook, the volume growth of world trade is expected to be moderate to about 5.0 per cent in 2012-2013. The dichotomy between a robust growth in trade in emerging economies and a weak one in developed economies will continue.

Developing countries and economies in transition are expected to continue to stoke the engine of the world economy, growing on average by 5.6 per cent in 2012 and 5.9 per cent in 2013 in the baseline outlook. Even as economic ties among developing countries strengthen, they remain vulnerable to economic conditions in the developed economies. From the second quarter of 2011, economic growth in most developing countries and economies in transition started to slow down notably to a pace of 5.9 % per year. In these unfavorable conditions, unlocking the trade potential of LLDCs, with the current share of global trade of 1%, may be an important mechanism for their integration in the world economy and creation of economic growth.

With this in mind, let me share with you some information on the experiences and successes of the Republic of Moldova regarding the efforts made by the Government in order to promote and protect our national economic and commercial interests. The Republic of Moldova is a member of WTO since 2001. During and after the WTO accession process, there were taken a number of measures in the field of trade facilitation: the legislative and normative acts of the Republic of Moldova have been modified and supplemented in accordance with the WTO agreements in the areas such as intellectual property, services, standardization and certification, sanitary and phytosanitary measures, trade related investment measures, customs valuation of goods, rules of origin of goods, import licensing, anti-dumping measures, countervailing and safeguard measures. The conditions for sale, supply, purchase, transportation, distribution and use of imported products, are not less favorable as for similar domestic products. Also, imported products cannot be subject, directly or indirectly, to internal taxes or other internal taxes higher than those applied, directly or indirectly, to local products.

In the same context it is necessary to mention that the Republic of Moldova joined the new Free Trade Agreement of the CIS signed on October 18, 2011 and the Central European Free Trade Agreement of 2006. In order to facilitate intraregional trade and economic cooperation, these agreements provide the cancellation of the import and export customs duties, quantitative restrictions and other charges having equivalent effect on trade of most industrial and agro products, eliminate barriers and distortions of trade and facilitate the transit movement of goods in cross-border movement of goods and services.

Currently, Moldova benefits from a privileged trade with the European Union (Generalized System of Preferences +). Also, Moldova is currently in the process of negotiating a Deep and Comprehensive Free Trade Agreement (DCFTA) with EU. On January 18, 2012, in Chisinau took place round "0" of technical consultations to start negotiations on the establishment of a DCFTA between Moldova and the EU. On 20-22 March 2012, the EU and Moldova conducted the 1st Round of negotiations on the DCFTA in Chisinau. The 2nd round of negotiations, 11-15 June, was focused mainly on the legal texts on each area of the DCFTA. As a matter of fact, this week, between 11 and 15 of September the 3rd round is being conducted in Chisinau.



Moldova has made a series of activities aimed at introduction of international norms and standards in customs matters. Since 2009, the International Convention on the harmonization of frontier controls of goods (Geneva, October 21, 1982) and the Convention on Temporary Admission (Istanbul, June 26, 1990) entered into force for the Republic of Moldova. Since 2008, the “single window” (one-stop shop) was implemented at the auto crossing points of the state border, and in 2009 the new information system “BORDER” was implemented at the customs border posts, designed to exchange information on-line between those participating in the “single window”.

The duration of clearance is monitored monthly in accordance with the methodology developed under the WTO standards. In November 2009 the new version of ASYCUDA World Customs Integrated Information System was launched. This system automatically processes all customs documents, allowing implementation of new simplified customs procedures, automation of information exchange control services on a one-stop shop, selectivity principle to streamline customs control through automated risk analysis.

In 2010 the Integrated Customs Tariff of the Republic of Moldova was developed and implemented. It provides the opportunity for businesses, customs brokers and customs officers, to be accurately informed on all instruments and non-tariff on imports and exports goods. In 2010, the trusted trader status (Authorized Economic Operator) was introduced. It provides businesses with a high degree of credibility that meets predetermined requirements, benefiting from customs facilities by reducing the number and duration of documentary and physical checks.

From May 2011, the “ASYCUDA World / TIR system” was implemented. It ensures the exchange of information between the IRU and the relevant customs procedures TIR. New system ensures efficiency in risk management, sending or receiving automated data, speeding up customs operations related to carriers holding TIR Carnets and increasing security for the whole system of transit of goods across the country. Also recently the procedure for adjusting the Commodity Nomenclature of Moldova and the Customs Tariff of the EU Combined Nomenclature launched. Thus, for the Republic of Moldova Combined Nomenclature will take effect starting January 1, 2013.

Finally, Moldova is currently developing a new modernized Customs Code according to EU, which will be connected to the EU Customs Code and international principles of the Kyoto Convention on Simplification and Harmonization of Customs Procedures. Still, there are many actions to be taken in order to assure greater fluidity and efficiency of external trade of the Republic of Moldova.

At the moment as a result of variety of policies implemented by the Government exports of goods in the first quarter of 2012 amounted to 1,04 billion USD (1041,8 million USD), and increased by 4,6% compared to the same period of 2011. Despite the economic conditions EU remains the most important trade partner of the Republic of Moldova. Hereby, Moldovan exports to the EU hold a share of 48,8% in total exports (49,6% in January-June 2011), increased by 2,9% and amounted to 508,0 million USD, while EU exports to the Republic of Moldova increased by less 1% amounting to 1 billion USD, with a share of 43,3% in total imports (44,5% in January-June 2011).

It is worth mentioning that, the Republic of Moldova promotes consistent policy, oriented to new solvent and predictable markets. Hereby, the process of elaboration of legal basis is ongoing and all the adopted legislative acts are harmonized with international legal framework and, in particular, with the EU. This process will continue, given the fact that harmonization is one of the basic conditions for Moldova in order to successfully expand its trade relations and integrate in the European and international economic circuit.

In the context of the above mentioned, I want to express the commitment of the Republic of Moldova to make every effort to facilitate international trade through cooperation and negotiation.



## *Paraguay*

### **Ambassador Manuel Maria Caceres, Vice-Minister of Economic Relations and Integration and Head of the Paraguayan Delegation**

Distinguished Ministers of Trade, Ministries of Foreign Affairs, High Representative, Ambassadors and Heads of Delegations, Ladies and Gentlemen.

In this intervention, let me refer to subjects of particular interest to Paraguay. I would like to briefly focus on development matters, trade negotiations, investment, science and technology, transport and communication. Sustainable and inclusive development of our people has been incorporated as an essential premise into institutional plans of successive governments of my country. Poverty reduction, the guarantee of fundamental rights such as access to education, food, promotion of quality of life and the social, political and economic participation, of the Government based on its internal and external policies.

We consider that trade is a significant tool to fulfill these objectives. The economic view of my government is to promote a structural transformation of the economy, to diversify production, opening and guaranteeing access to external and internal markets and fully connect to the outside world in order to allow the free flow of our production. In this sense, we give great importance to trade negotiations, either within a regional or multilateral framework. We support that the establishment of clear rules will encourage the development and trade and will bring us to better integration into the global economy.

As a great producer and exporter of agricultural products, we give special attention to agricultural negotiations. We think that if we can negotiate better market access and remove trade distorting measures, such as subsidies and concealed protectionism, we will be able to offer our rural population, representing around 45% of our inhabitants, better opportunities to improve their quality of life.

Other fundamental principles that we uphold in this area are the adherence to international standards, the performance of scientific tests for laying down rules, and we are very concerned about the proliferation of private standards. We consider these three elements mainly so as to give predictability to international trade.

Trade facilitation is another area of great importance in negotiations to reduce costs and guarantee predictability for our merchandise arrival to the corresponding destination. Likewise, an opportunity to create a legal framework that allows the free circulation of our goods is essential. In this sense, we devote many resources to the possibility of guaranteeing regional systems that allow free circulation and commercialization of energy, a highly competitive sector in my country. Therefore, in multilateral negotiations on trade facilitation, we support Freedom of Transit proposals for fixed infrastructure aimed at commercialization of energy goods.

In view of diversification, we are interested in taking opportunities offered by rendering of services, whose commercialization does not influence our geographical location. To that end, we understand that professional training of our population will let us offer quality and competitive services. This sector, however, is weakly regulated in my country. Therefore, we should work to establish clear rules that may benefit development and will guarantee quality services to consumers.

We express our need of support from the international community in order to conclude agreements, gain market access as well as to mobilize resources for project developments. We are convinced that trade plays a significant source of financing, as does FDI and cooperation with reimbursable and/or non-reimbursable financing.

We appreciate that our group has a special recognition in the Aid for Trade initiative, as we need it, to reduce the effects of the landlocked condition in our competitiveness and take full advantage of the benefits of international trade. I reiterate our welcome to the fourth global review and its emphasis on value chains. This shall allow a better analysis of interrelationships among foreign investment, the private sector role and knowledge transfer.

Likewise, UNCTAD work related to investment mapping and cooperation in the preparation of investment guides highly contribute to our efforts of being attractive to investors. We see with great interest the work performed by UNCTAD referring to science and technology. This work may contribute to our objective of promoting innovation in national companies and establishing a national science center. The technological innovation is a sector that may generate more employment and greater economic growth in our country.

In addition to clear international rules and productive restructuring, I have to refer to connectivity related to transport and infrastructure. Our products should have guaranteed circulation, with an integral transport system that is sustainable through time, avoiding traffic congestions through the negotiation of regional solutions. In Latin America, we have an ambitious project for infrastructure integration. However, its execution presents disjointed advances due to difficulties in mobilizing resources and due to the lack of political will of certain stakeholders.

We should also mention the particular needs of LLDCs referring to connectivity in communication networks, such as access to the international fiber optic network. This is a challenge that also requires a great resource mobilization and international agreements. This connectivity shall guarantee that the commercialization of services may not be affected by distance.

Finally, let me conclude my intervention expressing our will to keep working in pursuit of our interests, and highlight the strength we are able to achieve by coordinating our efforts.

## *The Kingdom Of Swaziland*

### **H.E. Jabulile Mashwama, Minister of Commerce, Industry and Trade**

Ministers, Excellencies, Distinguished Delegates, Ladies and Gentlemen.

On behalf of the delegation of the Kingdom of Swaziland, I wish to express my appreciation and deep gratitude to the Government and people of the Republic of Kazakhstan for hosting this important meeting for LLDCs as well as for the warm welcome and excellent hospitality extended to us since our arrival in Almaty.

We are meeting at a very precarious time for the global economy when the modest gains made in 2010 after the recession are being eroded by the slowing down of emerging economies and sovereign debt problems in many of the economies that are traditional export destinations for products from our countries. Owing to its openness and over-dependence on these traditional world markets, Swaziland has been disproportionately affected by the fall out arising from the global financial and economic crisis. As a result, we have seen a rolling back of the economic successes achieved in the past to try and diversify the economy, grow the private sector, alleviate poverty and engender development. These challenges are further exacerbated by the combined adverse effects of high transport costs, transit traffic difficulties, cumbersome customs procedures, and the lack of predictability regarding the timely arrival of goods at export destinations due to our lack of direct access to the seaports and distance there from as well as the remote location from world markets.

Nevertheless, Swaziland has made some strides to try and mitigate these challenges and improve the competitiveness of her traders. These include the full operationalization of ASYCUDA; the issuance of all Certificates of Origin by the Swaziland Revenue Authority which has cut costs and processing times for traders; and the ongoing work on reducing the number of documents and declaration points for both imports and exports. Also, at the regional level Swaziland is a member of the SACU. Trade Facilitation and Infrastructure Development have been incorporated as part of the five priority areas in the new SACU Work Programme. Work towards implementation of this Programme started in October 2010 with the development of an Action Plan which identified activities aimed at enhancing cooperation, improving compliance and facilitation of intra-SACU trade.

The most notable successes of this Action Plan to date include: (a) The development of a programme to improve trade partnerships and involve the private sector in the SACU-World Customs Organization (WCO) Customs Development Programme; (b) The development of guidelines and criteria for establishing national customs-to-business stakeholder forums has been completed; (c) The implementation of a national preferred trader programme has been adopted by all Member States; and with the help of the WCO, SACU Member States have developed a regional approach to risk management for SACU.

Swaziland firmly believes that our group of countries needs to embark as a matter of urgency, on an aggressive drive to promote and strengthen not only FDI, but also domestic investment. Our Governments with the help of the international community, including cooperating partners should encourage and facilitate private sector development, including and in particular the popular or informal sector and cottage industries, through where possible, public private sector partnership (PPP), entrepreneurial development and support to small and medium enterprises

Swaziland, a net food importing and drought prone country; is also greatly concerned about the re-emergence of rising food prices which have been compounded by the negative impact of climate change. This has exacerbated her vulnerability and weakened her ability to achieve the MDGs. The high transport cost makes the food stuffs even more expensive. Therefore, my delegation believes that there is need for our countries to commit to concrete and bold actions on agricultural sector development, and formulation of appropriate national policies and strategies. This should be complemented by action at the global level to effectively address trade distorting measures such as export subsidies and restrictive practices. Overcoming this challenge requires multifaceted solutions which include, inter alia, addressing the effects of climate change in the agricultural sector, and adoption of appropriate technologies.

My delegation fully supports the view that there is need to strengthen and deepen the coordination of LLDCs in trade negotiations at the WTO, giving special attention to freedom of transit and other relevant aspects of trade facilitation. My delegation therefore calls for continued work and active engagement by all Members on Article 11 of the Trade Facilitation Text with a view to improving the guarantees of freedom of transit enshrined in the GATT 1947. Special attention must also be paid to market access issues with particular emphasis on our development needs and supporting the accession process of the landlocked acceding countries.

To effectively address the challenges already enumerated, I wish to urge the international community and our co-operating partners, including UNCTAD, UNDP, UNIDO, WTO and FAO; to assist LLDCs to move forward all issues of concern and interest to them. Moreover, we call upon these institutions to advocate for a relaxation of the discriminatory practice of marginalizing middle income countries in accessing trade and other development finance on concessional terms based only on a single GDP per capita criterion.

The ten-year review of the Almaty Programme of Action will come up soon and my delegation calls on all LLDCs to commit full and active engagement in the preparatory process. As well as participation in the Conference itself, at the highest level possible. Moreover, we need to invite at the earliest possible time, the international community and cooperating partners to actively participate in the preparation of a successor Programme of Action which in addition to transit trade and trade facilitation problems, should also address issues of growing significance to LLDCs, such as South-South- and triangular cooperation; and enhanced transit transport connectivity through regional cooperation; and in the Conference itself.

I wish to thank most sincerely the UN-OHRLS for funding participation of Ministers and leaders of delegations to this meeting and this support has made our participation possible. My delegation also salutes the Permanent Mission of Paraguay in Geneva and Permanent Mission of Laos in New York for their steering leadership in coordinating- and chairing the LLDC Group in their respective Chapters. In conclusion, my delegation recommends unreservedly the adoption of the Draft Almaty Declaration.

## *Uganda*

### **Mr. Fred Ogene, Under Secretary, Ministry of Trade of Uganda**

Excellencies, Distinguished Ladies and Gentlemen.

Allow me to thank the People of the Republic of Kazakhstan for the excellent preparations and hospitable welcome accorded to all of us. Allow me also to thank the UN for the wonderful work in coordinating the activities of this meeting. I bring you very warm and hearty greetings from the people of the Pearl of Africa-Uganda. Uganda will be celebrating its 50<sup>th</sup> independence anniversary on the 9<sup>th</sup> October this year, we hope that you all will find time in your very busy schedules to join us in this momentous celebration.

International trade procedures are recognized as an important factor in trade transaction costs. Delays in procedures and processing of documentation not only increase costs, but also lower utilization of facilities and resources. Inefficiencies in international trade procedures impose substantial burden to businesses, government and impact negatively on economic development. Bottlenecks may arise from multiple sources such as: the large number of stakeholders involved, duplication of manual and electronic information capture and processing, and the challenges of streamlining procedures and documents amongst government control agencies. The simplification of trade documentation and clearance procedures is a key agenda item for trade facilitation and competitiveness.

The use of ICT has proven to be a highly cost effective means of reducing time and cost for clearing and moving consignments. Trade Facilitation measures like, Single Window model, the One Stop Border Post, and e-tracking of cargo have been highly successful in creating an efficient environment for exchange and processing of trade related documentation. The East African Community is contributing to simplification of many of the steps involved in international trade documentation processing, from submission of applications for permits, customs declarations, payment of duties and taxes, and release of consignment.

I am also aware that issues such as access to the sea, remoteness from the markets, inadequate bulk and other transport facilities constitute huge constraints to competitive trade. Whereas I do not wish in any way to downplay the contribution of these factors in constraining trade, we may need to have a parallel approach to this problem. Instead of always only emphasizing our landlockedness we should consider ourselves as landlinked. We in Uganda are actually landlinked to the whole of the Great lakes region. This region has a population of more than 200 million people today. This population is expected to double in the next 50 years. Is it possible then for us to position ourselves to exploit this given opportunity? How much have we done to ensure that this is a strength that we should vigorously be exploiting without, of course losing sight of the other strategic interventions of access to the sea?

I do believe that for international trade to thrive and yield meaningful results for any State, this (trade) must first consolidate its domestic and regional comparativeness and competitiveness. Landlockedness could be a temporary setback, it is not necessarily a sentence we cannot exploit. As a landlinked country, Uganda has its specific needs to be reviewed prior to embarking on the implementation of Trade Facilitation measures. Needs of the trading community: forwarders, railroad, transporters, transit, banks, customs and other government control agencies. Study of systems to establish the requirements and capabilities for interfacing measures from different institutions, locally and from neighboring countries are considered.

At an individual institution level, Uganda has embarked on establishing an Electronic Single Window. Trademark East Africa is supporting Uganda Revenue Authority and Uganda National Bureau of Standards to establish Single Windows at the individual institution level, through systems upgrade and interconnectivity.

At the National Level, there is an Electronic Single Window committee coordinated by Ministry of Trade Industry and Cooperatives. The committee is comprised of all Ugandan Ministries and private sector agencies involved in Trade Facilitation. The focus of the committee is to coordinate all efforts aimed at developing the National Electronic Single Window, identify needs and challenges. However, the committee is yet to develop a work plan for the Electronic

Single Window programme due to financing challenges. To address the challenges, Ministry of Trade and Industry has approached Trademark East Africa and Commonwealth Secretariat for support. These two agencies have already showed interest in financing the Initiatives and fund a needs assessment studies that will identify gaps and implementation strategies.

Uganda is also a member of the East African Trade and Transport Facilitation Committee. One of the objectives of the Committee is to Electronic Single Window initiatives in all the EAC Partner States, by enabling Partner States to put in place systems that are compatible to each other.

Border Management Committees have been established at borders including Katuna, Busia, Malaba, and Mutukula so as to cordially develop and implement programs for efficient management of day today border operation. Government of Uganda has embraced the concept of One Stop Border Post (OSBP). Under this concept the government has prioritized the Kenya/Uganda borders of Busia, and Malaba, and the Uganda/Rwanda Borders of Katuna and Mirama Hills.

The Uganda Revenue Authority is undertaking consultations on how best to implement the Electronic Cargo Trucking System. The Uganda Revenue Authority has introduced the e-tax system of registering for tax purposes, and payment of taxes. This has reduced on congestions at their offices, increased tax collection through timely payment of returns and increased compliance. The Uganda Revenue Authority also introduced Temporally Importation and Export of Vehicles to facilitate trade in import and exportation of vehicles for purpose of faster clearance. The Uganda Revenue Authority has also introduced the concept of Authorized Economic Operators so to enable self and fast clearance by compliant companies and individuals.

I wish you very meaningful deliberations for the good of all our peoples.

I thank you.

## ***Zambia***

### **Hon Robert K. Sichinga, MP, Minister of Commerce, Trade and Industry**

Distinguished Excellencies, Ladies and Gentlemen.

I bring warm greetings and good wishes from the Government and people of Zambia. On behalf of the Government of Zambia and the Zambian Delegation, let me express my personal sincere gratitude to our gracious host, the Republic of Kazakhstan for the kind hospitality accorded to us since we arrived in this beautiful city of Almaty. Let me acknowledge that we appreciate the warmth and friendliness of the people of Kazakhstan and also the cooperation shown during the preparation of this very important meeting which marks the fourth consecutive meeting by the trade Ministers of LLDCs. We commend you for the successful hosting of this meeting.

The presence of various governments here is a clear testimony to the commitment that the LLDCs have in unlocking their trade potential. Hence the theme “Unlocking the trade potential of LLDCs” could not come at a better time than now. Unlocking the trade potential of LLDCs will call for diversification and value-addition to the local available products. It would also entail enhancing intra-regional trade among the various regions.

It is imperative that our work here takes stock of the progress made towards achieving the goals, objectives and priorities set out in the Almaty Programme of Action and give specific directions to the High Level Thematic Meeting on the possible recommendations that would feed into the Ten-Year review. In particular, there is need to acknowledge the progress made as well as identify the challenges affecting the implementation of the Almaty Programme.

We need to reaffirm our commitment as LLDCs to meet the Almaty declaration objectives as well as past declarations. As Ministers responsible for trade, it is paramount that we input into the preparatory process for the Ten-year review. In doing so, we need to provide sufficient details as to the specific areas of focus for the LLDCs in as far as trade negotiations, and improving the trade position of LLDCs in relation to inherent geographical difficulties that hinder our effective participation in international trade. This is necessary to unlock the trade potential of LLDCs.

Allow me to report on the initiatives of Zambia. My country serves as a transit country for our neighbours, Democratic Republic of Congo, The Great Lakes Region and other neighbouring countries. This situation has continued to create a challenge for Zambian infrastructure, in particular roads and border facilities especially with the increase in the volume of transit goods and services. This will entail improving existing infrastructure to cope with the increased traffic and setting up of new infrastructure where it does not exist. We therefore call upon all multilateral partners to support us in dealing with these infrastructure deficiencies.

Zambia has also established a one stop border post at Chirundu (border with Zimbabwe) that has seen the reduction in time spent from crossing the border from 9 days to 9 hours. There is however still room for further improvements. Similar infrastructure developments are taking place in other border areas such as Kasumbalesa (border with DRC), Katima Mulilo (border with Namibia) and Kazungula (border with Botswana). These will require financial support from cooperating partners.

Zambia is further actively involved in setting up intra-Africa trade centers that will help boost intra-regional trade. We will need help with infrastructure development in this area. Time has come for us to move away from making declarations to practical implementation of various programmes that will help LLDCs move from being landlocked to landlinked and thus unlock their trade potential.

There is need for this meeting to show commitment to:

- Issues relating to policy at national level
- Infrastructure development
- Implementation of regional programmes

- Make functional the Think Tank
- Mitigating climate change impact in as far as geographical impediments are concerned

Aid for trade, including support to enhanced integrated framework for LLDCs that are LDCs

- Multilateral negotiating process on issues that are of common interest to the LLDCs
- Support to accession of LLDCs
- Collaboration with transit countries
- Call for additional resources and support from bi-lateral, regional and multilateral partners
- Addressing competitiveness by focusing on transport and transit issues
- Addressing factors contributing to food insecurity in as far as transport and transit costs are concerned.
- Mandate in relation to the comprehensive Ten year review of the Almaty Programme.

LLDCs have a huge trade potential which must be unlocked. Unlocking this potential however will require teamwork to deal with issues such as infrastructure, productive capacity, diversification and value addition. It is because of this that Zambia will be holding its first ever value addition conference from 4-6 October 2012 aimed at unlocking the trade potential of Zambia. We will welcome support and participation from those that have advanced in the area to of value addition so that we can learn from best practices.

In conclusion I wish to state that Zambia supports the adoption of the draft Almaty Declaration.



## *Zimbabwe*

### **Mr. Fambaoga L. Myambo, Deputy Director, Ministry of Industry and Commerce**

H.E Mr. Bakytzhan Sagintayev, Minister of Economic Development and Trade, Republic of Kazakhstan, H.E Mr. Akhmetzhan S. Yesimov, Mayor of this beautiful city of Almaty, Honorable Ministers and Deputy Ministers, Heads of delegations, Heads of the United Nations Agencies, Distinguished Delegates, Ladies and Gentlemen.

At the very outset allow me, on behalf of my Honorable Minister of Industry and Commerce Professor Welshman Ncube to express my sincere appreciation to People's Democratic Republic of Lao for its successful leadership of the Group of Land Locked Developing Countries (LLDCs). Allow me to express my Government's appreciation to the people of the Republic of Kazakhstan for successfully hosting this meeting. As a member of the new Bureau of the Group of Landlocked Developing countries for 2012-2013, Zimbabwe remains committed to the realization of the aspirations of this Group.

Zimbabwe, just like any other landlocked country, grapples with structural challenges to access world markets due to lack of territorial access to the sea. As a result, we often lag behind our maritime neighbours in overall development and external trade. LLDCs are commonly among the poorest of the developing countries because the high costs for transporting our export goods erode the competitive edge and the quantities of our exports. It is however disheartening to note that LLDCs have not been particularly successful in mitigating consequences caused by this geographical handicap as compared to landlocked countries in some parts of Europe.

There is a clear connection between distance and the transport costs. High transport costs affect the competitiveness margin of landlocked developing countries and trade volume. As LLDCs we have the weakest growth rates, and we typically rely heavily on a very limited number of commodities for our export income.

To stimulate economic growth, it is vital that LLDCs increase their exports. However, LLDCs currently account for less than one percent of global merchandise trade. The single biggest obstacle to increasing this share is the very high cost of transport which has become a bigger barrier to trade than tariffs.

It is pleasing to note that LLDCs continue to be vigilant in search for ways to unlock their trade potential to generate higher levels of economic growth and sustainable development. This meeting serves as exemplary demonstration of the solidarity and united action of landlocked developing countries to address their common challenges. We are calling upon international cooperating partners to assist our countries to overcome the current physical impediments and unlock our potential to generate higher levels of economic growth that can also be used to invest into social development and sustainable growth of our economies.

LLDCs must focus on transforming "from landlocked to land-linked countries" through development of a network of transnational roads and rail routes that link transport systems, power grids and markets across and beyond sub-regions to facilitate fuller participation in the regional and global economy by enhancing competitiveness as economic blocs.

We need not to concentrate on developed countries as trading partners and overlook regional and emerging markets. There is need to promote and develop regional markets, especially through South-South trade and cooperation to exploit geographical proximity. Zimbabwe commends the efforts made through South-South cooperation in the areas of transit transport cooperation between landlocked and transit developing countries and further requests for the scaling-up of the aid that can help us address the complex and severe challenges that we face.

Zimbabwe's exports and imports are adversely affected by long distance to the sea, bad condition of roads and dilapidated railway system in the country. Despite this setback, we continue to be vigilant to improve our road and rail infrastructure at the national level through rehabilitation and construction of new ones with the participation of the private sector and foreign investors from our region and beyond.

The Almaty Programme of Action constitutes a sound global framework to support the LLDCs in the areas of transit policy issues, transport infrastructure development and maintenance, international trade and trade facilitation, and international support measures. Zimbabwe fully supports the commitment of the LLDCs to accelerate the implementation of Almaty Programme of Action through effective and genuine partnerships between landlocked and transit countries and their development partners as well as between public and private sector at national, regional and global level. It reflects the strong commitment by the international community to address our special needs and problems as called for in the United Nations Millennium Declaration.

To date Zimbabwe has recorded encouraging progress in implementing the Almaty Programme. We have formulated policies aimed at removing physical and non-physical barriers for effective participation in international trade. Border facilities and procedures are being streamlined and harmonized leading to increased efficiency and lower delays. At the regional level, Zimbabwe has sought to simplify the import/export clearance and turnaround period through the trade facilitation concept of the “One-Stop Border Post” with Zambia at the Chirundu Border Post to the north which was opened as a pilot project in Southern Africa within the ambit of the COMESA. Similar arrangements are currently being pursued with South Africa at the Beit Bridge Border Post to the south within the context of the SADC.

The Government of Zimbabwe, as part of its mission to address trade and transport facilitation issues, embraced the concept associated with Spatial Development initiatives. We are part to the North South Corridor that stretches from Durban in South Africa up to Democratic Republic of Congo and serves eight countries. Attached to the North South Corridor are various Spatial Development initiatives which act as tributaries feeding from the Eastern and Western parts of the North South Corridor. These Spatial Development initiatives include the Beira Development Corridor, Walvis Bay Corridor, Trans-Limpopo Corridor and the Limpopo Development Corridor just to mention a few. It should also be noted that Zimbabwe is at the advanced stages in the construction of a Dry Port at Walvis Bay Sea Port in Namibia.

Our country, as is the norm in most LLDCs is commodity-dependent, and relies heavily on minerals such as diamonds, platinum, gold and coal as well as agricultural products for export which often have low value addition. This makes us vulnerable to external trade shocks due to volatility of commodity prices. We are therefore calling upon investors to come and invest in value addition of these commodities.

Zimbabwe has recently launched the National Trade Policy and The Industrial Development Policy 2012 – 2016. The Vision of these policies is to transform Zimbabwe from a producer of primary goods into a producer of processed value-added goods for both the domestic and export market. We endeavor to have trade function as the engine for sustainable economic growth and development through transforming the productive sectors of the economy towards export-orientation and international competitiveness.

The expeditious implementation of the Aid for Trade initiative would provide crucial support that meets the special needs and requirements of LLDCs in the areas of capacity building for participation in trade negotiations, implementation of trade facilitation measures, implementation of international agreements, investment into infrastructure for transport, telecommunications and utilities, and strengthening of productive capacities.

Zimbabwe supports adoption of a multilateral, transparent, bottom up and member driven negotiation process in the WTO in order to arrive at a successful conclusion with an ambitious, balanced and equitable outcome which ensures, inter alia, improved market access for agricultural and non agricultural export products of LLDCs.

Still on the area of capacity building, we welcome the establishment of the International Think Tank on the Landlocked Developing Countries in Ulaanbaatar, Mongolia in 2009. Zimbabwe believes the Think Tank will assist us to undertake home-grown research to cater for our specific needs. The Think Tank will also undoubtedly contribute to the formulation of strategies and policies that will allow for the speedy implementation of the Almaty Programme of Action.

Lastly, but not least let me commend the key role that the United Nations System has played and continues to play through the Office of the UN-OHRLS to mobilize international support and resources for the implementation of the Almaty Programme of Action. We are appealing to our bilateral and multilateral donors, international financiers

and other relevant international organizations, to continue to provide Zimbabwe and its transit partners with necessary financial and technical assistance within the context of Spatial Development initiatives and Regional Integration Agenda

I am confident that the Ministerial Declaration, that the meeting is about to adopt, will give a strong boost to the concerted efforts of the international community to adequately address the special needs of LLDCs.

I thank you.



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