Enhancing integration of landlocked developing countries into global trade for sustainable COVID19 recovery: The role of digital technology

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Q: What policy options (at all levels-global, regional and national) and concrete actions are necessary to enable LLDCs to harness digital technologies and seize the new trading opportunities?

Let me bring UNCTAD's experience and lessons on the ground on using digital technologies to (i) reduce trade costs; and (ii) create new trading opportunities in LLDCs.

First point. Our experience is that Customs automation and e-SW operations significantly reduce trade costs by streamlining procedures and reducing time and cost for traders. In addition, there will be significant increases in much needed public revenues, and better risk management.

Our work on Customs automation and SW is delivered through ASYCUDA, which operates in over 100 countries and territories. And they include 21 LLDCS out of 32 (66%)[i]. *5 LLDCs are implementing ASYCUDA Single Window (i.e., Burundi, Kazakhstan, Rwanda, Turkmenistan and Uganda) that connects customs authorities with the rest of government agencies.*

Some recent results:
- In Turkmenistan: 14 times reduction of cargo clearance time following the implementation of ASYCUDA
- In Kazakhstan: 31% increase of export transactions from 2020 to 2021; In Afghanistan, amidst all that conflict, there was 30% increase of export transactions from 2020 to 2021
- In Burundi: 71% of medical imports processed in less than 24 hours during the height of the pandemic.

▪ In Rwanda: 9% customs revenue increase from 2020 to 2021 despite the COVID-19 pandemic

ASYCUDA is an end-to-end tech transfer programme, where we bring a sophisticated digital platform, adapt the system to country needs, train national experts and hand over the source code. While these digitalization initiatives need adequate IT infrastructure and skills, the success depends very much on the strong political will and effective coordination across government agencies.

Second point: is also on trade costs. Our experience is that automation of transit significantly reduces transit processing times; improve data exchanges thanks to improved cooperation between countries; and improve risk management through automated targeting of transiting goods.

We are very proud of the ECOWAS Regional Transit solution that interconnects Customs IT clearance systems of member States for exchange of transit data using one declaration—SIGMAT. SIGMAT has been piloted in 2019 in 3 main corridors for **road** transit: Abidjan-Ouagadougou, Lomé-Ouagadougou and Cotonou-Niamey. And the solution was extended to rail transit between Burkina Faso and Cote d'Ivoire in 2021.

Similarly, because of the Albania-Kosovo Common Transit System, 85% of exports from Kosovo transiting through Albania are cleared within 30 minutes. There are many such success stories.

As I mentioned earlier, technology is part of the solution. The coordination across borders is key to success, and knowing your counterpart is the best route to success. Alongside technology deployment, through our transit training programme, we bring together transit coordinators to develop specific terms of reference, workplans, and implementation schedules, all in collaboration with their counterparts in neighbouring countries. The networking opportunity offered in the programmes is one of the factors of success in automating transit procedures.

Third point: is on creating new trading opportunities to LLDCs through ecommerce

- The demand for e-commerce during COVID19 lockdowns increased massively.[1]
- According to UNCTAD figures, based on countries for which data is available, online retail sales increased from around $2 trillion in 2019 before COVID, to $2.9 trillion in 2021.

- While cross-border component of ecommerce is still small, it is growing fast. We estimate that cross-border B2C e-commerce sales amounted to $440 billion in 2019 (representing an increase of 9% over 2018).
- This trend is here to stay. And there is a huge potential for small medium enterprises, and especially for women entrepreneurs. There is potential to eliminate the middlemen and connect the buyers and sellers directly—to capture the value at the source of production. But at the moment cross border ecommerce remains just a "potential" for many LLDCs.

- We have undertaken *eTrade Readiness Assessments* in 10 LLDCs and two in the pipeline.[2] We assess countries' readiness in connectivity, legal/regulatory frameworks, e-payment systems, financing, logistics, skills and more. We have also supported the development of full-fledged national e-commerce strategies in **Botswana[3] and Rwanda**.

- There are big differences in the readiness of LLDCs to seize opportunities from digitalization.
- These range from the limited awareness of ecommerce opportunities; to connectivity issues and the fact that even when there is connectivity it is poor and exorbitantly expensive; weak legal and regulatory frameworks; logistics issues; **to** difficulties in raising finances for ecommerce startups—especially for youth and women. And the lack of statistics of the size of

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[1] For the LLDCs on which we have data, the average share of people who shopped online rose from 6% to 12% from 2017 to 2021.

[2] Afghanistan, Burkina Faso, Lao PDR, Lesotho, Malawi, Mali, Nepal, Niger, Uganda, and Zambia.
[3] See https://unctad.org/system/files/official-document/dtlstict2021d4_en.pdf

ecommerce and the digital economy makes it difficult to make a case for Finance Ministries to invest in this area.

- Based on our work, let me offer a few critical things that need to be fixed in order to realize the potential of ecommerce and the digital economy:
  - Consider ICT connectivity as a critical infrastructure—not a luxury.
  - Carry out legal and regulatory gap analysis for e-commerce, adopt baseline e-commerce legislation, and update relevant laws and regulations. Unless there is trust in online transactions, ecommerce would not take off.
  - Take trade facilitation seriously in order to realize the cross-border ecommerce potential. This includes fixing the address system. Ecommerce is all about fast delivery.
  - Consider the establishment of quality labels to boost confidence and set up certification trust-mark schemes for trusted e-commerce operators.
  - Set up special financing facilities in commercial banks for startups.

At UNCAD we stand ready to support LLDCS to harness digital technologies and seize the new trading opportunities.

Thank you!

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[i] including Afghanistan, Bolivia, Burkina Faso, Burundi, Central African Republic, Chad, Eswatini, Kazakhstan, Lao People's Democratic Republic, Lesotho, Malawi, Mali, Rep. of Moldova, Nepal, Niger, Rwanda, Tajikistan, Turkmenistan, Uganda, Zambia and Zimbabwe