



Preparatory Process for the Second UN Conference on LLDCs

High-Level International Workshop on “WTO Agreement on Trade Facilitation: Implications for LLDCs”

Ulaanbaatar, Mongolia, 2-3 June 2014

Concept Note

Context

Landlockedness hinders full participation of landlocked developing countries (LLDCs) in international trade. Lack of territorial access to the sea and remoteness and isolation from world markets, compounded by other challenges such as additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure, often translate into high transport and transit costs for LLDCs. According to the World Bank’s 2013 Doing Business Report the average cost for LLDCs to export a container was \$3,040, compared with \$1,268 for transit developing countries. Similarly, the average time it takes to export goods from LLDCs was 42 days, while the equivalent for transit countries was just 23 days.

These additional costs and obstacles present a tremendous trade-reducing effect that has a direct negative impact on socio-economic development and puts these countries at a disadvantage in fully harnessing their potentials to support their sustainable development efforts. A recent study by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) revealed that the level of development in the LLDCs is, on average, 20 per cent lower than what it would be were the countries not landlocked.

The Almaty Programme of Action (APoA): Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries was adopted in 2003 as response to the growing recognition by the international community of the special needs and challenges faced by the LLDCs. The overarching goal of the Programme is to foster the establishment of efficient transit transport systems in all LLDCs based on mutually beneficial collaboration with transit

developing countries and with the support of development partners. This would enhance full integration of LLDCs into the multilateral trading system and help contribute directly to the achievement of the Millennium Development Goals. International trade and trade facilitation were identified as one of the five priority areas of the APoA.

As the end of the first ten years of the APoA is drawing to a close, the General Assembly of the United Nations decided to hold a comprehensive Ten-Year Review Conference of the APoA in 2014. In preparation for the Conference, which will be the Second United Nations Conference on the LLDCs, it is important to undertake a comprehensive appraisal of the implementation of the priority area on international trade and trade facilitation of the APoA.

Indeed, for LLDCs in particular, trade facilitation has become the most important trade policy instrument to achieve gains from international trade. Many have made efforts to enhance trade facilitation, including through harmonisation of customs procedures, rules and documentation; introduction of modern electronic techniques; introduction of one stop border posts and single windows; removal of roadblocks; and others.

At the global level, trade facilitation has been one of the elements of the WTO Doha Round of trade negotiations. Negotiations on trade facilitation started in July 2004. On 7 December 2013, at the Ninth WTO Ministerial Conference in Bali, WTO members reached an agreement on the so-called Bali package, a selection of issues from the broader Doha round negotiations that includes trade facilitation, agriculture and provisions for least developed countries and development in general. The trade facilitation decision is the most significant for global commerce, as it is a multilateral deal to simplify customs procedures by reducing costs and improving their speed and efficiency, while also aiming to enhance technical assistance and support for capacity building in this area. The WTO Trade Facilitation Agreement clarified and further improved aspects of relevant articles of GATT 1994, namely freedom of transit (Article V), fees and formalities connected with importation and exportation (Article VIII), and publication and administration of trade regulations (Article X).

The Trade Facilitation Agreement will become a legally binding agreement and is seen as one of the biggest reforms of the WTO since its establishment in 1995. The final text of the Agreement will be adopted by the WTO General Council by 31 July 2014.

The Facilitation addresses many of the fundamental transit policy issues that affect LLDC exports and bring concrete benefits to these countries in terms of easier and faster cross-border trade. Being able to facilitate more trade quicker, easier and cheaper would allow LLDCs to benefit more fully from market access and significantly improve their competitiveness and integration into the world markets. Consequently, enhanced trade facilitation is also likely to lead to increased flow of foreign direct investment and enhanced economic development.

Available estimates suggest that reducing costs and other barriers to trade along the supply chain and especially at the border would have substantial impact on trade and economic growth, larger than that from removing all remaining tariffs. The WTO stipulates that a Trade Facilitation Agreement could bring down the cost of moving trade globally from roughly 10 per cent of trade

value to 5 per cent. The OECD¹ has estimated that the potential trade cost reductions for LLDCs from the trade facilitation measures negotiated in the WTO would amount to 16.4 per cent of total trade costs.

The Agreement on Trade Facilitation contains detailed provisions for issues such as transit-related restrictions, fees, paperwork and other issues related to traffic in transit, as well as issues that are related to importation and exportation of goods and border and customs co-operation. The agreement will be binding for all WTO members, including LLDCs and transit countries, for the implementation of key transit and trade facilitation policy issues.

Firstly, the provisions of the Agreement reinforce the principle of freedom of transit contemplated in Article V of the GATT and strengthen the principles of non-discrimination as it applies to goods in transit in matters concerning charges, transport measures, regulations and formalities. These provisions call for predictable, reduced and simplified fees and charges that do not constitute disguised restrictions to trade, limitation of inspections and controls in transit and quota-free transit, amongst others. **Secondly**, the Agreement clarifies and simplifies fees and formalities associated with import, export and transit. These provisions ensure that any charges applied are calculated based on the actual cost of services rendered and that goods in transit are not subject to additional customs duties and technical standards, that certain trade facilitation measures are implemented to expedite the release and clearance of goods such as separate infrastructure for traffic in transit, simplified formalities and documentation, use of single windows for traders, greater use of risk management techniques and authorized trader schemes, while prohibiting measures that hinder the flow of goods such as the use of customs convoys and pre-shipment inspections. **Thirdly**, the provisions also call for increasing transparency of regulations affecting goods in transit, including by increased use of modern ICT technology, better and easier access to information, prior publication, as well as ensuring increased co-operation and coordination.

The Agreement fully takes into account the principle of special and differential treatment for developing and least developed countries. In particular, the extent and timing of implementing commitments will be related to the national implementation capacities of the developing and least developed countries. These countries will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs or their institutions and administrative capabilities. Where there is such lack of capacity, implementation will not be required until implementation capacity has been acquired. Developing countries and LDCs will be able to link their commitments to the receipt of technical and capacity-building assistance. More concretely, the Agreement stipulates that donor WTO members will facilitate provision of technical, financial or other assistance and support for capacity building to help developing and least developed countries implement the provisions, either bilaterally or through appropriate international organizations.

This is the first time in WTO history that a mechanics of a trade agreement includes capacity building as a central pillar. Hence a trade facilitation agreement will offer the legal certainty that

¹ Moisé, E. and S. Sorescu (2013), *Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries' Trade*, OECD Trade Policy Paper No. 144, <http://dx.doi.org/10.1787/5k4bw6kg6ws2-en>.

LLDCs' neighbours and trading partners will be expected to reach similar customs and border standards while also providing LLDCs with the necessary assistance to adopt and improve their own processes.

Objectives of the meeting

In light of the recent WTO Agreement on trade Facilitation, LLDCs should have an informed perspective of the trade and economic benefits that multilateral trade facilitation rules will deliver, as well as the obligations. It is in this context that the meeting is being organized. This will be the first major meeting on trade facilitation following the Ninth WTO Ministerial Meeting that took place in Bali in December 2013.

The objectives of the meeting are:

- i) Review progress made in improving trade facilitation and capacity-building in the field of trade facilitation and trade negotiations in LLDCs, examine the major achievements and constraints experienced and identify the opportunities presented, with a view to further advance the goal of fully integrating the LLDCs into the multilateral trading system.
- ii) Provide clarification on the WTO Trade Facilitation Agreement reached at the WTO Bali Ministerial and substantively assess the agreement, in particular as it relates to further expediting movement, release and clearance of goods, including goods in transit; reinforcing the principle of freedom of transit; strengthening the principle of non-discrimination as it applies to goods in transit; the impact of the agreement on reducing global trade costs; operationalization and implementation of the agreement at the global level; and capacity-building and technical assistance provisions for developing countries and LDCs.
- iii) Provide LLDCs with better understanding of the provisions in the Trade Facilitation Agreement and its consequences for LLDCs, and equip them with the necessary knowledge for i) designing LLDC country or group positions on trade facilitation and action plans for implementation; ii) implementing the commitments resulting from the trade facilitation agreement, including financing, capacity-building and technical assistance provisions and iii) how to effectively take advantage of the trade facilitation provisions available to them.

Participants

The Meeting will bring together selected Ministers and senior government representatives from LLDCs, transit developing countries and developed countries responsible for trade; and representatives from UN and other international organizations, international financial institutions and representatives of the private sector.

Core organizers

The Meeting is being organized by the Government of Mongolia, the International Think Tank for LLDCs and the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), in collaboration with international organizations.

Format of the meeting

The meeting will be held over the period of two days in Ulaanbaatar, Mongolia on 2-3 June 2014.

The language of the meeting will be English, with Russian and French interpretation.

Background documents

- i) Background research paper “Assessment of the WTO Agreement on Trade Facilitation: Implications for the LLDCs”
- ii) WTO Agreement on Trade Facilitation WT/MIN(13)/W/8
- iii) OHRLLS study “The Development Economics of Landlockedness: Understanding the development costs of being landlocked”
- iv) General Assembly resolution 66/214, 67/222, 68/225
- v) The outcome document of the Pre-Conference Global Thematic Meeting on International Trade and Trade Facilitation held in Almaty, Kazakhstan, on 13-14 September 2012
- vi) World Bank document “Improving Trade and Transport for Landlocked Developing Countries”.
- vii) Joint World Bank/OHRLLS publication on LLDCs (pdf version)
- viii) International Trade Centre, “WTO trade Facilitation Agreement: A Business Guide for Developing Countries”