



## **Preparatory Process for the Second UN Conference on the LLDCs**

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### **Report of The** **High-Level International Workshop on “The WTO Agreement on** **Trade Facilitation: Implications for LLDCs”**

**Held in Ulaanbaatar, Mongolia, 2-3 June 2014**

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## ACRONYMS AND ABBREVIATIONS

|           |  |
|-----------|--|
| ADB       | Asian Development Bank                                   |
| APoA      | Almaty Programme of Action                               |
| AEO       | Authorized Economic Operator                             |
| ASEAN     | Association of Southeast Asian Nations                   |
| ASYCUDA   | Automated System for Customs Data                        |
| COMESA    | Common Market for Eastern and Southern Africa            |
| EAC       | East African Community                                   |
| FDI       | Foreign Direct Investment                                |
| FTA       | Free trade agreement                                     |
| GATT      | General Agreement on Tariffs and Trade                   |
| GDP       | Gross Domestic Product                                   |
| GNP       | Gross National Product                                   |
| GTI       | Greater Tumen Initiative                                 |
| HDI       | Human Development Index                                  |
| ICC       | International Chamber of Commerce                        |
| ICT       | Information, communication and technology                |
| ITC       | International Trade Center                               |
| ITT-LLDCs | International Think Tank for LLDCs                       |
| LDCs      | Least Developed Countries                                |
| LLDCs     | Landlocked Developing Countries                          |
| MDGs      | Millennium Development Goals                             |
| MDT       | Multi-Destination Tourism                                |
| MVA       | Manufacturing value added                                |
| NCTTA     | Northern Corridor Transit and Transport Agreement        |
| NTMs      | Non-tariff measures                                      |
| ODA       | Official Development Assistance                          |
| OECD      | Organization for Economic Cooperation and Development    |
| OSBP      | One-Stop Border Post                                     |
| PPP       | Public-Private Partnerships                              |
| PTA       | Preferential trade agreement                             |
| REC       | Regional Economic Community                              |
| RTA       | Regional trade agreement                                 |
| SADC      | Southern African Development Community                   |
| SDT       | Special and Differential Treatment                       |
| SPS       | Sanitary and Phytosanitary                               |
| SMEs      | Small and Medium Enterprises                             |
| TFA       | WTO Trade Facilitation Agreement                         |
| TIR       | International Road Transport Convention                  |
| TNCs      | Transnational Companies                                  |
| TSI       | Trade support institution                                |
| UNCEFACT  | UN Centre for Trade Facilitation and Electronic Business |
| UNCTAD    | United Nations Conference on Trade and Development       |
| UNDP      | United Nations Development Programme                     |

|           |   |
|-----------|---|
| UN ECE    | United Nations Economic Commission for Europe   |
| UN ESCAP  | United Nations Economic and Social Commission for Asia and Pacific  |
| UNNExT    | United Network of Experts for Paperless Trade   |
| UN-OHRLLS | United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States |
| WCO       | World Customs Organization  |
| WTO       | World Trade Organization  |

# **SUMMARY**

## **Introduction**

The High-Level International Workshop “The WTO Agreement on Trade Facilitation: Implications for LLDCs”, was jointly organized by the Government of Mongolia, the International Think Tank for the LLDCs and the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS). The workshop was hosted by the Government of Mongolia, in Ulaanbaatar on 2 and 3 June 2014. The objectives of the workshop included: to review the progress made in improving trade facilitation in LLDCs, substantively assess the WTO Trade Facilitation Agreement and its implications for LLDCs, equip participants with the necessary knowledge to effectively take advantage of the trade facilitation provisions available to them and provide suggestions that will form substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

The meeting is one of the thematic pre-conference events held as part of the preparatory process for the Second UN Conference on Landlocked Developing Countries (LLDCs), to be held from 3 to 5 November 2014 in Vienna, Austria. The Meeting was attended by more than 100 participants that included Ministers, Ambassadors and other high level representatives from LLDCs, transit developing countries and developed countries responsible for trade and representatives from the United Nations and other international organizations, international financial institutions and representatives of the private sector and academic institutions.

## **Summary of the proceedings**

The meeting started off with an opening session followed by three thematic sessions: The development challenges of LLDCs and their participation in international trade; The WTO Agreement on Trade Facilitation and its implications on the LLDCs; and The Legal framework on transit trade and transport: Multilateral conventions, regional, sub-regional and bilateral. The meeting concluded with a session that discussed suggestions for the preparations of the outcome document for the Second UN Conference on Landlocked Developing Countries and some closing remarks.

The following senior officials presented statements in the opening session: H.E. Mr. Luvsanvandan Bold, Minister for Foreign Affairs of Mongolia; H.E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia and Chair of the global coordination bureau of the Group of LLDCs, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP, and Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia.

The statements stressed that the Trade Facilitation Agreement could yield great benefits to LLDCs as it seeks to drive customs efficiency, lower trade costs, and reduce delays at border crossings. Improved trade facilitation would improve the trade competitiveness of the LLDCs and promote their integration into the global economy. The speakers noted that the potential gains from the full implementation of the agreement were high and the OECD estimated cost reductions to be between 10% and 15%. The statements underscored that the WTO Trade Facilitation Agreement is also an innovative agreement as it will provide capacity building to developing countries to allow them to undertake the implementation of the agreement where necessary. They also noted that it was important for the LLDCs to improve productive capacities, promote diversification and value addition in order to fully harness the benefits brought by improved trade facilitation. It was important for the LLDCs to integrate trade into their larger national development policy and planning efforts.

The session on the development challenges of LLDCs and their participation in international trade reviewed the major challenges faced by the LLDCs and how the WTO Trade Facilitation Agreement (TFA) could help address them. Participants noted that the most critical challenge of the LLDCs in improving their participation in international trade is the high trading costs. According to the World Bank Doing Business Report for 2014, the LLDCs pay more than double what transit countries incur in transport costs and take more time to send and receive merchandise from overseas markets. The LLDCs pay US\$3203 and US\$3884 per container to export and import respectively while the transit countries paid only US\$1287 and US\$1602 respectively.

The meeting noted that the other challenges affecting the LLDCs include: infrastructure constraints, lack of ICT tools, institutional bottlenecks including lack of coordination between relevant ministries and sectors especially at border crossings – police, customs, laboratories, inspection authorities and other agencies, lack of direct access to sea ports and remoteness from major markets. The LLDCs also had high export concentration, low value addition to their exports, higher vulnerability to the volatility of international prices, and low level of inflow of export oriented foreign direct investment.

Participants highlighted some of the progress that has been achieved by the LLDCs in the priority areas of the Almaty Programme of Action. They noted that despite the progress made some of the challenges were still persisting. For example physical infrastructure development is still inadequate and poses a major obstacle to the trade potential of LLDCs. The meeting noted that even though relevant international, regional and sub-regional agreements and conventions have been established such as the TIR (1975), Harmonization of frontier controls of goods (1982), and the Revised Kyoto Convention of the World Customs Organization (1999); ratification and effective implementation of relevant international conventions and regional and sub-regional agreements is slow. Representatives from the LLDCs highlighted some of the transit problems that they were experiencing including inadequate infrastructure development, lack of transparency and limited use of ICTs.

In order to unlock their trade potential, the representatives of the LLDCs stressed that infrastructure development is important in both the LLDCs and the transit countries and increased use of ICTs at the border crossings is critical. Most of the LLDC representatives noted

that their economies were dependent on a few primary commodities for exports either agricultural or minerals. As a way forward the participants agreed to the need to diversify their economies, support local industries that could process their value-added products. Some countries noted that they had developed and were implementing a national diversification strategy.

With regard to the Trade Facilitation Agreement (TFA), participants noted that full implementation of the agreement will help to address the major underlying structural constraint of the LLDCs which is high trade transaction costs. They noted that they will need technical and financial assistance to support their efforts to implement the agreement. They agreed that it was important to implement the agreement as soon as possible. They encouraged each other to undertake needs assessment to estimate how much they need for implementing the agreement. They noted that Aid for Trade will be important and should be maintained and increased in order to support the implementation of the TFA.

The session on the WTO Agreement on Trade Facilitation and its implications on the LLDCs reviewed the provisions of the TFA and how the LLDCs would potentially benefit from it. The meeting noted that 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 meeting took note of the detailed provisions contained in the Trade Facilitation Agreement that are of interest to the LLDCs including: Article 11 on Freedom of Transit; Article 6 on Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation; Article 7 on release and clearance of goods; Article 8 on Border Agency Cooperation Expedited Shipments; Article 9 on movement of goods intended for import under customs control; Article 10 on formalities connected with importation, exportation and transit; and Article 12 on customs cooperation. The meeting also discussed the potential benefits of the TFA to the private sector.

The meeting discussed the provisions under Special and Differential Treatment and how the LLDCs can benefit from assistance and support for capacity building. The participants acclaimed the fact that the TFA has capacity building as a central pillar. Developing countries, including landlocked developing countries will determine provisions "A" that they would be able to implement upon the entry into force of the agreement; provisions "B" for which they need transition period to provide necessary preparations and provisions "C" which would require international assistance in order to build the necessary capacity for the implementation of the agreement. Donor members agreed to facilitate provision of assistance and support for capacity building bilaterally or through international organizations. The representatives from the LLDCs underscored that the TFA would be very beneficial to their countries if it is fully implemented by all members.

The session on the Legal framework on transit trade and transport reviewed the relevant multilateral conventions, regional, sub-regional and bilateral agreements that could help the LLDCs. They reviewed some of the benefits from acceding and effectively implementing the relevant conventions to include: enhanced regional integration, development of a reliable, cost-effective and efficient integrated transport network, improved trade facilitation, reduced trade

costs and increased competitiveness resulting in increased trade, expanded partnerships and improved connectivity. They highlighted the major challenges that countries experience in acceding to and implementing the multi-lateral conventions, regional, sub-regional and bilateral agreements.

## **Suggestions made by the Meeting**

The following suggestions were made as substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

### **Trade and trade facilitation**

- i. The LLDCs are encouraged to quickly ratify the WTO Trade Facilitation Agreement.
- ii. The LLDCs should undertake their technical assistance and capacity building needs assessment to establish how much they need for implementing the agreement. International organizations should provide support to LLDCs to help them assess their TFA needs and in implementing some trade facilitation measures.
- iii. The international community should support the LLDCs and transit countries to establish information technology (IT) systems and make improvements in facilitation and transparency.
- iv. Strengthen the LLDC Group's participation in Geneva through: a special recognition of the Group in the WTO, with the launch of a Work Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities. They should also be active in the World Economic Forum and other relevant international fora. LLDCs are encouraged to use the WCO instruments and tools in implementing the WTO TFA.
- v. The LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. The LLDCs and transit neighbours should undertake transport and trade facilitation reforms jointly in a collaborative manner. They are encouraged to harmonize customs procedures and practices.
- vi. Enhance regional integration which is important for reducing transport costs and to facilitate cross border trade and use the corridor approach to foster the implementation of the TFA.
- vii. The LLDCs should enhance productive capacities, value addition, diversification and reduction of dependency on commodities. They also need to integrate trade and trade facilitation into their larger national development policy and planning efforts.
- viii. The LLDCs should share knowledge and experiences on trade facilitation. They are encouraged to take advantage of trade facilitation tools developed under the UN Centre for Trade Facilitation and Electronic Business (UNCEFACT) such as Single Window Implementation Toolkit in the process of implementing the TFA. The work that ESCAP is undertaking on trade facilitation for the LLDCs should be shared with other regions.
- ix. Expand the scope of the APoA to include services, environmental issues, regional value chains and aid for trade.



### **International Think Tank on LLDCs**

- i. The International Think Tank for the LLDCs should work closely with OHRLLS.
- ii. The LLDCs that have not yet done so are invited to ratify the multilateral agreement on establishing the LLDC International Think Tank. More information on how to ratify the agreement should be shared with the LLDCs that have not yet ratified.
- iii. The International Think Tank for the LLDCs should be linked to the local think tanks in the LLDCs.
- iv. The International Think Tank for the LLDCs should avail all relevant information on development issues of the LLDCs on their website from all relevant sources.
- v. The International Think Tank for the LLDCs is invited to solicit if necessary inputs from the LLDCs on the terms of reference for future studies.

### **Legal framework**

- i. LLDCs should be supported to adopt a more comprehensive approach in formulating bilateral agreements.
- ii. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed.
- iii. All countries should ratify the relevant conventions on transit transport and trade facilitation and effectively implement them by integrating them into their domestic law.
- iv. The LLDCs and their neighbours should properly apply the conventions.
- v. The international community should provide support to create awareness on the relevant agreements/conventions, build the capacity of the LLDCs to enter into international agreements and share best and effective practices across regions.

## **A. Introduction**

1. Thirty two Landlocked Developing Countries (LLDCs)<sup>1</sup> with a population of about 450 million face special challenges that are associated with their lack of direct territorial access to the sea and remoteness and isolation from major markets. Their international merchandise trade depends on transit through other countries. This transit dependence, often coupled with cumbersome border crossing procedures and inadequate transit transport infrastructure, substantially increases transport and trade-related transaction costs, erodes the competitive edge of the LLDCs, discourages investors, reduces economic growth and subsequently adversely impacts their capacity to promote sustainable development. Landlockedness is a major contributor to the high incidence of extreme poverty and general underdevelopment in many LLDCs.

2. 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 was adopted in August 2003 in Almaty, Kazakhstan at the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation. The overarching goal of the Almaty Programme of Action was to forge partnerships to overcome the special problems of landlocked developing countries caused by their lack of territorial access to the sea and their remoteness and isolation from world markets and identified specific actions 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.

3. 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 WTO Agreement on Trade 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.

4. The High-Level International Workshop on “The WTO Agreement on Trade Facilitation: Implications for LLDCs” was jointly organized by the Government of Mongolia, the International Think Tank for the LLDCs and the United Nations office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) to review progress made in improving trade facilitation in LLDCs, substantively assess the WTO Trade Facilitation Agreement and its implications for

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<sup>1</sup> Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Rep., Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao PDR, Lesotho, Malawi, Mali, Republic of Moldova, Mongolia, Nepal, Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, TFYR Macedonia, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

LLDCs, equip participants with the necessary knowledge to effectively take advantage of the trade facilitation provisions available to them and provide policy recommendations that will form substantive inputs to the preparations of the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action.

5. The workshop was hosted by the Government of Mongolia, in Ulaanbaatar on 2 and 3 June, 2014. The meeting was one of the thematic pre-conference events held as part of the preparatory process for the Comprehensive Ten-year Review Conference on the Implementation of the Almaty Programme of Action, also known as the Second UN Conference on Landlocked Developing Countries (LLDCs), to be held in November 2014 in Vienna Austria.

6. The Meeting was attended by more than 100 participants that included Ministers, Ambassadors and other high level 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 and academic institutions. The meeting followed the programme of work presented in annex 1.

## **B. Opening Session**

7. In the opening session, the following senior officials presented statements: H.E. Mr. Luvsanvandan Bold, Minister for Foreign Affairs of Mongolia; H.E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia and Chair of the global coordination bureau of the Group of LLDCs, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP and Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia. The session was moderated by Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia.

8. In his statement, H.E. Mr. Luvsanvandan Bold Minister for Foreign Affairs of Mongolia, noted that the High-Level International Workshop on “The WTO Agreement on Trade Facilitation: Implications for LLDCs” was a major event on trade facilitation following the 9<sup>th</sup> WTO Ministerial Meeting in Bali in December 2013, and very timely one for the preparation of the Second UN Conference on LLDCs.

9. Minister Bold indicated that the international community had acquired a comprehensive platform to address the specific development issues of LLDCs in 2003 by adopting the Almaty Program of Action. The Almaty Program of Action has overarching priorities including fundamental transit policy, infrastructure development and trade. He noted that today, the problems of LLDCs are prominent in the international development debates and forums, ranging from the Millennium Development Goals to the multilateral trade negotiations. He stressed that trade facilitation is the prime trade policy instrument in the WTO for the LLDCs to achieve gains from international trade and reinvigorate trade competitiveness.

10. Minister Bold pointed out that the workshop would review progress made in improving trade facilitation, examine major achievements and constraints experienced, discuss ways of how LLDCs could grow from being land-locked into being land-linked. He expressed his hope that the meeting will also discuss new and emerging challenges and opportunities for LLDCs including issues on economic diversification, private and public partnerships, promoting "green" economic activities and investment through creation of a conducive business environment, use of clean technologies, mitigating climate change, accession to WTO, South-South and tripartite cooperation and ensuring more benefits for LLDCs from international initiatives such as Aid for Trade.

11. Minister Bold highlighted the Mongolian saying that '*gathered magpies are stronger than tigers, marching one after another*'. Similarly he underscored that land-locked countries need to combine their efforts to research and analyze the constraints and emerging challenges to the international community, to identify policy recommendations and actions for enabling LLDCs to participate in the global trade and to realize that full potential for sustainable and inclusive development. Such research and analytical work would help to improve awareness of LLDC's acute issues and strengthen their hands in trade negotiations. To that end, as a landlocked developing country, Mongolia initiated establishment of an International Think Tank for LLDCs, which was supported by the LLDC Group. He emphasized that the Reform Government of Mongolia is committed to make the International Think Tank a venue where scholars and academicians could work together.

12. Minister Bold called on the fellow landlocked developing countries to sign and ratify, at their earliest convenience, the Multilateral Agreement on the Establishment of the International Think Tank for the LLDCs in Ulaanbaatar in order to bring it to full operation. He invited the World Bank, regional development banks, organizations of the UN system and other interested parties to support the International Think Tank.

13. He concluded his statement by expressing his hope that the outcomes of the Ulaanbaatar workshop will substantially contribute to the Second Conference on the LLDCs in November this year.

14. In his opening statement, Mr. Robert Sichinga, Minister of Commerce, Trade and Industry of Zambia, and Chair of the global coordination bureau of the Group of LLDCs, thanked and commended the Government of Mongolia for the successful hosting of the meeting. He applauded the efforts made at the Bali Ministerial Decision of 7<sup>th</sup> December, 2013, to conclude the WTO Trade Facilitation Agreement. He indicated that the WTO Trade Facilitation Agreement was established on the basis of: Article V (Freedom of transit); Article VIII (Fees and formalities) and Article X (Publication and administration of trade regulations) of the General Agreement on Tariffs and Trade (GATT) 1994.

15. Minister Sichinga highlighted that the focus of the agreement was to simplify customs procedures by reducing costs, improving their speed and enhancing efficiency. The expectation is that the business community from both the developed and developing countries would benefit from reduced costs arising from implementing measures contained in the Agreement, as these measures would facilitate the creation of a stable business environment that would be attractive

for foreign investment. He noted that globally, the gains from the full implementation of the agreement are estimated at about US\$400 billion to US\$1 trillion, from the cost reductions of between 10% and 15%.

16. The Minister noted that the agreement alone is not a panacea for all the challenges and concerns that LLDCs have, but it provides an opportunity for moving forward. He noted that the potential benefits are generally expected to include the following: speed up customs procedures, especially at entry/border points; make trade easier, faster and cheaper; promote and encourage the use of technology; improve movements of goods in transit; provide clarity, efficiency and transparency, reduce bureaucracy and corruption; and allow for technical assistance to update infrastructure in LLDCs, train customs officials or for any other cost associated with implementing the agreement.

17. Minister Sichinga encouraged the LLDCs' members to consider ratifying the agreement since the agreement will enter into force once 2/3 of the WTO Members ratify it. He also called upon the LLDCs to undertake needs assessments of their technical assistance as well as capacity building support that they required. He noted that a decision on the work programme on small economies was also taken in Bali in 2013 which could be of relevance to some of the LLDCs as a starting point. He called upon the WTO to develop a dedicated Work Programme for the LLDCs. This programme should address the special needs of LLDCs, such as the trade facilitation, Aid for Trade, services, electronic commerce and WTO accessions, among others.

18. The Minister underscored that the LLDCs had a huge trade potential which needs to be unlocked. In order to unlock this potential, however, it will require team work to deal with issues such as infrastructure, productive capacity, diversification and value addition. The conclusion of the Trade Facilitation Agreement will therefore, accelerate the process of unlocking the potential of the LLDCs. He also noted that for example, Zambia has also established a One-Stop Border Post (OSBP) at Chirundu (border with Zimbabwe) that has seen the reduction in the time spent from crossing the border from 9 days to about 9 hours. There is however, still room for further improvements. Similarly, additional infrastructure is being developed in other border areas such as Kasumbalesa (border with DRC), Katima Mulilo (border with Namibia) and Kazungula (border with Botswana), Nakonde (Border with Tanzania), Mwami (Border with Malawi) and Chanida (Border with Mozambique). These are some of the initiatives that Zambia has embarked on to turn its landlocked status to land linked.

19. Minister Sichinga concluded by stressing that the Trade Facilitation Agreement will, however, not only result in reduced costs of doing business but will also have an impact of regional trade agreements. He urged participants to also consider the effects that this Agreement will have in the regional groupings such as COMESA, SADC and EAC among others.

20. In his statement, Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative commended Mongolia's consistent support for and commitment to the cause of LLDCs, which is clearly reflected by their hosting of the Trade and Trade facilitation thematic meeting that was held in 2007 during the preparatory process of the Mid-term Review of the Almaty Programme and their hosting of the International Think Tank for LLDCs. He indicated

that this support is in line with Mongolia's dedication to contribute to the purposes and principles of the United Nations to promote social progress and better standards of life in larger freedom.

21. The Under-Secretary-General informed the meeting that inherent geographical difficulties, and poorly developed transport, communications and border management and logistics systems, hamper productivity growth and poverty reduction in landlocked developing countries. He indicated that the Almaty Programme of Action was adopted in 2003 as the United Nations response to the growing need to address the special development challenges faced by the LLDCs in a collective and focused manner. He noted that in December 2011, the United Nations General Assembly adopted resolution 66/214 in which it decided to convene a comprehensive ten-year review conference on the Almaty Programme. He noted that the Government of Austria had offered to host the conference from 3 to 5 November in Vienna. The review conference is also the Second UN Conference on LLDCs that will formulate a global development framework to support the needs of the LLDCs for the next decade, based on renewed partnerships among landlocked and transit developing countries and their development partners.

22. Mr. Acharya provided an update of the preparations for the conference in the three tracks that the preparatory process is following: intergovernmental, UN inter-agency and private sector tracks. Under the intergovernmental track, he indicated that the LLDCs prepared and submitted national reports on the implementation of the Almaty Programme of Action. Regional reviews were successfully held in 2013 in Vientiane, Addis Ababa and Asuncion. He underscored that these events had provided substantive inputs to be used for developing the new programme of action for the LLDCs. He also informed the meeting that two sessions of the intergovernmental preparatory committee for the Conference, will be held from 12 to 13 June 2014 and from 2 to 3 October 2014, in New York. The main mandate of these meetings of the intergovernmental preparatory committee is to prepare the outcome document of the conference.

23. Under the UN inter-agency track, the Under Secretary General noted that the Inter-Agency Consultative Group, comprised of key UN system, international, regional and other organizations, had held a series of meetings to consult on the substantive and organizational preparations for the Conference. UN-OHRLS and other UN system and international organizations have successfully organized fourteen pre-conference events focused on key developmental issues of crucial importance to the LLDCs, including for example international trade, trade facilitation and aid for trade, road and rail financing, the role of services, transport development, impacts of climate change, desertification, land degradation and drought, ICT development and connectivity, a brainstorming meeting on the priorities for a new development agenda for the LLDCs and recently a retreat of New York Ambassadors to discuss the substantive elements of the outcome document. Under the private sector track, he noted that a Steering Committee was established, and had held regular consultations to build a common position and prepare substantive inputs.

24. Mr. Acharya noted the tangible progress that has been achieved since the Almaty Programme of Action was adopted in 2003 including increased support from development partners, improvements in transit transport infrastructure and trade facilitation and increased harmonization of transport and transit policies between LLDCs and transit countries. As a result, the LLDCs as a group had improved their share of world trade over the past decade – and by

that, their economic growth. They had also made some advances on some aspects of social development such as primary education, gender parity in primary education, and representation of women in decision-making.

25. The Under-Secretary-General noted that despite this progress much more needed to be done as the LLDCs had not yet undergone the desired structural transformation, as shown by LLDCs' continued dependence on a few, unprocessed export commodities with lack of competitiveness. He noted that the LLDCs were beset by other challenges such as joblessness, extreme poverty, economic informality and isolation, declining productivity in agriculture, increased deindustrialization, and limited resilience to internal and external shocks, including climate change, desertification, land degradation and drought.

26. Mr. Acharya stressed that the Vienna conference, should come up with a new development agenda for the LLDCs that can truly deliver and adequately address all these issues and help them achieve rapid economic growth that is inclusive and environmentally sustainable. He noted that the major underlying structural constraint of the LLDCs is high trade transaction costs and improved trade facilitation would address this problem. He highlighted that the Trade Facilitation Agreement approved by WTO Members in December 2013 could yield great benefits to LLDCs as it seeks to drive customs efficiency, lower trade costs and reduce delays at border crossing. He indicated that an OECD analysis in 2013 which covered 133 countries revealed that full implementation of the Trade facilitation Agreement is estimated to reduce total trade cost by 14.5% for low income countries (that includes 10 LLDCs), 15.5% for middle income countries (that includes 9 LLDCs) and 13.2% for upper middle income countries (that includes 4 LLDCs).

27. The Under-Secretary-General underscored that the Agreement is also an innovative agreement as it will provide capacity building to developing countries to allow them to undertake the implementation where necessary. He highlighted that the main objective of the meeting was to enable participants to fully understand the Trade Facilitation Agreement and its implications for the LLDCs and how to effectively take advantage of the trade facilitation provisions available. The meeting was to come up with recommendations on actions that need to be undertaken by all stakeholders to ensure the full implementation of the Trade facilitation Agreement so as to really help the LLDCs to structurally transform their economies.

28. Mr. Acharya informed the meeting that besides addressing trade facilitation, other key priorities that have come up repeatedly from the pre-conference events and regional review meetings that were held and national reports and other substantive inputs include: (i) Investment into the critical transit transport infrastructure development and maintenance; (ii) Deepening of regional cooperation and integration has the potential to enhance competitiveness of LLDCs, improve their access to the seaports, increase their markets and maximize the benefits from globalization; (iii) Building the resilience of the LLDCs to internal and external shocks including among many, the global economic and financial shocks, conflicts, climate change and desertification resilience building; (iv) Enhancing productive capacities, value-addition, diversification, promoting the role of the private sector and linking up into the global value chains and trade in services in order to structurally transform the economies of the LLDCs; (v) A strong national strategy that is important to develop and implement strong national policies,

promote good governance, the rule of law, a good regulatory framework, human resource development, strengthen domestic resource mobilization, and sound macroeconomic policies; and (vi) Adequate means of implementation including ODA, Aid-for-trade, market access, capacity building support, transfer of technology, South-South and triangular cooperation is important for the LLDCs to achieve sustainable and inclusive development. Innovative forms of international support are also crucial and should be explored and strengthened.

29. He emphasized that strong linkages should be established between the LLDC conference and the Post 2015 Development Agenda. He also emphasized that the Conference was a very important international event, taking place only once in every ten years and that the UN Secretary-General placed the LLDCs high on his agenda and he had indicated that he will attend the Conference. He invited the participants to ensure that their Governments attend the preparatory committee sessions and to participate in the Conference at the highest level possible.

30. In his statement Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP highlighted the challenges and opportunities for connecting LLDCs to the global market. First, he pointed out that ESCAP and World Bank's trade cost database is showing that trade costs of LLDCs are still extremely high, typically 4 to 7 times higher than those of most other middle-income developing countries in Asia largely because of the constraints that they face due to their lack of access to the sea. Furthermore, limited progress has been made in terms of obtaining nondiscriminatory market access by LLDCs of the region with only four countries having successfully managed accession to the WTO since the adoption of the Almaty Programme of Action. He urged the international community to facilitate the process of accession to WTO of LLDCs on easy and expedited terms, thereby providing them the fruits of the multilateral framework of trade and market access.

31. Second, he exemplified surveys which were conducted by the ESCAP secretariat since 2012 on the implementation of trade facilitation measures by selected Asian countries including LLDCs which reveal that many measures for transit - including those in the WTO trade facilitation agreement – have rarely been effectively implemented. Thus, in order to truly help the LLDCs to get access to international market, transit countries and LLDCs should be more active in introducing these measures to facilitate transit. On the other hand, the results of the surveys also show that the LLDCs can also spearhead implementation of trade facilitation. He provided an example of Lao PDR, which is both a LLDC and LDC that has developed one of the most advanced trade portal in the region.

32. Third, he noted that a recent ESCAP study on Asian transit agreements in the context of the WTO negotiations reveals that little attention has generally been given to transit matters in preferential trade agreements. Transit issues were addressed through a variety of separate trade, transport, and transit specific treaties and instruments – rather than through a more integrated approach, which can lead to legal contradictions and inconsistencies. The study concluded that the WTO trade facilitation agreement clearly enhances the freedom of transit of WTO members, with specific provisions on guarantees and institutional aspects, which should be welcome news for WTO landlocked developing economies in particular.



33. Mr. Ratnayake indicated that even before the WTO trade facilitation agreement, ESCAP has a long-standing and very active programme of support on trade facilitation and highlighted following initiatives and efforts by ESCAP. He noted that under the mandate of the Almaty programme of action, ESCAP attached high priority to support its member states including the LLDCs to advance trade facilitation. ESCAP has proved to be an important platform in the region for policy dialogue between LLDCs, their transit countries and the development partners to implement the Almaty Programme of Action.

34. Mr. Ratnayake informed the meeting that ESCAP member states adopted ESCAP resolution 68/3 in May 2012 which aims at enabling paperless trade and cross-border recognition of electronic data and documents for inclusive and sustainable intraregional trade facilitation. Since then, the ESCAP secretariat has organized more than 20 capacity building activities for its member states. Most recently, an Ad Hoc Intergovernmental Meeting on a Regional Arrangement for the Facilitation of Cross-border Paperless Trade was held in Bangkok in April 2014. The Meeting discussed and revised the draft Agreement/Framework Arrangement on Facilitation of Cross –border Paperless Trade, and requested the Commission to endorse the establishment of the interim intergovernmental steering group on cross-border paperless trade facilitation. Although ESCAP resolution 68/3 is relevant to all ESCAP member countries, the key issues and challenges addressed are particularly relevant to LLDCs, because facilitating the cross – border recognition and electronic exchange of trade-related documents between landlocked and transit countries would significantly reduce costs and enhance efficiency of transit transport to LLDCs. Therefore, he urged all LLDCs in the region to be actively involved in implementing the ESCAP resolution 68/3.

35. Mr. Ratnayake noted that ESCAP and United Nations Economic Commission for Europe established the United Network of Experts for Paperless Trade (UNNExT) in 2009, which is a community of knowledge and practice for experts from the region to implement electronic trade systems and trade facilitation across the region. The trade facilitation tools developed under the UNNExT such as Single Window Implementation Toolkit provide countries with comprehensive guidance on how to implement some of trade facilitation measures included in the WTO trade facilitation agreement. LLDCs are encouraged to take advantage of these tools in the process of implementing the WTO trade facilitation agreement.

36. Mr. Ratnayake also noted that ESCAP is working in partnership with other UN Regional Commissions, the Asian Development Bank, World Bank, World Customs Organization and WTO. Recently, ESCAP, in partnership with ADB and WCO, assisted two LLDCs in the region, namely Bhutan and Nepal, to establish sustainable trade and transport facilitation monitoring mechanism. ESCAP has provided extensive advisory services in trade facilitation to Mongolia since 2009, including in drafting and peer reviewing the Mongolia National Single Window Implementation Masterplan in 2010, and organizing an External Partners' Meeting to discuss funding and Implementation of Mongolia National Single Window in 2012. ESCAP also provided relevant capacity building training such as on trade process analysis and data harmonization in 2012.

37. In conclusion, he said that ESCAP accords high priority to the implementation of the WTO trade facilitation agreement to assist its member countries including LLDCs in achieving

inclusive growth and sustainable development. He stated that ESCAP is ready to work collaboratively with all stake holders; the Asia-Pacific LLDCs, bilateral and multilateral donors and partners in this respect.

38. In her statement Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia said that it was widely recognized that international trade and investment play an important role in reducing poverty and enhancing human development by helping raise productivity, generating employment and boosting economic growth. She noted however that the LLDCs were unable to fully benefit from global trade and continued to fare poorly in comparison with their maritime neighbours on both economic and human development outcomes. She highlighted four areas where the LLDCs required breaking barriers.

39. First and foremost, she pointed out that in order for the LLDCS to be able to trade better, they should have a good product to sell. The product needs to be of good quality, up to international standards and competitively priced. No matter how many agreements a country has, how much infrastructure it has established, unless it has something worth selling – its trade will be limited. Therefore, she noted that many LLDCs rely on exports of a few commodities – they need to innovate and diversify their economies. At the end of the day it is small businesses producing a variety of goods that will create jobs and bring people out of poverty. And, unless there is an analysis of the market and the value chains for that product, their success in getting the goods to international markets will be limited – regardless of any other investment in trade.

40. Second, she indicated that trade needs to be integrated into countries' larger national development policy and planning efforts. It needs to be integral to the broader development objectives of poverty reduction and human development. Also she advised that there needs to be clear linkages and targets to ensure improved trade indeed results in human development gains.

41. Third, Ms. Sinanoglu pointed out a need for alliances that work together. The group of LLDCs is an excellent one, but there are many more that can be established. She encouraged LLDCs to be leaders for regional and global integrations efforts. She also highlighted a room for other innovative alliances, such as those between cities – especially those that share borders in neighboring countries and would jointly benefit from trade. Innovative alliances such as those among cities that can broker partnerships among businesses and trade should be welcome and encouraged.

42. Finally, she noted that there was a need for research, innovation, knowledge and an evidence base of what works and what doesn't - all with the goal of developing stronger negotiating positions, helping guide trade, transit and transport agreements and reduce non-tariff barriers. She remarked that the LLDC International Think Tank based in Ulaanbaatar could play a major role in this. The idea of setting up a Think Tank had emerged because of a felt need to strengthen analytical capabilities of the LLDCs to assess their problems, propose solutions and coordinate their efforts to negotiate common positions at regional and global forums. She encouraged LLDCs and countries to learn from each other, and the Think Tank could be a great conduit to promote the exchange of such experiences and best practices.

43. Ms. Sinanoglu concluded her statement by recognizing the cash investment that the Government of Mongolia had made into the LLDC Think Tank. She indicated that the UNDP is a partner to the Think Tank and supports both its aspirations to provide services to the global community and in translating that knowledge to actionable policies for Mongolia.

### **C. The development challenges of LLDCs and their participation in international trade**

44. In this session, presentations were made by H.E. Ambassador Juan Esteban Aguirre Martinez, Permanent Representative of Paraguay to the United Nations in Geneva and LLDC Group Coordinator on Trade and Development; Ms. Heidi Schroderus-Fox, Director, OHRLLS; Mr. Saurabh Sinha, Senior Economist, UNDP Mongolia; Mr. Erdenetsogt Odbayar, Interim Director, International Think Tank for LLDCs, and the LLDC Member States. The session was moderated by Ms. Ochir Enkhsetseg, Ambassador, Ministry of Foreign Affairs of Mongolia.

45. In his presentation Ambassador Juan Esteban Aguirre Martinez highlighted the potential benefits of the WTO Trade Facilitation Agreement (TFA) to the LLDCs. The TFA offered increased transparency and gave an opportunity for the LLDCs to comment on neighbour's new policies and regulations. It improved customs cooperation, and exchange of information. The agreement promotes one stop border posts, advance filing of documentation, more convenient guarantee regimes, reduced requirements at entry points, no technical barriers to trade to goods in transit and free circulation of goods in transit. He also noted that the TFA introduced the concept of disguised restriction on traffic in transit.

46. Ambassador Martinez highlighted that the TFA provided technical assistance for capacity building. He encouraged the LLDCs to ratify the agreement. He indicated that in order for the LLDCs to get quick access to the technical capacity assistance in the agreement, there is need to quickly ratify the agreement.

47. Ambassador Martinez highlighted that the endogenous factors that affect the LLDCs include infrastructure constraints, lack of ICT tools; limited public goods especially for health, education and other social development aspects; institutional bottlenecks including lack of coordination between relevant ministries and sectors especially at border crossings – police, customs and other agencies; market competition problems; and landlocked mindset. On landlocked mindset the presenter emphasized that if the LLDCs look at themselves as isolated then they will not be able to make a breakthrough and achieve structural transformation. Instead he indicated that LLDCs should see themselves as being important in driving the process of development in their regions take charge and fully address the endogenous problem.

48. Ambassador Martinez also highlighted the exogenous factors that the LLDCs were faced with. These include infrastructure constraints in neighbouring countries, additional border crossing costs, higher transportation costs, lack of access to sea ports and remoteness from major markets, and dependency on transit countries. He noted that the impact of both the exogenous and endogenous factors on LLDCs led to high export concentration, low value added of exports, more vulnerability to the volatility of international prices, low level of inflow of export oriented FDIs and asymmetric interdependence to neighbor countries. He noted that as a result today the

LLDCs account for only 1,2% of the world trade, represent only 2/3 of the trade volume of their neighbor countries, are twice costly than coastal economies for trading goods, trading from or to LLDCs takes in average a double time than in transit countries and the manufacturing value addition is only a half of transit countries.

49. In terms of recommendations, Ambassador Martinez suggested the following recommendations. In the short run (i) implement the trade facilitation agreement; (ii) strengthen the Group's participation in Geneva through looking for a special recognition of the Group in the WTO ie. a Working Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities, World Economic Forum and other relevant international fora; and (iii) expand the scope of the APoA to include services, environmental issues, regional value chains, and aid for trade. In the medium to long run (i) Enhance regional integration, (ii) Enhance productive capacities, value addition, diversification and reduction of dependency on commodities, and (iii) LLDCs and transit neighbours should undertake transport and trade facilitation reforms.

50. In her presentation, Ms. Heidi Schroderus-Fox, Director, OHRLLS highlighted that there has been increased economic growth that has been achieved by the LLDCs since the adoption of the Almaty Programme of Action in 2003. GDP growth rate for the LLDCs increased from 4.5% in 2002 to 6.3% in 2013. She noted that although an overall positive trend was achieved by the LLDCs as a group, there are very wide disparities across the countries and that the high economic growth rates have neither translated to job-creation nor rapid reduction in extreme poverty. She also noted that although the average GDP per capita for the Group increased from US\$697 in 2003 to US\$ 1,423 in 2012; in 20 out of the 32 LLDCs the GDP per capita is still well below US\$ 1,000. The presenter also noted that while there has been some positive developments with regard to the Human Development Index (HDI) in the last 10 years, 15 LLDCs were still in the lowest HDI ranking.

51. The presenter highlighted the progress made in the implementation of the priority areas of the Almaty Programme. On the priority area 1. Fundamental transit policy issues, the landlocked developing countries 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 agreement for the Trans African Highway. In April African Ministers of Transport in April 2014 held a conference, which endorsed the Trans-African Highway Agreement.

52. Some landlocked developing countries have developed supportive institutional framework for example, transport and trade facilitation bodies or coordination committees, and road funds. Border facilities and procedures have been streamlined and harmonized leading to increased efficiency and fewer delays. For example: one stop border controls at Zambia – Zimbabwe, Chirundu Border, and at Malaba border, between Kenya and Uganda. These are trade facilitation initiatives that need to be scaled up or replicated.

53. According to the World Bank's doing Business Report 2014, the number of days that landlocked developing countries take to import has decreased from 57 in 2006 to 47 in 2014 and

the number of days to export have reduced from 48 to 42 days over the same period. Although this is a major achievement, the number of days taken by landlocked developing countries to import and export is still almost double that of transit countries, 22 days to export and 27 days to import. Furthermore, transport costs for LLDCs remain high and have increased over the review period.

54. The presenter noted that even though relevant international, regional and sub-regional agreements and conventions have been established such as the TIR (1975), Harmonization of frontier controls of goods (1982), Contract for the International Carriage of Goods by Road (1956) and the Revised Kyoto Customs Convention (1999); ratification and effective implementation of relevant international conventions and regional and sub-regional agreements is slow.

55. On priority area 2, Infrastructure development and maintenance, progressive efforts have been made to develop and upgrade road and rail infrastructure and to foster the maintenance of the existing infrastructure at national, sub-regional and regional levels. For example 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. Dry ports are being established in all regions. However despite the progress made under priority area 2, physical infrastructure development is still inadequate and poses a major obstacle to the trade potential of LLDCs.

56. On priority area 3, International trade and trade facilitation, total trade (exports and imports) from landlocked developing countries grew from US\$93 billion in 2003 to US\$443 billion in 2013. However when compared to world total trade – LLDCs account for a very low proportion of global exports of only 1.2%. This demonstrates the marginalization of the LLDCs from the global markets. Furthermore, only a few LLDCs account for 60% of the total exports. The LLDCs rely heavily on natural resources and agricultural products for their exports making them highly vulnerable to commodity price volatility. It is very important that LLDCs diversify their export base. In terms of accession to WTO, the review period has witnessed the accession of – Nepal, Lao PDR and Tajikistan.

57. On priority area 4, International support measures, Official Development Assistance (ODA) disbursements to LLDCs more than doubled - from US\$ 12.2 billion in 2003 to US\$ 25.9 billion in 2012 in current terms. ODA accounts for more than 20% of central Government expenditure in 16 LLDCs. Aid-for-Trade disbursements to LLDCs have grown strongly, from US\$ 3.5 billion in 2006, to over US\$ 5.9 billion in 2012. Aid for trade has helped improve trade facilitation and trade related infrastructure.

58. Support from the UN system and other international and regional organisations has increased at global, regional and national levels. The major support provided include: advocacy and resource mobilization, capacity building – trade negotiations, customs reforms and border cross management, technical assistance in the areas of needs assessments for Aid-for-Trade, trade and trade facilitation, infrastructure development, capacity building and commissioning of specific studies.

59. The presenter noted that these challenges constitute some of the important issues to be addressed in the substantive preparation for the Second United Nations Conference. The presenter noted that the Trade Facilitation Agreement has the potential to address many of the fundamental transit policy issues that affect exports and imports of the LLDCs. She stressed that the recommendations that will come out of the workshop will be crucial to the development of a comprehensive development framework for the next decade that can address these special needs of the landlocked developing countries, based on scaled-up partnerships and enhanced international support.

60. In his presentation, Mr. Saurabh Sinha, Senior Economist, UNDP Mongolia, indicated that the LLDCs make up 6% of the world's population and cover 3% of the total land area. He noted that even though the LLDCs together contribute 1.4% of the world's GDP (at PPP, 2013), they are among the poorest developing countries and face multiple challenges: more than half are also least developed (LDCs); nearly half are classified as low human development; 10 of the 20 lowest-ranked countries in the Human Development Index are LLDCs; nearly half are classified as low income countries by the World Bank and more than one-third are landlocked. Using data, the presenter showed that LLDCs had lower HDI than their neighbouring coastal countries. Generally economic and human development indicators for landlocked developing countries were worse than those for maritime neighbours. However there were some LLDCs who were doing better than others.

61. The presenter indicated that variation among the landlocked developing countries in each region is related to their proximity to rich neighbours. The LLDCs in rapidly growing regions benefit from their more economically powerful neighbours for example: South Africa (for Swaziland, Lesotho, Zimbabwe, Malawi), India (for Nepal, Bhutan), China (for Mongolia, Laos), Viet Nam and Thailand (for Laos) and Russia (for Mongolia and Central Asia). He concluded that location within a prosperous region helps the LLDCs.

62. The presenter noted that trade has a significant and often positive impact on growth and poverty reduction in the medium-long term and can have strong redistributive impacts in short-term. He noted that LLDCs that had higher HDI are usually those with high levels of exports. The presenter pointed out that the LLDCs share 2 key structural challenges, which inhibit their economic development: these include lack of territorial access to the sea and dependence on neighbouring maritime countries for transit of goods. As a result they incur higher total transport costs for exports and imports and moving goods by land increases the cost by more than 7 times than if transported by sea. Using data he showed that LLDCs were dependent on a few commodities for their export earnings.

63. He suggested that there was need for strong regional networks to improve transit through neighbouring countries, strong domestic land (road and rail) infrastructure and sound cross-border administrative practices to reduce transit time. He underscored that LLDCs with only a few commodity exports are particularly strongly impacted by landlockedness.

64. Mr. Sinha also reviewed public spending by LLDCs on health and education which is an indicator of the national governments' seriousness in addressing human development in their

respective countries. He noted with satisfaction that in spite of the trade-related constraints, the LLDCs' average spending on the social sectors is comparable to their maritime neighbours in each region. There are some variations across regions and he suggested that the LLDC Think Tank could undertake this kind of a cross-country research and analysis for the LLDC member countries to assist them ensuring that trade facilitation not only helps improve trade, but also human development.

65. In concluding his presentation, Mr. Sinha noted that in spite of similar structural constraints, there are differences among LLDCs which is a cause for optimism. Through suitable policies many constraints can be overcome and human development enhanced. He stressed that while landlockedness may be a geographical reality, it does not have to be LLDCs' destiny.

66. In his presentation, Mr. Erdenetsogt Odbayar highlighted the trade challenges facing LLDCs and the response of the International Think Tank on LLDCs (ITT-LLDCs) to these issues. He pointed out that LLDCs are characterized by lack of direct access to the sea, remoteness from major markets, small populations and equally small markets. In many cases, the transit developing countries neighboring LLDCs are also equally poor. He indicated that these challenges were compounded by other difficulties such as additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure, that often translate into high transport and transit costs for LLDCs which impose serious constraints on their overall socio-economic development, including their trade competitiveness.

67. The presenter noted that LLDCs were among the poorest countries in the world. He highlighted that 16 out of 32 LLDCs were classified as LDCs and half of the LLDCs were in Africa. Moreover, most of the LLDCs are fully dependent on exports of raw materials and minerals and imports of food and other types of finished products. He indicated that economies of LLDCs were negatively affected by steep drop in prices of raw material and minerals in the markets of their immediate and third neighbors. He provided an example of Mongolia's case, where the dramatic fall in coal price in China had significantly led to economic stagnation in Mongolia.

68. The Interim Director of the ITT-LLDCs noted that a heavy reliance of the LLDCs on international trade, especially imports, has generated trade deficits. Although some initiatives to promote export diversification and value-added processing were being promoted, the results on the ground are poor due to a narrow manufacturing base and supply-side constraints. He highlighted that very few LLDCs such as Armenia, Kazakhstan and Macedonia exported manufactured goods, mainly low-tech goods such as textiles, leather products and handicrafts. He explained that the LLDCs with high transport costs and weak infrastructure development are unattractive to export-oriented FDI because the firms based in these countries will be much less competitive in international markets.

69. Mr. Odbayar provided the case of Mongolia whose economy continues to be heavily affected by the financial situation in its neighbors and therefore extremely vulnerable to their economic performance. Mongolia sources 95 percent of its petroleum products and a substantial amount of electric power from Russia. He added that trade with China represents more than half

of Mongolia's total external trade, which means that China is receiving more than three-fourths of Mongolia's exports. He stressed the need for Mongolia to improve value addition to its exports. He highlighted that unprocessed and semi-processed raw material of livestock has become one of the largest export commodities in Mongolia. He stressed that there is a chance for Mongolia to earn more income from livestock value added production where Mongolia can gain more benefit than from the mining sector. Labour-intensive manufacturing sector also generates more employment compared to the mining sector.

70. The presenter noted that in order to overcome the geographical disadvantages of LLDCs there was need for concerted action towards joining the international trade system and benefiting from trade facilitation, multilateral trade and transit transport negotiations, close and effective cooperation with transit developing countries, enhanced and comprehensive level of support from the international community and development partners and participation and ownership by the private sector as a key to LLDCs development. He added that LLDCs need multidimensional approaches such as implementation of policies and measures aimed at economic restructuring and specialization in these countries that take into account their transport-related obstacles. Development of productive capacities is also a key element of this process.

71. He offered LLDCs to pursue strategies for export-led growth, which means looking beyond their immediate neighbors and diversifying their sources into a broader range of higher-valued added activities and destinations of imports and exports. He noted that greater engagement in regional and global trade, better management of transport and transit arrangements and sharing knowledge and experiences are critical.

72. Mr. Odbayar introduced the ITT-LLDCs and indicated that it is aimed at providing support for strategic interventions to enhance the development prospects of all LLDCs. In this context, the ITT will provide LLDCs with a platform for knowledge sharing, support for intra-LLDC collaboration and other South-South engagement as well as for global cooperation. He informed the meeting that the ITT will also provide an online portal for exchanging views and the best practices to LLDCs. The ITT will support LLDCs to tackle persisting and emerging challenges by providing evidence-based advisory services and organizing high-level expert group meetings and workshops. He encouraged the LLDCs that had not yet ratified the multi-lateral agreement on the establishment of the ITT to do so.

## **Discussion**

73. In the ensuing discussion, representatives of the following countries made some interventions and presentations – Chad, Ethiopia, Malawi, Mongolia, Swaziland, Niger, Tajikistan and Zambia. The representatives noted that their countries were incurring high transportation costs. They noted that they had transit transport infrastructure problems and that they were very far away from the nearest sea ports. The LLDC representatives highlighted some of the transit problems that they were experiencing including lack of border control papers in French in the French speaking LLDCs, lack of transparency and limited use of ICTs. In order to unlock their trade potential, the representatives stressed that infrastructure development is important in both the LLDCs and the transit countries; increased use of ICTs at the border crossings was important.



74. With regard to the Trade Facilitation Agreement (TFA), participants noted that they need technical and financial assistance to support them in the implementation of the agreement. They agreed that it was important to implement the agreement as soon as possible. They encouraged each other to undertake the needs assessment to establish how much they need for implementing the agreement. They also encouraged each other to be in contact with transit countries to put in place transit measures that they will be legally bound to do by the TFA.

75. They noted that Aid for Trade will be important and should be maintained and increased in order to support the implementation of the TFA. Some representatives noted the trade facilitation initiatives that they were implementing including single window, one stop border post and others. Participants noted that some of the challenges of implementing the trade facilitation initiatives was belonging to two regional groupings such as SADC and COMESA, where the RECs were not at the same status of implementing trade facilitation initiatives.

76. Most of the LLDC representatives noted that their economies were dependent on a few primary commodities for exports either agricultural or minerals. Most of the representatives noted that they did not do much value addition to their exports. As a way forward the participants agreed to the need to diversify their economies, establish local industries that could process their products. Some countries noted that they had developed and were implementing a national diversification strategy.

77. On the ITT-LLDC, participants sought clarification on how the ITT-LLDC could be linked to the local think tanks in the LLDCs. The Interim Director explained that the ITT was also interested in creating linkages with the national think tanks. He indicated that they had already developed very good links with think tanks in the US, and Japan. The meeting stressed the need to ratify the agreement on the ITT. It was agreed that more information will be shared on how the LLDCs that had not yet done so could ratify the agreement. Participants needed clarification on whether South Sudan had formally become a LLDC. This was confirmed by the Director of OHRLLS. Participants also called for disaggregated analysis for use to support the negotiation process for the outcome document of the Second United Nations Conference on the LLDCs.

#### **D. The WTO Agreement on Trade Facilitation and its implications on the LLDCs**

78. In this session presentations were made by Mr. Raul Torres, Counsellor, Development Division, WTO; Mr. Sandagdorj Erdenebileg, Chief, Policy Development, Coordination, Monitoring and Reporting Service, OHRLLS; Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP; and Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD. The session was moderated by Mr. Od Och, Permanent Representative of Mongolia to the United Nations in New York.

79. In his presentation Mr. Raul Torres, Counsellor, Development Division, WTO, highlighted the current structure of the TFA post legal review that includes a preamble, section I on trade facilitation disciplines (Articles 1-11), Customs Cooperation (Article 12); Section II: Special and

Differential Treatment; Section III: Institutional Arrangements and Final Provisions and an Annex 1 on Donor technical assistance notification format. He noted that under Section I, articles 1 to 5 related to GATT article X; article 6 to 10 related to GATT article VIII and article 11 related to GATT article V. He indicated that there were three forms of nature and scope of the obligations – binding, best endeavour and a combination.

80. He explained the provisions under Article 11 on Freedom of Transit. Most of the provisions were in binding language: (i) Any regulations and formalities shall not be maintained if circumstances/objectives no longer exist; and Constitute a disguised restriction on trade; (ii) Traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses); (iii) Prohibition on voluntary restraints on traffic in transit; (iv) Non-discrimination principle expanded and strengthened; (v) Separate infrastructure for traffic in transit encouraged; (vi) Formalities, documents and controls shall not be more cumbersome than necessary; (vii) No charges, delays or restrictions once goods cleared for transit; (viii) No application of technical barriers to trade (TBT) measures to transit goods; (ix) Advance filing and processing of transit documentation to be allowed and provided; (x) Promptly terminate transit operation once exit point is reached; (xi) Guarantees: Limited to ensuring requirements are fulfilled, Discharged without delay, Allow multiple transaction or renewal, Publish information used to set guarantees, Convoys or escorts only in high risk cases; (xii) Endeavour to cooperate to enhance transit; and (xiii) Endeavour to appoint national transit coordinator.

81. The presenter explained that other trade facilitation provisions in the agreement that are of interest to LLDCs include Expedited Shipments: imposes on members to expedite the release of air cargo; Single Window: submission of documentation for import/export should be to a single electronic point; Authorized operators: lower documentation and inspections, rapid release, deferred payments, etc; Risk Management: focus on high-risk consignments to expedite release and clearance of low-risk goods; and Border Agency Cooperation: ensure cooperation and coordination between authorities and agencies responsible for border controls to facilitate trade. The TFA suggests the following for cooperation with other Members: Alignment of working days/hours and procedures/formalities; Joint controls and sharing of common facilities; and Establishment of one stop border post control.

82. Section II of the TFA on Special and Differential Treatment (SDT) is guided by the following general principles: The extent and the timing of implementation will be related to the implementation capacities; technical assistance and capacity building should be provided to help implementation; Implementation will not be required until capacity has been acquired; Each developing member determines its capacity; Each developing member decides on the categorization of provisions; All provisions binding on all members and will be eventually implemented.

83. There are three categories of provisions: Category A contains provisions that a developing country Member or a LDC Member designates for implementation upon entry into force of the TFA or in the case of a LDC Member within one year after entry into force. Notifications by developing countries on the measures they will put in category A are due by 31 July 2014. Category B contains provisions that a developing country Member or a LDC Member designates for implementation on a date after a transitional period of time following the entry into force of

the TFA. Category C contains provisions that a developing country Member or a LDC Member designates for implementation on a date after a transitional period of time following the entry into force of the TFA and requiring the acquisition of implementation capacity through the provision of assistance and support for capacity building.

84. The presenter explained the Early Warning Mechanism where if a Member experiences difficulties in implementing by the definitive dates it established, it should notify the Committee. The developing countries should notify no later than 120 days before the expiration date and LDCs no later than 90 days before the expiration date. The Member State should notify new dates and indicate reasons for delay. Automatic extension will be granted if it is the first request and for less than 1.5 years (developing) or 3 years (LDCs). Subsequent extensions will be submitted to the Committee.

85. Donor Members agree to facilitate the provision of assistance and support for capacity building to developing country and LDC Members on mutually agreed terms and either bilaterally or through the appropriate international organizations. For transparency purposes, Donor Members assisting developing and LDC Members will inform the Committee, at entry into force and annually thereafter, the technical assistance and capacity building that was given. This includes amounts, agencies involved, description of assistance and procedures. With regards to availability of resources for technical assistance, the presenter was hopeful that development partners will come up with resources that could be used.

86. The presenter noted that the Preparatory Committee will function as a normal WTO Committee. The immediate tasks of the Committee include: To perform a legal review to the French and Spanish texts (the English text was concluded), which has to be done by 31 July 2014; Prepare a draft protocol of amendment to include the TFA in Annex 1A of the WTO Agreement; and to receive notifications of category A commitments.

87. The presenter indicated that the ratification process included: (i) drafting of the draft Protocol of Amendment; (ii) the General Council to adopt the Protocol before 31 July 2014; (iii) Members to go through their internal treaty ratification process and notify acceptance of the protocol to WTO. (iv) The protocol will be open for acceptance until 31 July 2015; (v) The agreement will enter into force once 2/3 of the WTO Members ratify it.

88. The presenter concluded his presentation by highlighting why the TFA was important for the LLDCs. The main objective of the TFA is to reduce trade transaction costs. He showed that the LLDCs had the highest trade transaction costs so they would benefit most. The TFA measures could potentially reduce trade transaction costs between 13-15.5% for developing countries.

89. In his presentation Mr. Sandagdorj Erdenebileg, Chief of Policy Development, Coordination, Monitoring and Reporting Services, OHRLLS enumerated a number of potential benefits that LLDCs could reap once this Agreement goes into force. These benefits include but not limited to: the speeding up of border crossing procedures; making trade easier, faster and cheaper; provision of clarity, efficiency and transparency; and reduction in bureaucracy and corruption. Implementation of the TFA will provide opportunity to join global value chains;

promote the application of information and technology and best practices; contribute to an improvement in the movement of goods in transit as it ensures that a non-discrimination principle is strengthened with Most Favored Nation and National Treatment to all transit goods; and finally, LLDCs will receive international support to build capacity for the implementation of the trade facilitation measures.

90. He indicated the definition of goods in transit included (i) Goods (...) shall be deemed to be in transit across the territory of a contracting party when the passage across such territory (...) is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. (ii) There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit (...), No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport. And (iii) (...) such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt.

91. He indicated that the definition of transit of the WTO TFA is different from that of the Convention on the Law of the Sea. In the TFA, the definition also relates to the LLDCs who could be also transit country for some countries.

92. He highlighted some of the articles of the TFA that were relevant to the LLDCs. Article 6 - Disciplines on fees and charges imposed on or in connection with importation and exportation had the following provisions: Traffic in transit shall not be conditioned upon collection of any fees or charges; fees should be limited to the size of fees and charges to the approximate cost of services rendered; Information on fees and charges shall be published promptly; An adequate time period shall be accorded between the publication of new or amended fees and charges and their entry into force. And Each Member shall periodically review its fees and charges with a view to reducing their number and diversity.

93. Article 8 on border agency cooperation had the following provisions: Members shall cooperate on mutually agreed terms to coordinate procedures at border crossings to facilitate cross-border trade, alignment of working days and hours; alignment of procedures and formalities; development and sharing of common facilities; joint controls and one stop border posts.

94. Provisions of Article 10 – Formalities connected with importation and exportation and transit aims at harmonizing, simplifying and reducing transit formalities and documentation. The provisions include: Accept paper or electronic copies of export or import documents, Establish or maintain a single window, Use relevant international standards as a basis for importation, exportation or transit formalities and procedures and the Trade Facilitation Committee shall develop procedures for the sharing of information and best practices on the implementation of international standards.

95. The presenter emphasized that Article 13 on institutional arrangements had provisions that 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 Agreement. On Article 11 that deals with the Freedom of Transit, the presenter noted that the Article states that first any regulations and formalities shall not (i) Be maintained if circumstances/objectives no longer exist; and (ii) Constitute a disguised restriction on trade. Second, traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses).

96. The presenter noted the following provision of assistance for capacity building - Donor Members agree to facilitate the provision of assistance and support for capacity building to developing country and LDC Members on mutually agreed terms and either bilaterally or through the appropriate international organizations to implement the provisions of the Agreement. He also noted the following principles - take account of the overall developmental framework of recipient countries and regions; include, where relevant and appropriate, activities to address regional and sub-regional challenges and promote regional and sub-regional integration; ensure that ongoing trade facilitation reform activities of the private sector are factored into assistance activities.

97. Finally, the presenter said that this agreement holds enormous benefits for the LLDCs, however, it is important that the following takes place. There is a need to encourage ratification of the agreement by WTO members, and that LLDCs need to assess their technical assistance and capacity building support needs and priorities to implement the agreement. A decision on the work programme on small economies was taken in Bali in 2013 and this could be of relevance to some of the LLDCs. In addition, it is important for the WTO to launch a dedicated Work Programme for the LLDCs to assist LLDCs address their special needs on trade facilitation, Aid for Trade, services, electronic commerce and WTO accessions. He also indicated that as the Vienna conference would take place, it is important to have text on the need for the LLDCs to be supported on trade issues.

98. In his presentation, Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP looked at mainly two topics, namely, review of regional state of play in trade facilitation, especially the LLDCs, and ESCAP's support for trade facilitation. He noted that ESCAP and the World Bank have jointly developed a bilateral trade cost database to provide a systematic and standardized way to evaluate trade costs in developing countries. The bilateral comprehensive trade costs capture all additional costs involved in trading goods bilaterally relative to those involved in trading goods domestically, including: International shipping and logistics costs; Tariff and non-tariff costs, including indirect and direct costs associated with trade procedures and regulations; Costs from differences in language, culture, and currencies.

99. The presenter noted that in a graph of the intra and extra regional trade costs 2006-2011 the best performer of the LLDCs is Kazakhstan, especially in terms of trade costs with China, whilst the worst performer is Bhutan, its trade costs are ten times and five times more than those of the Republic of Korea, China and USA, respectively. This can be explained by the fact that Kazakhstan neighbours China whilst any trade between Bhutan and another country has to be through India which inevitably add the total costs. He indicated that closer examination of the trade costs show that Maritime Connectivity, business regulatory environmental and availability of ICT services were the major sources of high trade costs.

100. The presenter also showed survey results of the trade facilitation and paperless trade from 29 Asian countries including 9 LLDCs. The countries got a score whenever a trade facilitation measure is fully or partially implemented. The maximum possible score is 100. No country can achieve this mainly because no country can fully implement cross-border paperless trade. Anyway, Singapore is ranked the top among these countries. The best performer of LLDC is Azerbaijan (with score of about 50), followed by Lao PDR and Bhutan is the worst performer (with score of about 24). The respondents were also asked to identify the key challenges for implementing trade facilitation measures in their countries. In particular, they were asked to rank three key challenges out of five, namely: (1) Lack of coordination between government agencies; (2) Lack of political will; (3) No clearly designated lead agency; (4) Financial constraints; (5) Limited human resource capacity. Half of the LLDCs in the region such as Afghanistan, Bhutan, Lao PDR and Mongolia identified “financial constraints” as the most challenging factor. On the other hand, “lack of coordination between government agencies” and “limited human resources” have been identified by the respondents as the key challenging factors.

101. Mr. Ratnayake indicated that the third angle to look at trade facilitation in the region, especially relevant to LLDCs, is a recent study carried out by ESCAP. The study examined the Asian transit agreements in the context of WTO negotiations. ESCAP found that little attention has generally been given to transit facilitation matters in preferential trade agreements; Transit issues have been addressed through a variety of separate bilateral/regional trade, transport, and/or transit specific treaties and instruments – rather than through a more integrated approach. When compared to the text of bilateral/regional agreements, the WTO Bali text typically enhances the freedom of transit of WTO members, with specific provisions on guarantees and institutional aspects. Agreement text is important, but actual implementation is more important and challenging.

102. The presenter highlighted some of the initiatives that ESCAP is undertaking to improve trade facilitation in the region. In concluding his remarks, he stressed the following points: (i) Trade facilitation is essential for improving trade competitiveness and enabling participation in production networks and there was a lot of room for improvement in Asia-Pacific LLDCs; (ii) WTO TFA implementation provides a great opportunity to engage in trade facilitation reform; (iii) Need for a “whole of supply chain” approach to trade facilitation including a comprehensive assessment/analysis of import-export procedures needed and monitoring; (iv) moving from paper to electronic exchange of documents will not be an option for much longer, so plan accordingly and (vi) participation in regional/subregional initiatives can make a difference.

103. In his presentation, Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division of Technology and Logistics, UNCTAD highlighted that the trade issues for the LLDCs include; Clear rules and regulations for bringing goods to market; Transport and transit; Import/Export; Border procedures, including other than Customs; Moving from “LLDC victim” status to partnership focus; Focus on Economies of scale for transit partners; LLDCs provides additional volume for sea ports; Infrastructure and services in transit countries; Land-linking opportunities; Sensitivity to issues in transit countries; Public – e.g. smuggling, infrastructure costs; Private – e.g. competition; Securing public interests; Public revenue protection and public health/security; Protecting infrastructure; Economies of scale reduce costs of country’s own

trade; Port services; Logistics services; and Infrastructure costs. He noted that transit traffic generates services and economic activities including public services, repairs and workshops, gas stations, rest and parking places, small trade along transit corridors like restaurants and warehouses.

104. The presenter noted that the TFA had impacts on infrastructure; means of transport; goods; operation; and services. The provisions of the TFA on infrastructure include Art. 11.5: physical separate infrastructure – and opportunity for donor assistance for infrastructure; and Art. 8: Border Agency Cooperation – an opportunity for joint border stations. Provisions for means of transport include Art. 11.3 and GATT V: Freedom of Transit; Art. 11.8: WTO Agreement on Technical Barriers to Trade; Art.11.5: Customs Convoys/Escorts. Provisions on goods include Art. 7–11 provides guidance for goods clearance; Art. 11.1-5 Freedom of Transit (Bilateral/Regional/International); Art 11.6-11 Customs Transit provisions (e.g. WCO) including use of IT systems such as ASYCUDA; Art 11.12 General; 11.13 Transit coordinator. Provisions for operation include: Art. 1-5 Provides information and transparency Art. 8: Alignment of operational procedure - Opening hours, Joint operations, Joint controls, Opportunity for technical assistance and capacity building; Art. 11.8: Risk of technical barriers; Art. 7: Concept of authorized operator. Provisions on services include Art. 11.2: that only addresses administrative fees and changes and transport charges are not covered by this article and Art. 13: National Trade Facilitation Committee.

105. The presenter noted that some individuals in both LLDCs and transit countries stand to lose in particular licensed operators, and customs brokers and officials. He pointed out that both LLDCs and transit countries need technical assistance and capacity building. He highlighted that Trade Facilitation issues go beyond the WTO TFA. Partnership both public and private was important in National Trade Facilitation Committees. He advised that there is need to consider carefully obligation nature, notification and technical assistance and capacity building needs. He encouraged the LLDCs to seek assistance for example from international organizations. He also noted that there was need to address the spaghetti bowl syndrome of regional integration.

106. The presenter suggested the following recommendations for post APoA: WTO LLDC and transit country focus; WTO TFA implementation assistance; LLDC and Transit Country collaboration focus; Inclusion of trade facilitation in national development plans; Framework for bilateral collaboration E.g. Border cooperation; Regional cooperation / integration E.g. Regional Transit systems and guarantees; International standards implementation support; Focus on transport corridor approach; Develop a conveyor belt approach for transit; LLDC and transit country technical assistance and capacity building focus; Support implementation of technology and IT systems and improved facilitation and transparency.

## **Discussion**

107. In the ensuing discussions, some LLDC representatives indicated that they were preparing to submit notification on the measures that they will put in category A in implementing the TFA. They noted that the TFA would be very beneficial to their countries if it is fully implemented.

108. On the issue of Members that do not ratify the agreement, the WTO representative noted that the TFA will not be binding on any member that has not ratified.

109. Participants sought clarification on whether the TFA applies to goods that travel through fixed infrastructure. The representative of WTO explained that the TFA applies to all goods in transit regardless of the means of transport including transport, gas, electricity and ICT. Participants also sought clarification on why the WTO representative had optimism on the availability of support for technical assistance and capacity building. In response he indicated that the trends in ODA had now reached their pre-crisis level and trade facilitation related assistance was increasing.

110. Participants appreciated the work that ESCAP was undertaking on trade facilitation and requested that it should share with the other regions. Participants also stressed that the LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. Participants were also advised not to get too locked down with the political process of the TFA but instead to continue to work on trade facilitation initiatives using regional trade agreements.

111. Participants also discussed the outcome of the thematic preconference events. They stressed that the future programme for the LLDCs should be broader and aim to address the challenges of the LLDCs in a more holistic manner.

112. The representative of the Asian Development Bank highlighted that on infrastructure development it is essential (a) to coordinate (otherwise, investments are wasted -- both ADB and UNDP have invested in border crossing point renovations on one side of a border, not taking into account the views of the neighboring country, which sought to limit the number of border crossing points it staffed and maintained: the result being that the renovated border crossing points remain closed to traffic), (b) to do what's necessary, not always what's ideal, and (c) to avoid any duplicate capacity on both sides of the same border crossing point. He noted that on technical assistance, the LLDCs must conduct trade facilitation needs assessments and share the results with development partners. He encouraged the LLDCs to use existing resources such as UNECE Trade Facilitation Implementation guide, and ITC Business Guide. He underscored the importance of interagency cooperation and dialogue with private sector. It was also important for the development partners to be well coordinated.

## **E. The WTO Agreement on Trade Facilitation and its implications on the LLDCs – Focus on the private sector**

113. In this session, presentations were made by the following: Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC; Mrs. Lee Ju Song, Executive Director, ICC Asia; Ms. Olive Z. Kigongo, President, National Chamber of Commerce and Industry, Uganda; and Mr. Irmuun Demberel, Senior Officer of Invest Mongolia Agency. The session was moderated by Mr. Tsogtbaatar Damdin, Former Minister for Environment of Mongolia.

114. In his presentation Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC, indicated that export competitiveness depends on international trade procedures. Managing cross-border operations involved costs including to: collect, produce,



transmit and process information and documents, comply with border agencies requirements and to organize logistics from manufacturers premises to clients grounds. This resulted in logistics costs that represent up to 15% of product value and 63% of logistics costs consist of transport costs including border-crossing costs. He indicated that if the borders are not efficient it all leads to more costs to the business owners both direct and indirect costs.

115. The presenter noted that SMEs were particularly vulnerable to the costs because on a relative basis, SMEs dedicate more human resources to export than large business, intermediate financing required to cover working capital needs is very expensive, SMEs are often classified as “High risk” operators by border agencies and they rarely can join “Authorized Economic Operator” scheme because SMEs cannot afford large logistics provider services who could speed up the border crossing process. He also noted that LLDCs’ trade costs are 60% higher than LDCs average, double the world average.

116. Dr. Saeed indicated that trade facilitation is transparency and efficiency in international trade supply chain through: Simplification, Standardization, Harmonization and Modernization; An ongoing and multi-agency function better achieved through collaboration between public and private sector and has the potential to reduce costs and address inefficiencies. He pointed out that the OECD study showed that the WTO TFA has the potential to save costs, improve administration efficiencies and governance structures.

117. The presenter noted that the obligation arising out of the TFA are equally applicable to developing countries, whether LLDCs or otherwise. The Trade Facilitation Agreement provides for unique special and differential treatment. The extent of obligations would be decided by the countries themselves. The timing is also of the choice of the developing countries and the obligations are linked with implementation capacity. But they are based on countries’ development status, not on land-locked characteristics. Special treatment only provided for developing countries as well as for least-developed countries.

118. He noted that 2 provisions were more important to the LLDCs than to other countries and these are Freedom of transit - Art. 11, and Border agency cooperation - Art. 8. He also noted that the following articles were also relevant as they relate to transit. Publication – Art.1, Consultation before entry into force – Art.2, Penalties discipline – Art.6, Trade Facilitation measures for Authorized Operator – Art.7, Transit formalities and documentation – Art.10.1, Acceptance of copies – Art.10.2, Use of International Standards – Art.10.3 and Single Window – Art.10.4.

119. The presenter concluded by highlighting the following points: (i) Trade-related costs must be reduced in particular in LLDCs where costs are significantly higher than in the rest of the world; (ii) Trade facilitation has the essential elements to reduce costs by addressing border inefficiencies, helps achieving this goal and LLDCs should seize this opportunity to improve their country and their private sector competitiveness; (iii) Freedom of Transit (Art.11) and border agency cooperation (Art.8) are 2 provision which would specifically support LLDC in achieving their objectives of reducing trade costs; (iv) Trade Facilitation and SMEs involvement in value chains are closely linked and SMEs are particularly vulnerable to cumbersome cross-

border processes. (v) Trade facilitation is most effectively pursued when stakeholders work in coordination - Government, SMEs, TSIs, TNCs, and development partners.

120. In her presentation, Mrs. Lee Ju Song, Regional Director of ICC Asia, indicated that the implementation of the WTO Trade facilitation Agreement will empower the LLDCs. It will bring benefits to 3 main sectors: (i) government itself, (ii) customs administration, and (iii) the business community in both the LLDCs and their trading partners. In order to bring about real benefits, there must be consistent efforts to engage all the stakeholders. The invaluable input and role to be played by the private sector should not be ignored. She stressed that international organizations that are actively engaged in the promotion of international trade and trade facilitation such as the ICC need to be closely engaged in the implementation of the trade facilitation agreement. The private sector is well placed to provide invaluable feedback on the type of infrastructure required to make things work.

121. She indicated that the implementation of the TFA will provide LLDCs with opportunity to strengthen their partnership with the private sector in their common objective of bringing their countries to the next level of advancement. She expressed ICC's confidence in expediting the implementation process by working with WCO, WTO, UN and LLDCs as ICC has an excellent track record in the area of facilitation. To bring certainty that LLDCs can be expected to successfully internationalize their custom procedures, and to expedite the process, we should capitalize on the success of existing Trade Facilitation Systems: they can help fast track the progress. She stressed that we should do what is do-able and implement what is already there and is working for both customs and business, and not to wait until the Agreement has been ratified by a two thirds majority.

122. She said that ICC strongly believes that its global network of members in over 130 countries can effectively contribute to the creation of national trade facilitation committees which can make an effective contribution to the deliberation and help strengthen Chamber-Customs-Partnership in creating a business friendly environment. The ICC World Chambers Federation have been working with WCO since 1963 in the successful operation and management of the ATA Carnet System, which is the international trade facilitation system providing duty-free temporary admission of goods provided they are totally re-exported. She pointed that this is a Must have powerful marketing tool which LLDCs must have to help their businesses to successfully build an export market and to ensure their smooth participation at international trade fairs.

123. She indicated that currently the System is in operation in 74 countries and the number of countries joining the system is on the rise. ICC is working with Nepal, Vietnam, Indonesia, Bangladesh, Brazil, Saudi Arabia, and Qatar on the early implementation of the System to make them an attractive destination for trade, investment, the arts, sports and culture as well as to increase the safety of their customs as the System guarantees full payment of Custom duties/ taxes/ should the goods fail to be totally re-exported. She also pointed that another area where ICC WCF can be of help is the area of trade documentation and the use of technology to provide speedy trade documentation services in a secured environment and at the same time provide an independent tier of check in the security of the supply chain.

124. The ICC has set up an international standard for the issuance of Certificate of Origin (CO) by Chamber. CO is an important Trade facilitation document as it provides vital data for: Customs Administration, Banks for LIC clearance and Businesses for their Tracking of their Shipment. COs are usually accepted by Customs Admin because they are issued by Chamber which are regarded as competent trusted 3rd party with neutrality and integrity.

125. ICC has also set up an international CO chain based on its International CO Standards and a website for Customs Admin to check on the authenticity of the CO issued. She said that many of ICC members are also issuing CO electronically to provide Speedy Service in a secured environment.

126. In maintaining trust and integrity of the supply chain, ICC WCF recommends that Customs build upon existing public-private partnerships with private sector organizations such as chambers of commerce, in aiding accessibility of SMEs to benefit from RTA/PTAs. ICC also encourages that RTA/PTAs use, or adapt existing mechanisms (e.g. business certification systems, registration programmes) which can support both the public and private sector needs, to reinforce security and ensure compliance, as part of an implementation strategy.

127. ICC, therefore, is looking forward to work with WCO, WTO and other stakeholders in their common objective of bringing greater trade facilitation to the expanding international business community.

128. In her presentation Ms. Olive Z. Kigongo, President of the National Chamber of Commerce and Industry of Uganda highlighted the importance of the SMEs to the LLDCs. She emphasized that the SMEs have to be actively involved in the implementation of the TFA. She highlighted the progress achieved in the East African Community (Uganda, Kenya, Tanzania, Rwanda and Burundi). She noted that the EAC member states have adopted a destination model of clearance of goods where assessment and collection of revenue is done at the first point of entry. This allows free circulation of goods in the single market with variations to accommodate goods exported from one partner state to another. Customs administrations at destination states will retain control over assessment of taxes.

129. The presenter noted that Asycuda World (Automated System for Customs Data) system was being used in the region. The EAC was constructing One Stop Border Posts (OSBP) e.g. at Mutukula, Katuna and Busia. As a result the clearance of goods at the border posts will be shortened from days to just hours following a boost of \$15million for border post infrastructural development provided by Trade Mark East Africa.

130. The presenter noted that the Uganda Revenue Authority introduced the Electronic Cargo Tracking System to improve efficiency and reduce the cost of doing Business. The Government of Uganda is taking the steps necessary to launching a one stop electronic trade clearance system – Single window - a computerized scheme that saves time and money. A High Level Task Force has been constituted to agree on national governance. In 2010, the Uganda Revenue Authority set out to pilot the Authorised Economic Operator (AEO), a World Customs Organization (WCO) framework whose major objective is trade facilitation, promotion of supply chain

security and ultimately enabling voluntary compliance to customs. The presenter noted the transport infrastructure development that was being undertaken in the region.

131. The presenter noted the Sanitary and Phytosanitary Agreement for development and periodic review of standards, guidelines and recommendations with respect to all aspects of sanitary and phytosanitary measures. To facilitate market access and promote intra Africa trade it is critical that border trade policies, including SPS measures be harmonized in line with international standards and guidelines in the interest of improving the movement of goods and services in the region. A council of Ministers signed a protocol to this effect and is expected to be ratified by all the states by 30th June 2014.

132. She highlighted the status of the EAC – European Community Economic Partnership Agreement negotiations, the customs capacity building programme that was launched in May 2013 and the finalization of the Study on the development of a legally binding mechanism on Elimination of Non-Tariff Barriers.

133. Ms. Kigongo concluded her presentation by highlighting the challenges facing the private sector that include; poor infrastructure and utilities, financing cost, low levels of entrepreneurial and managerial skills, poor governance and lack of market information.

134. In his presentation, Mr. Irmuun Demberel, Director of Division of Invest Mongolia Agency highlighted that Mongolia was open for business. The country had a stable democracy, an open investment environment, had natural resources, open to undertake diversification and for investment in megaprojects.

135. The presenter provided statistics on the economy of Mongolia. He noted that Mongolia was one of the fastest growing economies globally. Its growth was in double digit and the country had managed to reduce poverty from 39% in 2011 to 27% in 2013. He highlighted the large natural and mineral resources that the country was endowed with including gold, copper, coal, iron ore, lead, zinc and uranium. He also noted that the country had a strong agricultural sector and had the potential for renewable energy sources. He highlighted the railway and infrastructure development plans that the country was implementing.

136. The presenter highlighted the reforms that the country had and was undertaking. He noted the recently approved laws to include: the Investment law (Oct 2013); Investment Fund Law (Oct 2013) and the Law on Securities (May 2013). He highlighted that FDI was regaining in the first half of 2014 and that there were more new FDI companies. He also provided a summary of the feedback received on the effectiveness of the Investment Law.

## **Discussion**

137. In the ensuing discussion participants asked how Mongolia as a landlocked country could attract FDI from other countries compared to its big neighbours Russia and China. The presenter noted that they have good relations with their neighbours and that the neighbours provided good market for them. Participants also asked if Mongolia had an approach to encourage SMEs to configure sectorally. The ICC was asked if it had training manuals that would build the trading capacity of the SMEs in order for them to understand the language involved in trade and trade

facilitation. The meeting was informed that the ICC was involved in capacity building. Participants were interested in knowing if the private sector in Uganda was involved in the trade negotiations. In response the presenter noted that they were involved through their national Governments.

138. Participants noted that the process of customs improvement has been slow in particular in the LLDCs. They stressed that training is very important for the customs officers. Transport costs were also very high for the LLDCs. Regional integration is important for reducing transport costs and to facilitate cross border trade. The representative of ITC indicated that they are working with stakeholders in different countries in order to reduce the costs for the SMEs. The ITC is helping the SMEs on TFA through awareness raising and informing them on what they can benefit from the TFA. The next level involves working with governments and their stakeholders to develop relevant policies. In Central Africa trade integration has been pursued and single windows were established.

139. The meeting noted that legal reforms are important in order to attract investors and well developed infrastructure. They underscored the need for most LLDCs to receive quality investment. Participants expressed concern that the LLDCs might be taxing the SMEs and instead giving incentives to the large investors. They cautioned that governments should try to avoid doing that.

## **F. Legal framework on transit trade and transport: Multilateral conventions, regional, sub-regional and bilateral**

140. In this session presentations were made by Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation; Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat; World Bank; Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD; Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa; Mr. Erdenetsogt Odbayar, Interim Director, International Think Tank for LLDCs; and Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank and by Members States. The session was moderated by Mr. Damdin Tsogtbaatar, Former Minister for Environment of Mongolia.

141. In his presentation Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation introduced the World Customs Organization and its goals and activities as well as the role of the WCO in implementing the WTO Agreement on Trade Facilitation. The WCO represents 179 Customs Administrations across the globe that collectively process approximately 98% of world trade. He highlighted 3 main strengths of WCO as a Standard setting / Capability and responsibility for global standard setting for Customs/, Cooperation Network of accredited experts from Customs Administrations and Cooperation with other international organizations and other agencies and capacity building technical assistance delivery.

142. Mr. Changsheng Li introduced WCO's cooperation with the WTO and WCO's recent contribution to the WTO. The WCO and the WTO have a long standing history of cooperation,

including WCO management of two important WTO agreements, on Customs Valuation and on Rules of Origin. He defined WCO's recent contribution to the WTO as following: supported the development of the WTO TFA Self- Assessment Guide; Hosted a well-attended training session on the Self-Assessment Guide for Customs administrations; Actively participated in WTO's needs-assessments missions.

143. He highlighted how the WCO has enhanced cooperation with other international organizations including other Annex D Organizations. For example: The WCO and UNCTAD signed a Memorandum of Understanding in April 2013 that further advances the WCO's performance measurement approach to reform and modernization. The WCO and UNCTAD agreed to develop an "ASYCUDA World software Performance Indicators" application to assist WCO Members with their operational capacity. He presented that WCO activities cover a wide range of customs matters, including economic competitiveness, compliance and enforcement, revenue collection and organizational development. Also the WCO has developed a number of instruments and tools, which respond to Members' needs as regards TFA implementation. The WCO is continuing to develop and fine-tune an inter-active guidance tool designed to help customs to implement the TFA.

144. He introduced WCO Implementation Guidance for the TFA which is launched on its website. The Guidance presents the relevance of WCO instruments and tools such as the Revised Kyoto Convention for TFA implementation. WCO tools for Article 7.7 (Authorized Operators), Revised Kyoto Convention, SAFE Framework of Standards, AEO Implementation Guidance, AEO Compendium, Model AEO Appeal Procedures, AEO Benefits: Contribution from the WCO Private Sector Consultative Group, The Authorized Economic Operator and the Small and Medium Enterprise (FAQ), Mutual Recognition Arrangement/Agreement Guidelines and AEO Template.

145. Mr. Li also highlighted Article 11 on Freedom of Transit which regulates Fees and Charges, Strengthened non-discrimination, Transit Procedures and Controls, Guarantees, Cooperation and coordination. He indicated that for capacity building and technical assistance, the WCO will provide Members with practical assistance to implement the ATF through its network of Customs experts as the WCO Database has more than 400 accredited experts from Members and the Project Map Database supports donor and project coordination. Also, the WCO has extensive experience in managing projects with donors along results-based management principles.

146. Mr. Changsheng Li expressed that the WCO has enjoyed support from various governments and development agencies to fund its various technical assistance and capacity building programmes and projects. Currently, the WCO is managing a number of projects that operate under the modality and that benefit from funding from SIDA, Finland, DFID, US State Department and World Bank.

147. In her presentation Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat, talked about regional economic cooperation under the framework of the Greater Tumen Initiative. She introduced that the Greater Tumen Initiative (GTI), originally known as the Tumen River Area Development Programme, is a unique intergovernmental economic

cooperation mechanism, supported by the United Nations Development Programme (UNDP), with four members: China, Mongolia, Republic of Korea and Russia. Its vision is to build a great partnership for common prosperity between neighbors. Its mission is to: Increase mutual benefits and common understanding; Strengthen economic and technical cooperation; and Attain sustainable development.

148. She indicated the priorities of GTI cooperation to include Transport, Tourism, Trade and Investment, Energy, Environment. Priority projects and activities include Capacity building, Research and studies, Policy advisory and Knowledge-sharing. Ms. Weina indicated that GTI has close cooperation with UN Agencies such as UNDP, UNIDO, UNWTO, GEF and UN/ESCAP, International organizations and Development banks, member countries, bilateral donor countries, local governments, academic institutions as well as private sectors.

149. She identified GTI's major achievements to include: Enhanced institutional capacity and normalization of programme operations; Increased member countries' confidence, ownership and (political and financial) commitment; Successful implementation of a number of priority projects; Improved policy environment for economic development and enhanced mutual understanding among neighbors; Enlarged funding base and expanded partnerships and Enhanced participation of North East Asian local governments (e.g. LCC).

150. Post GTI - after 2016 a consensus has been reached to transform current GTI into an independent legal entity by 2016; the transition roadmap is to be agreed upon this year. Strategic Issues will also be considered during the transition (e.g. additional priority sectors, geographical coverage, funding capacity, political level, rebranding, etc.). Engagement of Japan and DPRK in GTI. GTI members have unanimously encouraged both countries to engage in GTI cooperation.

151. She introduced the case of the Transport Corridor Study which has development objectives to foster development of a reliable, cost-effective and efficient integrated transport network in the Greater Tumen Region through planning and facilitating the activation and development of international transport corridors in the region and create conditions for unblocking of Greater Tumen Region corridors and establishment on this basis of an international transport network for sea-land transit transport. Its purpose is to serve as a stepping stone in the regional cooperative activities in the transport sector of the Greater Tumen Region.

152. Ms. Weina presented a Trade Facilitation Study. Its objectives are to identify the existing unjustified administrative barriers hampering trade between GTI countries, and suggest measures needed for the elimination of such barriers and simplification of trade procedures. This case is expecting outputs such as Survey of Technical Trade Barriers in the Greater Tumen Region and GTI Trade Facilitation Strategy Paper. The third case introduced is Multi-Destination Tourism (MDT) which has goal to develop MDT, respond to regional and international Market-driven demand, reinforce and promote intercultural exchange, strengthen cross border travel between Mongolia (landlocked), Russia, China and DPRK as well as adjacent territories of Russia, DPRK and Tottori Prefecture, support local sustainable economic development and job creation, and reinforce Ecotourism Development. She explained Regional Cooperation for LLDCs to include the following: Physical connectivity by strengthening cooperation in transportation; Economic connectivity by initiating cooperation in trade facilitation, agriculture, energy and environmental;

People connectivity by developing tourist industry; Policy connectivity by carrying out the policy dialogue; Capital connectivity by developing partnership.

153. The presentation of Ms. Virginia Tanase of the World Bank from the research work that they have undertaken on Quantitative Analysis of Road Transport Agreements was presented on her behalf by Ms. Gladys Mutangadura. The study noted that bilateral agreements are still the predominant tool for road transport transit facilitation, even in high regional integration areas. The multilateral legal instruments set just the framework and minimal standards that are acceptable to all. The bi-lateral agreements are needed to implement local provisions like common procedures and opening hours of border posts. In this study over 70 bilateral agreements on road freight transport were analyzed. The study noted that some of the bilateral agreements were quite old and often poorly enforced and at same time may lack modern provisions thereby perpetuating unsustainable practices. Restrictive bilateral agreements can introduce market distortions and increase costs.

154. The study concluded that over-elaborate bilateral treaties could even be counterproductive for they introduce rigidities in implementation, deviate from international best practices, or could be defending vested interest. In such situations, bilateral agreements reduce efficiency and increase the cost of international road transport services. The study suggested that Member States be supported to adopt a more comprehensive approach in formulating bilateral agreements. In order to maximize benefits for countries, the study recommends that countries should start negotiation only when all stakeholders have agreed on the mandate- this will ensure support in implementation. Include core elements in any bilateral road transport agreement. Emphasize qualitative over quantitative and multilateral over bilateral regulation. Harmonize and simplify technical requirements. Set harmonized and transparent rules for cross-cutting issues. Nurture effective institutional and implementation arrangements. Conform with major international obligations. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed

155. In his presentation, Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD indicated that when developing bilateral agreements, they should be based on existing international agreements. He highlighted the international agreements relevant to transport and trade facilitation including the International Convention on the Harmonization of Frontier Control of Goods (1982), Customs Convention on Containers (1972), Convention on the International Transport of Goods Under Cover of TIR Carnets (the TIR Convention, 1975) and Contract for the International Carriage of Goods by Road (1956).

156. He emphasized that all the conventions are very important because they set minimum standards that countries have to abide by. He encouraged all countries to ratify the conventions, effectively implement them by integrating them in the local law. He emphasized that proper application of the conventions with the neighbours was very important.

157. In his presentation, Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa indicated that the Northern Corridor is a multi-modal corridor encompassing road, rail, pipeline and inland waterways transport. It is the



busiest and most important transport route in East and Central Africa, providing gateway linking Kenya's maritime Port of Mombasa and the landlocked economies of Uganda, Rwanda, Burundi and South Sudan. It also serves the Eastern part of DR Congo, Northern Tanzania and Southern Ethiopia.

158. The Northern Corridor Transit and Transport Coordination Authority (NCTTCA), whose Secretariat is based in Mombasa, Kenya; was established in 1985 to coordinate and oversee the implementation of the Northern Corridor Transit and Transport Agreement (NCTTA) provisions, ratified by Member States in 1986 which are Kenya, Rwanda, Burundi, Uganda. The DR Congo joined the Organization in 1987 and recently in December 2012, the South Sudan acceded to the NCTTA. The NCTT Agreement's main objectives includes: to facilitate and enhance the seamless movement of trade and traffic across the region; guarantee the freedom of transit, no discrimination, increased use of ICT, simplification of customs and procedures; stimulating economic and social development in the contracting parties; transforming the Corridor into a development corridor and implement strategies for offering safe, fast, competitive transport and ensuring environmental sustainability.

159. The presenter noted the major challenges of implementing the agreement that include: lack of implementation by member States of various protocols on trade and transport facilitation, low level of awareness of laws, regulations and agreements/conventions; lack of facilitation mindset; high costs of doing business for example 37% of total logistics costs in Landlocked Member States are attributable to road transport costs; high costs of transport and delays for example delays on the northern corridor is estimated to cause a loss of an estimated \$800 per day per truck; numerous non-tariff barriers and associated administrative costs along the transit chain; limited capacity to package bankable projects.

160. Some recent initiatives and best practices include: Development of Infrastructure Master Plan developed in 2010(22 OSBP, 8200km Roads, Port, Railways, Pipeline,..); Strategic Plan 2012-2016 towards a seamless and smart transport corridor outlining the key strategic areas; Institutionalization of Joint Borders Committees to streamline transit nodes operations; Revenues Authorities Documentation and Data Exchange; Joint Verifications by Agencies at set time on daily basis; Electronic Single Windows underway to integrate Operators Systems at country level; Electronic Cargo Tracking Systems (Kenya, Uganda and Rwanda); Migration to ASYCUDA World underway by Customs Authorities; 24hr operations at the Port; Axle load Control; removal of Roads blocks in Kenya and Reduction of Weigh bridges from 7 to 4 towards 2.

161. In concluding his presentation, the presenter noted that enforcement of Multilateral Legal Framework rely on domestication in national laws and compliance by stakeholders and users. He stressed that advocacy and strategic partnership was important at national regional and international levels. He noted that capacity building and sustaining the willingness of regional organizations to harmonize their policies and regulations; i.e. Tripartite (COMESA, EAC, SADC) and Corridor Authorities was very important.

162. Mr. E. Odbayar pointed out that the reason why International Think Tank for LLDCs is organizing this session together with OHRLLS is that they are currently working on a research

paper the legal framework on transit trade and transport. He pointed out that structural problems should be addressed and there is a risk of isolation of LLDCs if the problems are not. He indicated that the work of Think Tank is trying to be demand driven and that they will try to produce a useful study. Also Mr. E. Odbayar explained on what the Think Tank is currently working on. He pointed out that for them it is also important to summarize the priorities of LLDCs. He told that the study will be based on literature review and cross-country analyzes.

163. In her presentation, Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank highlighted a project whose main idea is to zoom in on a very small but critical area of the LLDCs trade experience, which is free trade agreements. She explained that the project consists of the first part which will look at the trade tools that are available for LLDCs and the successes and reasons why they do not work for the LLDCs. The second part is the particular development needs of LLDCs and how the free trade agreements could be made to meet the needs of the LLDCs. In general, the aim of the study is to examine more the existing tools of FTA for LLDCs and to generate new ideas. Important is also to create the domestic support network and public-private negotiations.

## **Discussion**

164. In the ensuing discussion participants wanted to find out how effective the international conventions were in LLDCs particularly where the neighbours were not part of the agreement/convention. It is implicit in the international conventions that neighbouring countries should be part of the agreement. The situation of LLDCs to move from landlocked to land-linked requires that the neighbours be part of it in order to yield optimal results. They also wanted to know how the regional agreement related to the transit pipeline in the Northern Corridor. The representative of the Northern Corridor indicated that the protocol covered the transit pipeline in terms of issues of security, market and delivery. The pipeline is now being extended and the protocol covers that.

165. The participants also wanted to know whether the TFA will lift tariffs in particular for the LLDCs. The WTO representative indicated that the TFA was not designed to do that. It was explained that the LLDCs do not have any special treatment except those that are LDCs who might get some market access preferences like General System Preferences. It was explained that goods that were in transit they will not be charged and when they reach the destination the goods will receive clearance based on the GSP preference for that country. It was emphasized that in further trade negotiations it was important for the LLDCs to consider seeking special treatment.

166. Participants noted that in their countries they had SMEs or companies that exported perishable agricultural products such as fruits and vegetables. In such cases there was need to support the LLDCs with resources to invest in infrastructure development and maintenance. There was need for provisions for faster customs clearance of perishable goods. Where the LLDC is not able or capable to implement the agreement, the country had to submit category B (country needs some time to develop its capacity before they implement) or C (only after they receive technical assistance that's when they can implement the TFA provisions).

167. With regard to the research work that the ITT would like to implement, participants noted that the member states wanted to provide inputs to the terms of reference. Participants noted that

the ITT should avail all relevant information on their website from all relevant sources. The Interim Director explained that the ITT would take time to collect all the necessary information or links on LLDCs from the different international organizations and will announce and publish the enhanced website in September 2014.

168. Participants noted that it was important to really undertake some actions on the ground to implement the TFA and the other legal instruments. They asked if there were some LLDCs that had already prepared some action plans to implement the TFA. Participants requested if the international organizations could support the LLDCs to develop their action plans on the implementation of the TFA. In response UNCTAD indicated that they were ready to provide support and would circulate their website.

## **G. Suggestions made by the Meeting**

169. The following suggestions were made.

### **170. Trade and trade facilitation**

- i. The LLDCs are encouraged to quickly ratify the WTO Trade Facilitation Agreement.
- ii. The LLDCs should undertake their technical assistance and capacity building needs assessment to establish how much they need for implementing the agreement. International organizations should provide support to LLDCs to help them assess their TFA needs, and in implementing some trade facilitation measures.
- iii. The international community should support the LLDCs and transit countries to establish IT systems and make improvements in facilitation and transparency.
- iv. Strengthen the LLDC Group's participation in Geneva through: a special recognition of the Group in the WTO, with the launch of a Work Programme for LLDCs, enhancing participation and coordination in UNCTAD activities, and being more involved as a Group in the International Trade Center activities. They should also be active in the World Economic Forum and other relevant international fora. Regional customs coordination is of great value for the LLDCs and LLDCs are encouraged to use the WCO instruments and tools in implementing the WTO TFA.
- v. The LLDCs need to cooperate with transit countries to discuss mutual benefits from transit corridors and how they can better implement the TFA. The LLDCs and transit neighbours should undertake transport and trade facilitation reforms jointly in a collaborative manner. They are encouraged to harmonize customs procedures and practices.
- vi. Enhance regional integration which is important for reducing transport costs and to facilitate cross border trade and use the corridor approach to foster the implementation of the TFA.
- vii. The LLDCs should enhance productive capacities, value addition, diversification and reduction of dependency on commodities. They also need to integrate trade and trade facilitation into their larger national development policy and planning efforts.
- viii. The LLDCs should share knowledge and experiences on trade facilitation. They are encouraged to take advantage of trade facilitation tools developed under the UN Centre for Trade Facilitation and Electronic Business (UNCEFACT) such as Single Window

Implementation Toolkit in the process of implementing the TFA. The work that ESCAP is undertaking on trade facilitation for the LLDCs should be shared with other regions.

- ix. Expand the scope of the APoA to include services, environmental issues, regional value chains and aid for trade.

**171. International Think Tank on LLDCs**

- i. The International Think Tank for the LLDCs should work closely with OHRLLS.
- ii. The LLDCs that have not yet done so are invited to ratify the multilateral agreement on establishing the LLDC International Think Tank. More information on how to ratify the agreement should be shared with the LLDCs that have not yet ratified.
- iii. The International Think Tank for the LLDCs should be linked to the local think tanks in the LLDCs.
- iv. The International Think Tank for the LLDCs should avail all relevant information on development issues of the LLDCs on their website from all relevant sources.
- v. The International Think Tank for the LLDCs is invited to solicit if necessary inputs from the LLDCs on the terms of reference for future studies.

**172. Legal framework**

- i. LLDCs should be supported to adopt a more comprehensive approach in formulating bilateral agreements.
- ii. A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed.
- iii. All countries should ratify the relevant conventions on transit transport and trade facilitation and effectively implement them by integrating them in their domestic law.
- iv. The LLDCs and their neighbours should properly apply the conventions.
- v. The international community should provide support to create awareness on the relevant agreements/conventions, build the capacity of the LLDCs to enter into international agreements and share best and effective practices across regions.

## **H. Closing Session**

173. Closing statements were made by H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia and Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

174. In his closing statement Minister Luvsanvandan Bold congratulated the participants from LLDCs, development partners, transit countries and United Nations and other international organizations for their effective and constructive discussions on the “WTO Trade Facilitation Agreement: Implications on the LLDCs” and contribution to the success of the workshop. He noted that the workshop was vibrant and very constructive. He noted that the discussions had revealed that the landlocked developing countries have not only common problems, similar challenges but most importantly, the same interests and vision and thus the output from Ulaanbaatar Workshop would be of good use in the ongoing discussions to overcome special vulnerabilities of these countries.

175. He called upon the LLDCs to strengthen their common voice to have a broader visibility for the sake of LLDCs' sustainable development and economic growth for the next decade. He expressed his hope that the issues on trade facilitation, transit transportation, infrastructure, environment, climate change, international and regional integration and other key issues will be the focus areas during the Second UN Conference on LLDCs and reflected in the post 2015 Development agenda. He encouraged the group members including Zambia, Paraguay, Ethiopia, Kyrgyzstan and Bhutan to join the Multilateral Agreement on Establishment of International Think Tank for Landlocked Developing Countries.

176. In his closing statement, Mr. Gyan Chandra Acharya, Under-Secretary-General indicated that discussions in the workshop in the last two days were very intense, showing the very strong commitment and dedicated contribution to the causes of LLDCs of all the participants. He noted that the participation of the large number of LLDCs in this event was significant and the forward looking approach as well as holistic method towards addressing the challenges and aspirations of LLDCs is critical in taking the work forward to the next phase.

177. He noted that the meeting had come up with concrete follow up actions on the trade facilitation agreement, and its implementation, and how best it can really help LLDCs. He also noted that deliberations on the private sector development stressed the need to develop the capacity of small and medium size enterprises in the LLDCs. He also noted that similarly the workshop also discussed the legal framework, which is a very important requirement in any collaboration with transit countries and provided suggestions. Furthermore, he pointed out that the participants looked at regional trade integration issues that would contribute to the promotion of the interests of LLDCs as well as how advocacy and strategic partnership on the issues of the LLDCs at the national, regional and international level should be taken forward. He noted that these were all important topics that are key issues for the Second UN Conference on LLDCs in Vienna.

178. Mr. Acharya stressed that by working together and highlighting the concerns as well as the aspirations of LLDCs as a most vulnerable group among the international community is one way in which to promote the interests of the LLDCs at the global level. Linking LLDCs' priorities with the Post 2015 Development Agenda is important for achieving the objectives of the LLDCs with a strong global partnership. This is indispensable for the enhancement as well as the promotion of the interests of the LLDCs. Nothing will happen without a strong national leadership and strong national strategy. It helps strengthen the transit access collaboration with the neighbors and also help promote regional integration and international partnership.

179. He concluded his remarks by reminding the participants about the first session of Preparatory Committee meeting to be held on 12 and 13 June in New York. He encouraged delegates to attend and to take forward the main points from the Ulaanbaatar meeting to make sure that they are clearly reflected in the process of the outcome document for the Second UN Conference.

**Annex 1.**

| <b>Monday, 2 June 2014</b> |  |
|----------------------------|--|
| <b>08:00 - 09:30</b>       | <b>Registration</b>  |
| <b>09:30 - 10:00</b>       | <b>Opening Ceremony</b><br><b>Moderator:</b> Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia<br><br><ol style="list-style-type: none"><li>i. H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia.</li><li>ii. H. E. Mr. Robert Sichinga, Minister of Commerce, Trade and Industry, Zambia, Chair of the global coordination bureau of the Group of LLDCs.</li><li>iii. Mr. Gyan Chandra Acharya Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.</li><li>iv. Mr. Ratnayake, Director of Trade and Investment Division of ESCAP on behalf of the Executive Secretary of ESCAP</li><li>v. Ms. Sezin Sinanoglu, UN Resident Coordinator and UNDP Representative, Mongolia</li></ol> |
| <b>10:00 – 11:00</b>       | <b><u>Session 1. The development challenges of LLDCs and their participation in international trade</u></b><br><b>Moderator:</b> Ms. Ochir Enkhsetseg, Ambassador, Ministry of Foreign Affairs of Mongolia<br><ul style="list-style-type: none"><li>• H.E. Ambassador Juan Esteban Aguirre Martinez, Permanent Representative of Paraguay to the United Nations in Geneva, and LLDC Group Coordinator on Trade and Development</li><li>• Ms. Heidi Schroderus-Fox, Director, OHRLLS</li><li>• Mr. Saurabh Sinha, Senior Economist, UNDP</li><li>• Mr. E. Odbayar, Interim Director, International Think Tank for LLDCs</li><li>• LLDC Member States</li></ul><br><i>Followed by interactive discussions.</i>   |
| <b>11:00 – 11:10</b>       | <b>Coffee Break</b>  |
| <b>11:10 – 13:00</b>       | <b><u>Session 1 Continued</u></b>  |
| <b>13:00 – 14:30</b>       | <b>Lunch break</b>   |

|                                    |   |
|------------------------------------|---|
| <p><b>14:30 – 15:30</b></p>        | <p><b><u>Session 2. Introduction of the WTO Agreement on Trade Facilitation and its implications on the LLDCs</u></b><br/> <b>Moderator:</b> Mr. Od Och, Permanent Representative of Mongolia to the United Nations in New York</p> <ul style="list-style-type: none"> <li>• Mr. Raul Torres, Counsellor, Development Division,</li> <li>• Mr. Sandagdorj Erdenebileg, Chief, Policy Development, Coordination, Monitoring and Reporting Service, OHRLLS</li> <li>• Mr. Ravi Ratnayake, Director of Trade and Investment Division of ESCAP</li> <li>• Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD</li> <li>• Member States</li> </ul> <p><i>Followed by interactive discussions.</i></p> |
| <p><b>15:30 – 15:40</b></p>        | <p><b>Coffee Break</b></p>  |
| <p><b>15:40 – 18:00</b></p>        | <p><b><u>Session 2 Continued</u></b></p>  |
| <p><b>18:30</b></p>                | <p><b>Dinner/Reception and traditional performance hosted by the Government of Mongolia</b></p>   |
| <p><b>Tuesday, 3 June 2014</b></p> |   |
| <p><b>09:30 - 11:00</b></p>        | <p><b><u>Session 2. Continued - Implications of the WTO Agreement on Trade Facilitation on the LLDCs</u></b><br/> <b>Moderator:</b> Mr. Damdin Tsogtbaatar, Former Minister for Environment of Mongolia.</p> <ul style="list-style-type: none"> <li>• Dr. Mohammad Saeed, Senior Adviser, Trade Facilitation, Business Environment, ITC</li> <li>• Mrs. Lee Ju Song, Regional Director, ICC Asia</li> <li>• Ms. Olive Z. Kigongo, President, National Chamber of Commerce and Industry, UgandaNational Chamber of Commerce and industry</li> <li>• Mr. Irmuun Demberel, Director of Division for Promotion and Consultancy Services, Invest Mongolia Agency.</li> </ul> <p><i>Followed by interactive discussions</i></p>                                       |
| <p><b>11:00 – 11:10</b></p>        | <p><b>Coffee Break</b></p>  |

|                             |  |
|-----------------------------|--|
| <p><b>11:10 – 13:00</b></p> | <p><b><u>Session 3. Legal framework on transit trade and transport: Multilateral conventions, regional, sub-regional and bilateral agreements</u></b><br/> <b>Moderator:</b> Mr. DamdinTsogtbaatar, Former Minister for Environment of Mongolia.</p> <ul style="list-style-type: none"> <li>• Mr. Changsheng Li, Compliance and Facilitation Directorate, World Customs Organisation,</li> <li>• Ms. Wang Weina, Director Greater Tumen Initiative (GTI) Secretariat</li> <li>• World Bank</li> <li>• Mr. Poul Hansen, Economic Affairs Officer, Trade Facilitation Section Division on Technology and Logistics, UNCTAD</li> <li>• Mr. Donat Bagula, Executive Secretary, Transit Transport Co-ordination Authority of the Northern Corridor of Africa</li> <li>• Mr. E. Odbayar, Interim Director, International Think Tank for LLDCs</li> <li>• Dr. Alisa DiCaprio, Regional Cooperation Specialist, Office of Regional Economic Integration, Asian Development Bank</li> <li>• Members States</li> </ul> <p><i>Followed by interactive discussions</i></p> |
| <p><b>13:00 – 14:30</b></p> | <p><b>Lunch break</b></p>  |
| <p><b>14:30 – 15:30</b></p> | <p>Preparation of draft report</p>   |
| <p><b>15:30 – 15:40</b></p> | <p><b>Coffee Break</b></p>   |
| <p><b>15:40 – 17:30</b></p> | <p><b><u>Session 4. Presentation and Adoption of the draft Report Meeting</u></b></p> <ul style="list-style-type: none"> <li>• Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia</li> </ul> <p><i>Followed by interactive discussions</i></p>  |
| <p><b>17:30 – 18:00</b></p> | <p><b>Closing Remarks:</b><br/> <b>Moderator:</b> Mr. Gonchig Ganbold, Director Department of International Organizations Ministry of Foreign Affairs of Mongolia</p> <ul style="list-style-type: none"> <li>• H.E. Mr. Luvsanvandan Bold, Minister of Foreign Affairs of the Government of Mongolia.</li> <li>• Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States</li> </ul>  |



## Annex 2: List of Participants

### LLDC Member States

#### **Afghanistan**

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#### **Chad**

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#### **Ethiopia**

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## **Malawi**

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## **Mongolia**

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Mr. Demberel Sambuu, Member of Parliament and Chairman of Mongolian National Chamber of Commerce and Industry, [oyunzul.s@mongolchamber.mn](mailto:oyunzul.s@mongolchamber.mn)

Mr. Od Och, Permanent Representative of Mongolia to the United Nations in New York

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