Foreword by Director-General Ngozi Okonjo-Iweala

Among the outreach activities I have undertaken since becoming Director-General have been very detailed and substantive meetings with landlocked developing countries (LLDCs). They have told me how the particular barriers they face due to a lack of territorial access to the sea and isolation from the world’s largest markets restrict the free flow of trade and impose constraints on their socio-economic development. The COVID-19 pandemic has been especially damaging to their fragile economies, which has brought new challenges such as container shortages, high shipping costs and the closure of borders to stop the spread of COVID-19. In response, I requested the WTO Secretariat to conduct this study on the logistical constraints impacting the trade performance of LLDCs and how trade bottlenecks could be reduced. I am very happy that the study has been produced in such a short time.

This report is being launched during the WTO’s 12th Ministerial Conference, which is a crucial milestone in the longer process of reforming and modernizing the WTO. Launching this report at this time provides an excellent opportunity to increase awareness of the problems that LLDCs face and show the world that the WTO is fit-for-purpose and can deliver on today’s problems – especially for its most vulnerable members – by providing certainty and predictability to cross-border trade in a changing global economy.

The study confirms the LLDC concerns that they face very high trade costs. On average, it is almost double that which is faced by coastal countries, and is largely a result of transport costs and non-tariff measures. Goods transit therefore must remain a focus for our efforts. Implementing the WTO’s Trade Facilitation Agreement (TFA), which calls for simplifying border procedures, will help to reduce trade-related friction such as ad hoc restrictions and non-tariff barriers that drive high trade costs. The WTO-led Aid for Trade initiative is a priority in the Vienna Programme of Action (VPoA) and our work in this area has resulted in increased aid flows targeted at the needs that have been expressed by the LLDCs, such as connectivity and capacity building for implementation of the TFA. We are already a year and a half after the onset of the COVID-19 pandemic and a clearer picture of its effects on the
global economy and the LLDCs is starting to emerge. LLDCs are in a weaker position with regard to access to vaccines and the financial capacity to adopt stimulus measures. The multilateral community needs to step forward to make up for these shortcomings. The WTO is deeply committed to the implementation of the VPoA through its work with the Trade Facilitation Agreement Facility (TFAF), the Enhanced Integrated Framework (EIF) and the Standards Trade and Development Facility (STDF). Since its adoption, significant progress has been made in trade-related priority areas highlighted in the VPoA. Sadly, the COVID-19 pandemic has adversely affected, and in some cases even reversed, progress made. I remain committed to coordinating actions with the United Nations and further strengthening our cooperation in implementing the VPoA, where the WTO has a clear and important role to play.

The study also reveals that we must go beyond TFA implementation at the national level. LLDCs and the transit countries through which they trade must form meaningful and enduring partnerships. Accelerating the joint development and improvement of key infrastructure and interoperable customs systems by LLDCs and transit countries is a win-win proposition for all involved: better port access and lower trade costs for LLDCs, and more jobs and scale-related reductions in shipping costs for transit countries. Transit corridors such as the Northern Corridor in Africa, which connects Burundi, the eastern part of the Democratic Republic of the Congo, Rwanda, South Sudan and Uganda to the Kenyan port of Mombasa, show how these partnerships can be real game changers. There is the opportunity for landlocked countries to redefine themselves as landlinking, providing important overground transit infrastructure for neighbouring countries.

LLDCs are highly vulnerable to the impacts of climate change and have already started to feel its effects on their trade. Falling water levels in navigable rivers in Paraguay have reduced vessel capacity and driven up costs. Therefore, we need to build a multilateral trade system that is climate resilient – a system that promotes trade in the goods, services and technology needed for a low carbon future by accelerating a just transition to clean and affordable energy for all.

The trade in services and e-commerce areas have the potential to be less affected by the geographical challenges and represent an opportunity for significant growth. However, the lack of services diversification and dependence on international tourism and transport made LLDCs extremely vulnerable to the effects of COVID-19 because of restrictions placed on the movement of persons to fight the pandemic. Consequently, LLDCs suffered a 36 per cent decline in services exports in 2020 – sharper than in the rest of the world.
But it is not all bad news. There has been a pandemic-induced shift toward remote work, which has boosted computer services exports from various LLDCs, which grew more than in the rest of the world, helping to diversify their economies. Digital connectivity is a key means of easing the trade bottlenecks resulting from a lack of access to the sea, and e-commerce allows businesses to reach a broader network of buyers, access the most competitive suppliers, tap into global markets and participate in global value chains, much like increased trade facilitation. Narrowing the digital divide and improving information communications technology infrastructure would help to build on this trend.

Inclusive trade, which creates jobs and opportunities, promotes sustainability and reduces inequality, must continue to be a priority – and no one should be left behind. The international community must ensure that the gains from trade are being equally distributed, in particular to women, youth and small businesses. Supply chain bottlenecks and increased shipping costs may be temporary, but they are making access to international trade prohibitive for the small traders. We must deliver quick solutions if trade is to remain inclusive.

On a final note, I would like to thank the Development Division and all the other WTO divisions who worked on the study to make it truly collaborative. We hope it provides useful insights to assist trade analysts and policymakers, and most importantly LLDCs themselves.

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Director-General