Customs checkpoint for road freight, Zambia/Zimbabwe.

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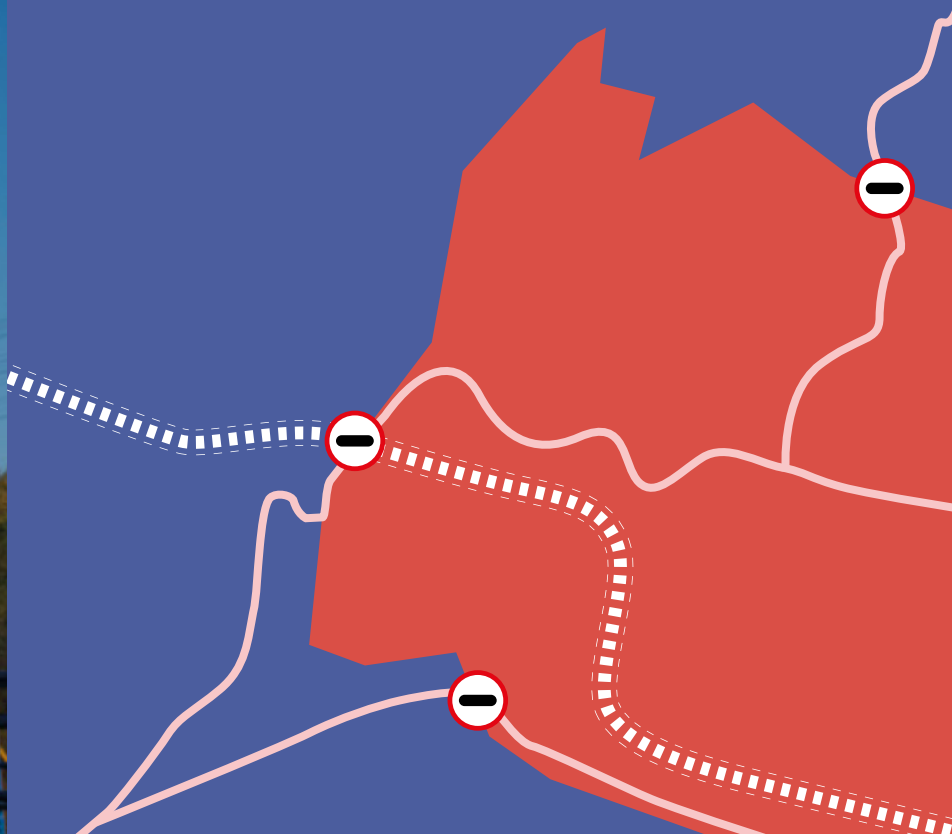
Landlocked developing countries and trade bottlenecks



Trade is critical to the economic growth of countries, which means facilitating trade is a priority for governments. Landlocked developing countries (LLDCs) are without direct territorial access to a sea or ocean, so ease of trade is linked to their survival (see Table 1). The unique challenges due to isolation from the world's largest markets and high transit costs impose additional constraints on socio-economic development in LLDCs – compounded by the devastating effect of the COVID-19 pandemic.

International trade plays an essential role in LLDCs economies, the value of which was 59 per cent of gross domestic product (GDP) in 2019. However, WTO data show that LLDC exports declined by 40 per cent between April 2019 and April 2020, which is almost twice the decline in global exports caused by the COVID-19 pandemic.

Even as world trade recovered towards the end of 2020, LLDC exports continued to decline by as much as 8 per cent, while global exports grew by 7 per cent. This trend in LLDC trade highlights the importance of implementing the WTO's Trade Facilitation Agreement (TFA) in LLDCs to simplify, modernize and harmonize export and import processes. The COVID-19 pandemic has highlighted the importance of digital technologies. Without the digital infrastructure, however, LLDCs will not benefit from the potential gains of e-commerce. Undoubtedly, COVID-19 has compounded the challenges faced by LLDCs. It is therefore important to identify the specific trade bottlenecks LLDCs face and which are causing their trade to decline more sharply and for longer than the rest of the world.

Trade bottlenecks in LLDCs

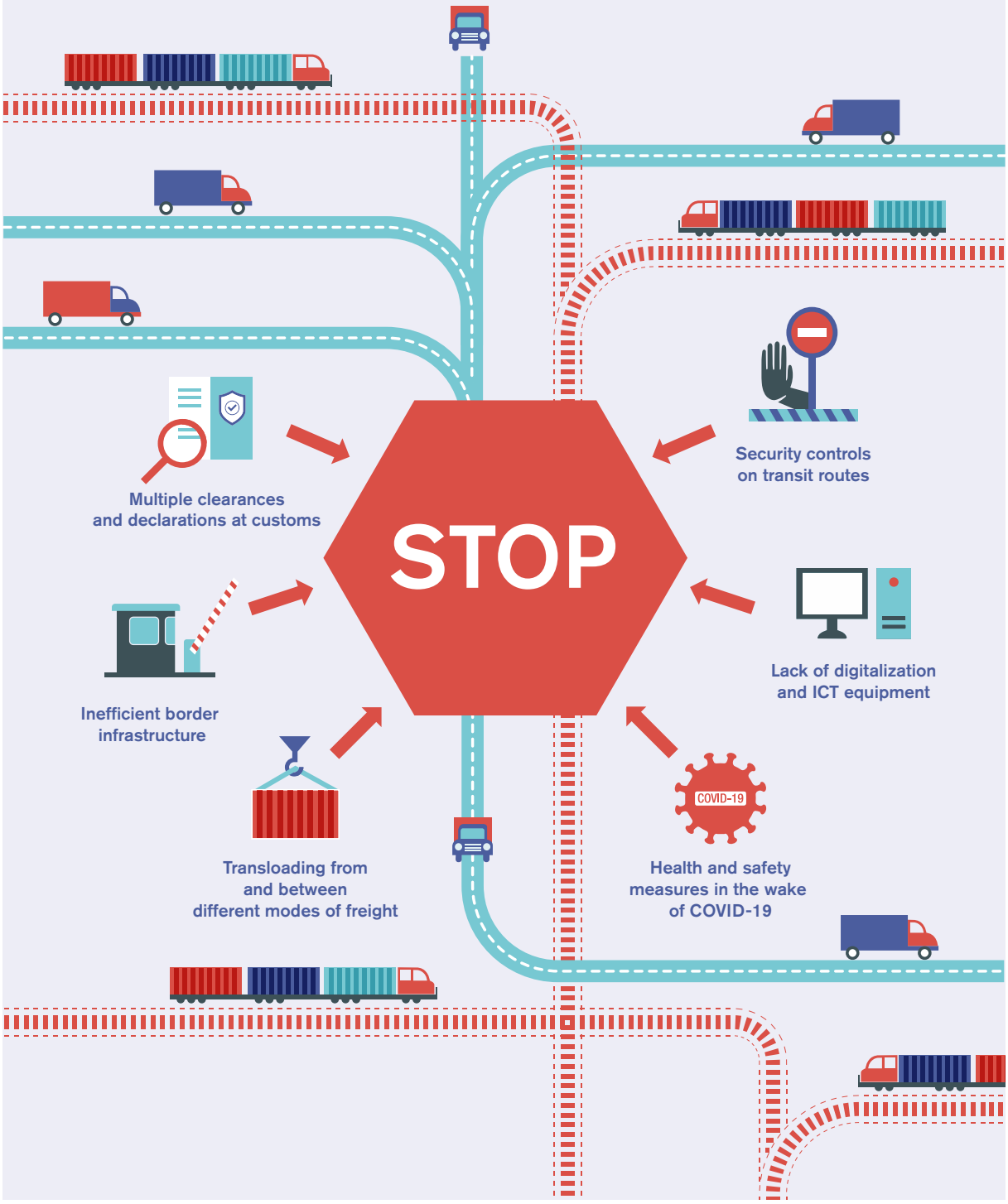
Higher trade costs for businesses in LLDCs result from the many challenges they face in trying to integrate into global supply chains, and the COVID-19 pandemic has magnified those challenges across a number of areas. The main trade bottlenecks identified (including examples), both at the border and within LLDCs, commonly include the following (see Figure 1):

Table 1: Landlocked developing countries

Africa		Asia	Commonwealth of Independent States	Europe	South America
Botswana	Lesotho*	Afghanistan*	Armenia	North Macedonia	Bolivia, Plurinational State of
Burkina Faso*	Malawi*	*Bhutan**	*Azerbaijan*		Paraguay
Burundi*	Mali*	Lao People's Democratic Republic*	Kazakhstan		
Central African Republic*	Niger*	Mongolia	Kyrgyz Republic		
Chad*	Rwanda*	Nepal*	Moldova, Republic of		
Eswatini	*South Sudan**		Tajikistan		
*Ethiopia**	Uganda*		*Turkmenistan*		
	Zambia*		*Uzbekistan*		
	Zimbabwe				

Notes: Asterisks indicate least-developed country designation. Italics indicate WTO observer status.

Figure 1: The main trade bottlenecks



- a lack of coordination in the development and maintenance of transport infrastructure (e.g. inefficient border infrastructure);
- a lack standardization and harmonization (e.g. transloading from and between different modes of freight);
- a lack of border coordination and cooperation between customs and other border agencies and traders (e.g. unwarranted long waiting times at customs);
- burdensome documentary requirements and paper processing of documentation (e.g. multiple clearances and declarations at customs);
- a lack of human and financial resources (e.g. shortage of skilled staff to promote better understanding of the TFA);
- a lack of equipment and digital infrastructures (e.g. information communications technology (ICT) and laboratory equipment for the implementation of the TFA).

In response to a survey conducted by the WTO's Trade Facilitation Agreement Facility (TFAF) in cooperation with partner organizations on cross-border trade restrictions resulting from COVID-19, LLDC respondents reported the following:

- release and clearance of goods and freedom of transit processes had become harder;
- trade bottlenecks as a result of the closure of borders by neighbouring countries;
- restrictive measures imposed at borders;
- disruptions to the smooth flow of goods, as well as information and documentation at customs;
- delays in receiving cargo at customs, resulting in congestion at borders;

↑ **Local traders cross the border between the Plurinational State of Bolivia and Peru, in the town of Lajas.**

- slow process of customs cooperation at regional and local levels during the pandemic;
- a lack of harmony in how regulations are being applied by domestic agencies, especially COVID-19 measures;
- border posts interpret regulations differently and inconsistently, making it difficult for traders to access information;
- a lack of regional coordination of quarantine measures;
- instances of border posts refusing to accept digital copies of documents during the pandemic;
- uncertainty of which goods and services are deemed essential (including across transit corridors, where the classification of essential can differ from country to country).

LLDCs, including least-developed countries (LDCs) that are landlocked, highlighted how the pandemic magnified the existing challenges they face arising from a great digital divide among and within countries. A large portion

of their businesses have not digitalized and have had to close during the pandemic. Only a few domestic online business operators concentrated in major cities have been able to run their business smoothly due to insufficient health protective measures and disruption in domestic transportation and supply systems. Many businesses are located far from the border, so without a fully integrated domestic business structure (including an ICT system), it is not possible for the domestic supply chain to be fully operational and linked with cross-border trade.

LLDCs need to strengthen their infrastructure and connectivity with the world to reduce logistics and transport costs and to achieve greater commercial and economic activity for the benefit of the most vulnerable and affected sectors, such as women entrepreneurs, young people, micro, small and medium-sized enterprises (MSMEs) and agriculture. Located far from the border, improvements made at border points are often insufficient.

During the COVID-19 pandemic, solutions have been largely targeted towards facilitating bulk trade, yet challenges still persist for MSMEs and women traders. In a communication to the Committee on Trade Facilitation (WTO document G/TFA/W/53), LLDCs have called for the constructive cooperation of transit countries for the early and effective implementation of disciplines that will contribute to reducing transit time and costs, simplifying procedures and introducing greater certainty in cross-border trade.

LLDC exports

LLDCs are mostly commodity exporters (see Table 2). The export of commodities itself is not the main economic development hindrance for LLDCs, as other developing countries primarily export commodities as well. However, LLDCs exports are not as competitive due to higher transport costs. According to the United Nations Office of the High Representative for the Least

Table 2: Top 10 LLDC exports in 2020

Commodity description	Value (US$ mn)	Share in total exports (%)
Oils; petroleum oils and oils obtained from bituminous minerals, crude	28,161	21.6
Petroleum gases and other gaseous hydrocarbons; in gaseous state, natural gas	10,341	7.9
Metals; gold, non-monetary, unwrought (but not powder)	9,750	7.5
Metals; gold, semi-manufactured	7,265	5.6
Copper; refined, unwrought, cathodes and sections of cathodes	4,664	3.6
Copper ores and concentrates	4,538	3.5
Copper; unrefined, copper anodes for electrolytic refining	4,133	3.2
Electrical energy	3,773	2.9
Diamonds; non-industrial, unworked or simply sawn, cleaved or bruted, but not mounted or set	2,463	1.9
Coal; bituminous, whether or not pulverised, but not agglomerated	2,273	1.7

Source: UN Comtrade Database (importer data).

Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), LLDCs on average pay more than double in transport costs than transit countries and experience longer times to send and receive merchandise from overseas markets.[1] These high transport costs discourage investors, impede economic growth and limit the capacity of LLDCs to achieve sustainable development.

Since LLDCs rely solely on transit countries for their external trade, they are subject to the quality of transport infrastructure, transit laws (i.e. insurance, licensing) and bureaucracy of their neighbours, who often are themselves developing countries.

Freedom of transit has always been part of the international trade architecture. Article V of the General Agreement on Tariffs and Trade (GATT) 1994 and Article 11 of the TFA makes provision to facilitate the freedom of transit for goods between WTO members. Although the freedom of transit provisions help to establish guidelines to facilitate LLDC trade, they are insufficient and would benefit from recognition of the special needs of LLDCs.

Trade bottlenecks in transit countries

The trade bottlenecks that stem from the layers of measures between LLDCs and transit countries include:

- multiple clearances and declaration at the ports;
- transloading from and between different modes of freight;
- security controls on transit routes;
- extended periods for chain of operations;
- inefficient border infrastructure;
- health safety measures during the COVID-19 pandemic.

Some of the trade bottlenecks can be addressed through the development of transit corridors, which can serve to enhance the efficiency of transit traffic through improved cooperation. Joint development and maintenance of transit infrastructure and harmonization of transport standards and border measures can reduce the time required to clear and move goods across borders (World Bank/UN-OHRLLS, 2014). Transit developing countries provided information to the WTO that although many of the challenges found during the pandemic were COVID-specific, they considered it notable that a number of trade facilitation challenges and policy reforms, had they been implemented before the pandemic struck, would likely have greatly lessened the shock, including:

- a lack of trade-related regulatory information being openly accessible digitally to the private sector;
- insufficient border agency coordination;
- pre-existing red tape and a bureaucratic culture of over-regulation;
- a lack of private sector coordination in providing structured advice to governments.

Efficient transit policies that facilitate trade are key to enhancing the competitiveness of LLDCs. However, restrictive measures to curb the spread of COVID-19 at its outset such as border closures, mandatory testing and quarantine, sanitization of trucks and the limiting the number of crew members on trucks have all increased transport costs and times

> **“High transport costs discourage investors, impede economic growth and limit the capacity of LLDCs to achieve sustainable development.**

for the flow of goods to and from LLDCs. This, of course, has also had a significant effect on the delivery of essential goods such as fuel, food and medical supplies.

In the area of trade facilitation, the creation of transit corridors which comprise a mix of soft infrastructure in the form of implementation of trade facilitation measures with hard transport and border-crossing infrastructure has proven to be particularly effective in helping LLDCs trade. One such corridor frequently used as an example of best practices is the Northern Corridor, in Africa (see below).

Transit corridors have been effective at easing trade bottlenecks for LLDCs because they adopt a partnership model in which both LLDCs and transit countries

The Northern Corridor

The Northern Corridor is a multimodal trade route in Africa linking Burundi, Rwanda and Uganda and the eastern regions of the Democratic Republic of the Congo with the port of Mombasa, in Kenya. Since its launch in 2014, the Northern Corridor had reduced transit times from 284 hours in 2015 to only 90 hours in 2019.*

However, the effects of the COVID-19 pandemic increased transit times to 378 hours in January 2021, which marks a big setback in achieving the 45 hour target set for that section of the road.

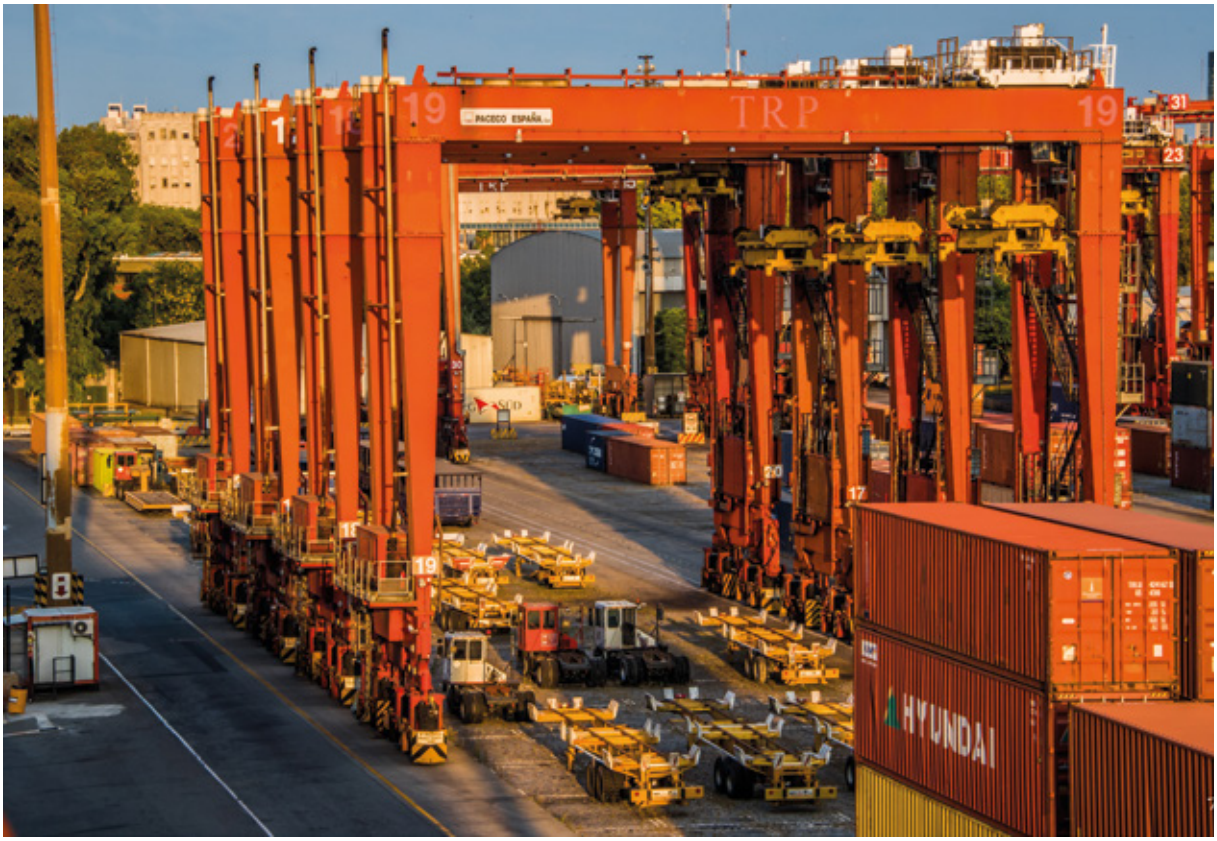
*Time it takes a truck to go from the port of Mombasa to Busia, on the border with Uganda.

↑ Truck drivers wait near Busia to test for COVID-19 before entering Uganda.

share the benefits and shoulder responsibilities. One example of how costal countries benefit from cargo to their ports is that it raises the volume of trade passing through them, thereby increasing their attractiveness for shipping lines, expanding the offer and driving costs down. To reap these benefits, however, coastal countries have the responsibility to improve the transit conditions for LLDCs to facilitate their access to their ports. In return, the LLDCs should understand and collaborate with regard to the constraints of transit countries.
In many cases, transit operations are overloaded and do not always respect the rules of the road. This in turn leads to excessive controls along the transit route, leading to higher prices.

The importance of collaboration with regard to transit cannot be overstated, and the use of international legal instruments, such as the International Vehicle Weight Certificate provided in the International Convention on the Harmonization of Frontier Controls of Goods, can assist partners in setting standards and providing guidance on best practices. Moreover, a potential game changer to facilitate better trade flows and transit to and from LLDCs is interconnectivity and interoperability of transit procedures and systems. While the TFA addresses some of these issues at the national level through the implementation of electronic single-window processes, the interconnection of national

↓ **A freight train carries goods to the town of Chaman on the Afghanistan and Pakistan border.**



↑ The Port of Buenos Aires, in Argentina, a transit country.

systems and the electronic transfer of data between countries along a transit route will lead to significant improvements in reducing the time and cost of transit.

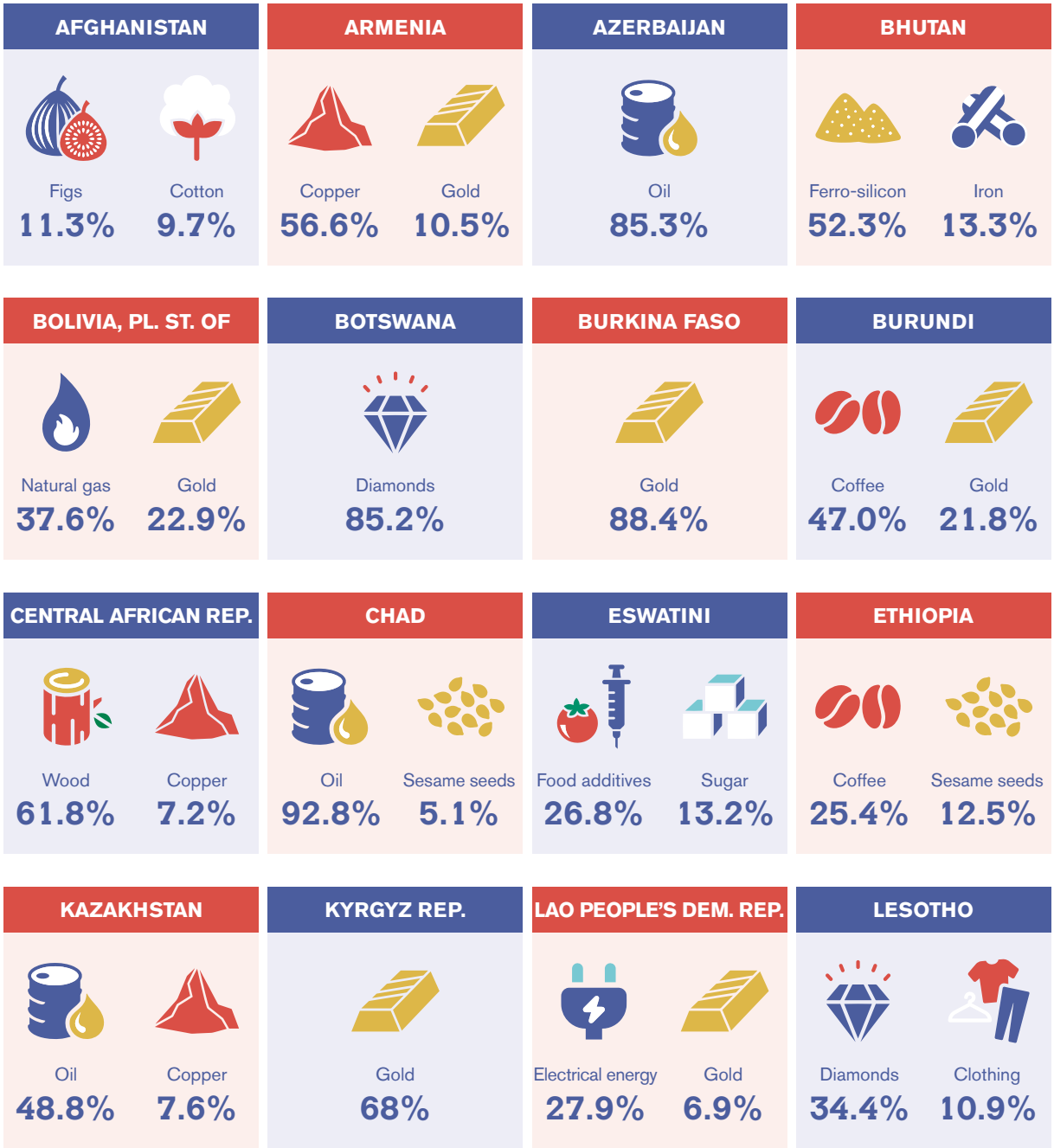
Most LLDCs are actually landlinking countries and thus are also transit countries themselves. As demonstrated in the example of the Northern Corridor, Uganda is not just an LLDC but also the main transit link for trade flowing to and from Burundi and Rwanda. This notion of landlinked countries is important to fully understand the development potential of transit, as well as the challenges.

> **“Transit corridors have been effective at easing trade bottlenecks because both LLDCs and transit countries share the benefits and shoulder responsibilities.**

Endnote

1 See https://www.un.org/ohrlls/content/about-landlocked-developing-countries.

Figure 2: Top LLDC goods exports, 2020
(Percentage share)



Note: The dollar values of the top two exports as a percentage share of the country's total exports. Where the second largest export contributes less than a 5 per cent share, it is not listed.

MALAWI
Tobacco 50.1%
Tea 13.3%

MALI
Gold 86.3%

MONGOLIA
Coal 32.1%
Copper 29.5%

NEPAL
Soya-bean oil 23.5%
Cardamom 5.4%

NIGER
Sesame seeds 43.7%
Uranium 31.8%

NORTH MACEDONIA
Catalysts 20.8%
Air filters 11.9%

PARAGUAY
Soya beans 30.6%
Electrical energy 24.6%

REP. OF MOLDOVA
Insulated wires 15.8%
Sunflower seeds 6.1%

RWANDA
Coffee 19.5%
Tea 16.8%

SOUTH SUDAN
Oil 88.5%
Gold 10.4%

TAJIKISTAN
Gold 63.1%
Aluminium 10.1%

TURKMENISTAN
Natural gas 82.3%

UGANDA
Coffee 33.1%
Fish 5.1%

UZBEKISTAN
Gold 63.0%
Natural gas 6.7%

ZAMBIA
Copper 79.6%

ZIMBABWE
Tobacco 38.3%
Gold 10.4%