Expert Group Meeting on STI for Structural Economic Transformation of LLDCs

Experiences and potential of STI in trade facilitation

11 April 2019

Qasim Chaudry
Associate Programme Adviser
Trade Facilitation and Policy for Business
LLDC costs to trade is ~60% higher than LDCs average, double than world average

LLDCs cost to export is 65% higher than LDCs average...

<table>
<thead>
<tr>
<th></th>
<th>$ to export 20’CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLDCs</td>
<td>$3,272</td>
</tr>
<tr>
<td>LDCs</td>
<td>$1,987</td>
</tr>
<tr>
<td>Developing</td>
<td>$1,580</td>
</tr>
<tr>
<td>World</td>
<td>$1,515</td>
</tr>
<tr>
<td>OECD</td>
<td>$1,070</td>
</tr>
</tbody>
</table>

And 60% higher to import

<table>
<thead>
<tr>
<th></th>
<th>$ to import 20’CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLDCs</td>
<td>$4,058</td>
</tr>
<tr>
<td>LDCs</td>
<td>$2,528</td>
</tr>
<tr>
<td>Developing</td>
<td>$1,887</td>
</tr>
<tr>
<td>World</td>
<td>$1,823</td>
</tr>
<tr>
<td>OECD</td>
<td>$1,090</td>
</tr>
</tbody>
</table>

Source: Doing Business 2014
LLDCs time to trade ~70% higher than World Average

**Time to Export**

- LLDC: 41 days
- LDC: 27 days
- World Average: 22 days
- Developing: 19 days
- OECD: 11 days

**Time to Import**

- LLDC: 48 days
- LDC: 31 days
- World Average: 25 days
- Developing: 22 days
- OECD: 10 days

Source: Doing Business 2014
Border inefficiencies translate into direct and indirect costs impacting business competitiveness

**Direct costs**
- Time and resources invested in managing export administrative activities
  - Collect, produce, transmit and process required information and documents

**Indirect costs**
- Increased operational costs
  - Delays translate into extra transport, insurance or warehouse costs
- Increased working capital requirements
  - Inventories immobilized are carried out by the exporter (except for EXW sales)
- Product deterioration
  - Delays can lead to the degradation of products and render them unfit for sale
- Lost business opportunities
  - Direct: joining a punctual regional trade
  - Indirect: immobilized stock could have been sold to a local client
MSMEs are disproportionately affected by added trade costs which hampers their participation in global value chains

- On a relative basis, MSMEs dedicate more HR to export than MNCs.

- Limited access to intermediate financing to cover inventory costs.

- MSMEs are often classified as “high risk” operators by border agencies.

- MSMEs cannot afford quality logistics service providers.

- MSMEs often export small volumes of low value-added product making it harder to reach the “breakeven” point.
Example: Regulatory burdens hit small firms twice as hard as large firms
Border’s performance largely determines a country’s participation to international trade

Private view on the main barriers in connecting firms to value chains (% answers)

Source: OECD/WTO Questionnaire 2013, [www.aid4trade.org](http://www.aid4trade.org) Data link [http://dx.doi.org/10.1787/888932853834](http://dx.doi.org/10.1787/888932853834)
[https://www.wto.org/english/res_e/booksp_e/aid4trade13_e.pdf](https://www.wto.org/english/res_e/booksp_e/aid4trade13_e.pdf)
ITC NTM Business Surveys in over 40 countries
10 of which are LLDCs

Burkina Faso, Ethiopia, Kazakhstan, Kyrgyzstan, Malawi, Mali, Nepal, Paraguay, Rwanda, Uganda
Incidence of burdensome NTMs is higher for LLDCs

1054 companies participated in detailed face to face interviews

% of companies facing burdensome NTMs higher in LLDC vs. RoW

Average of 40 surveyed countries

Note: Burdensome NTMs are sector specific with typically a higher number for agricultural than manufacturing sector. Kazakhstan is not a large exporter of agricultural products (oil, oil products and non-ferrous metals account for 80% of the country total exports)
Procedural Obstacles are the root causes of barriers to trade and are mostly domestic

Kazakhstan: 68% of NTM exports cases and 93% of import cases were because of the POs

Paraguay: These percentages are 61% and 65% respectively

Businesses rank trading concerns

Concerns:
- Business voice in the design and implementation of border procedures
- Customs cooperation
- Transit efficiency of goods moving through intermediate territories
- Bureaucracy / complexity connected with trading operation
- Movement of goods under customs control
- Border agency coordination
- Efficient release and clearance of goods
- Consistent and reasonable application of fees and charges on imports and exports
- Transparency of controls and inspections
- Ability to challenge decisions taken by customs authorities
- Advance rulings regarding classification and origin of exports
- Consultation on new regulations regarding border processes and rules
- Publication and availability of information regarding clearance for importing or exporting

ITC helps businesses trade

Joint agency of the UN and WTO

Rules of Trade
Help businesses trade
Trade policy research

Fully dedicated to support the internationalization of SMEs

Policy Makers
TISIs
Private Sector

With services evolving over time

From preparation for TFA implementation
- Categorisation
- Notification
- Ratification
- Project proposals

To actual implementation
- TF reforms
- Broader TF issues
  - Logistics
  - Innovative use of ICT
  - Creative e-learning, etc
Promoting STIs in Trade Facilitation solutions

Promoting business perspective in diagnosis, design and implementation of trade facilitation reforms
- *Three of the four target beneficiary countries of TF programme are LLDCs*

Creative approaches to e-learning (online cross-border management curriculum, interactive courses, Virtual Learning Space)
- *Including trainings on SMEs and TFA, export management curriculums, others*

Innovative use of ICT for trade facilitation, including Trade Facilitation Portals, Enquiry points, Digitalization of Certificate of Origin
- *Portals in Uganda, Rwanda, Tajikstan; Enquiry point in Niger, digitalization in WAEMU*

Addressing non-tariff barriers to trade using a “whole of the supply chain” approach comprising trade facilitation, quality for trade (SPS, TBT), and logistics services
- *Including Business Process Analysis (BPA) techniques to identify and resolve inefficiencies in cross-border procedures in CEFTA parties and EAC*

Active network of partnership: UNCTAD, WTO, UNECE, WCO, ICC, UNESCAP, IRU, UPU, WEF, ADB, CNI, DHL
- *Co-branded publication with Huawei technologies on use of technology in TF; collaborating with UNCTAD and UNECE on TF portals and TFIG respectively*

Building upon regional integration dynamics and fostering a regional approach to the TFA implementation.
LLDCs may pursue regional implementation of TFA reforms to overcome challenges in trade and transport

<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consolidate national TF needs and identify common requirements</td>
</tr>
<tr>
<td>2</td>
<td>Identify specific TF reforms relevant for regional interventions</td>
</tr>
<tr>
<td>3</td>
<td>Define the set of legal and non-legal instruments to support implementation</td>
</tr>
<tr>
<td>4</td>
<td>Delineate member states’ and regional bodies’ respective implementation responsibility</td>
</tr>
<tr>
<td>5</td>
<td>Define the target policy mix for each TF reform</td>
</tr>
<tr>
<td>6</td>
<td>Establish an institutional community platform to facilitate the design, implementation and monitoring of the regional trade facilitation roadmap</td>
</tr>
</tbody>
</table>