



The WTO Trade Facilitation Agreement and the issue of transit trade: Engaging Trade-led growth in LLDCs

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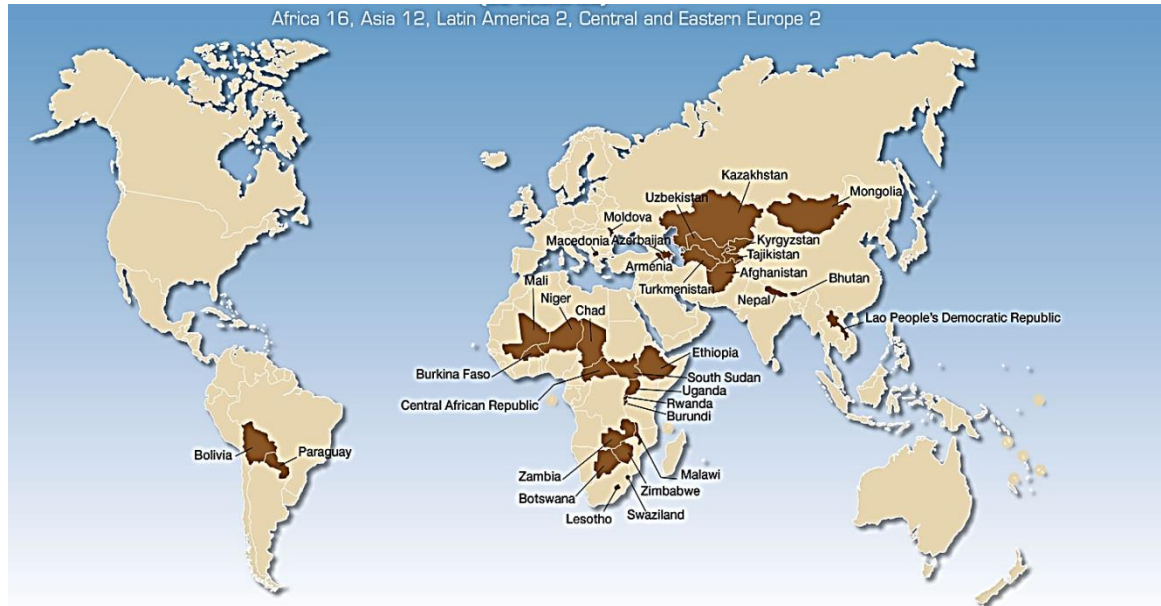
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Part 1. Trade issues of LLDCs

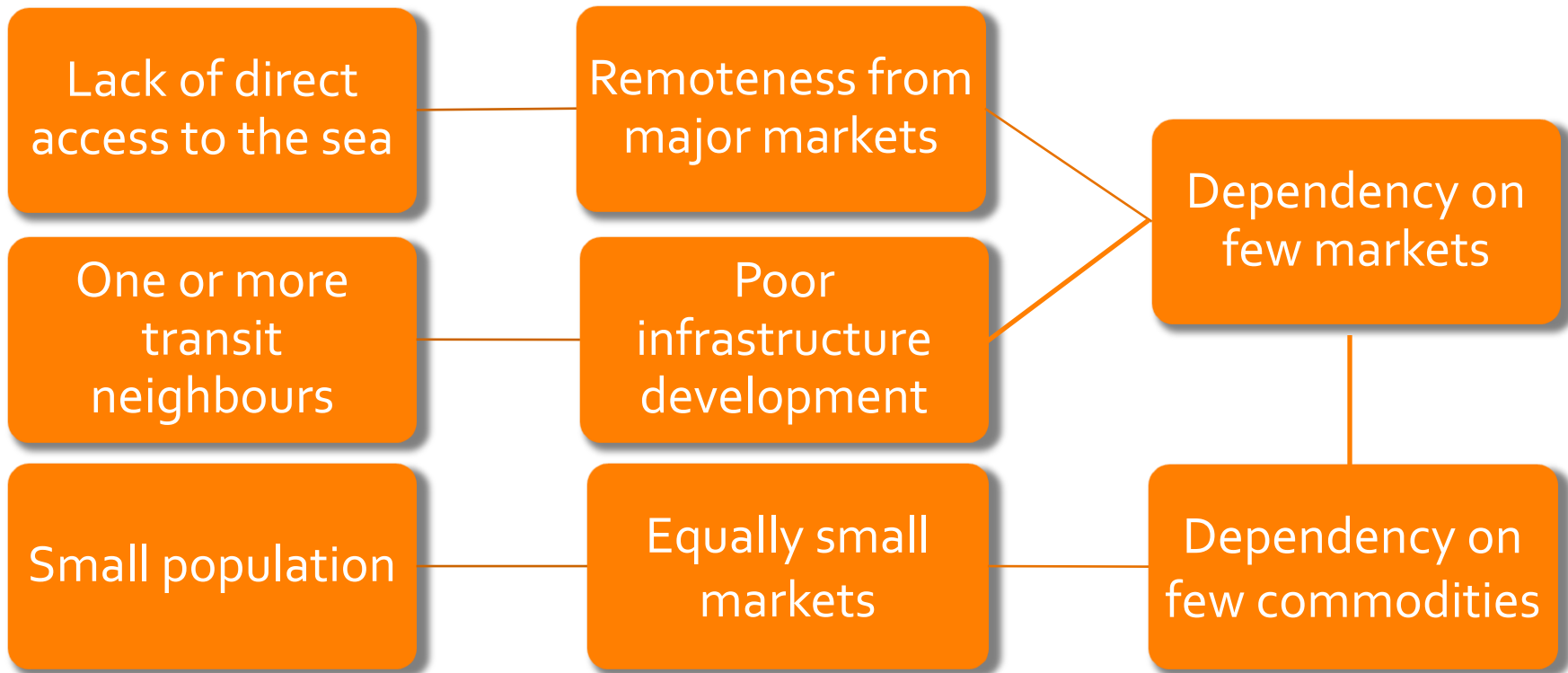


32 Landlocked Developing Countries



- + 1,2% of the world trade
- + Only two-thirds of the trade volume of their neighbouring countries.
- + Only a few LLDCs account for 60% of the total LLDCs exports
- + Double time and cost for exporting and importing compared to transit countries/coastal economies
- + LLDCs pay from US\$3.203 to US\$ 3.884 per container to export and import respectively while transit countries paid only US\$ 1.287 to US\$ 1.602 respectively.

Part 1: Challenges of LLDCs



Part 2. WTO-TFA and Implications for LLDCs



Part 2: TFA and Implications for LLDCs

Benefits and Costs of TFA implementation for LLDCs

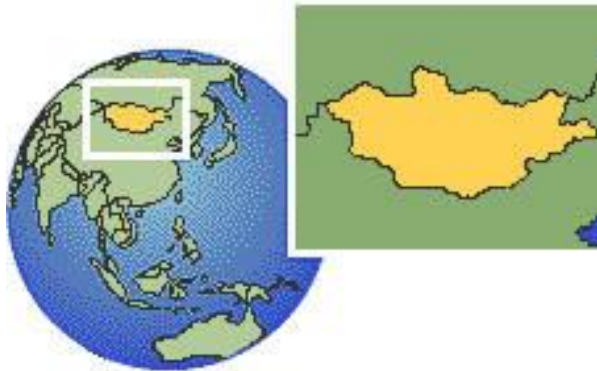
- + Reduction of trade costs estimated (by OECD) to be:
 - + 14.5% for low income countries (that includes 10 LLDCs),
 - + 15.5% for middle income countries (that includes 9 LLDCs)
 - + 13.2% for upper middle income countries (that includes 4 LLDCs).
- + Key challenges (ESCAP survey):
 - + financial constraints
 - + lack of coordination between government agencies
 - + limited human resources

Part 2: TFA and Implications for LLDCs

Transit trade in the TFA

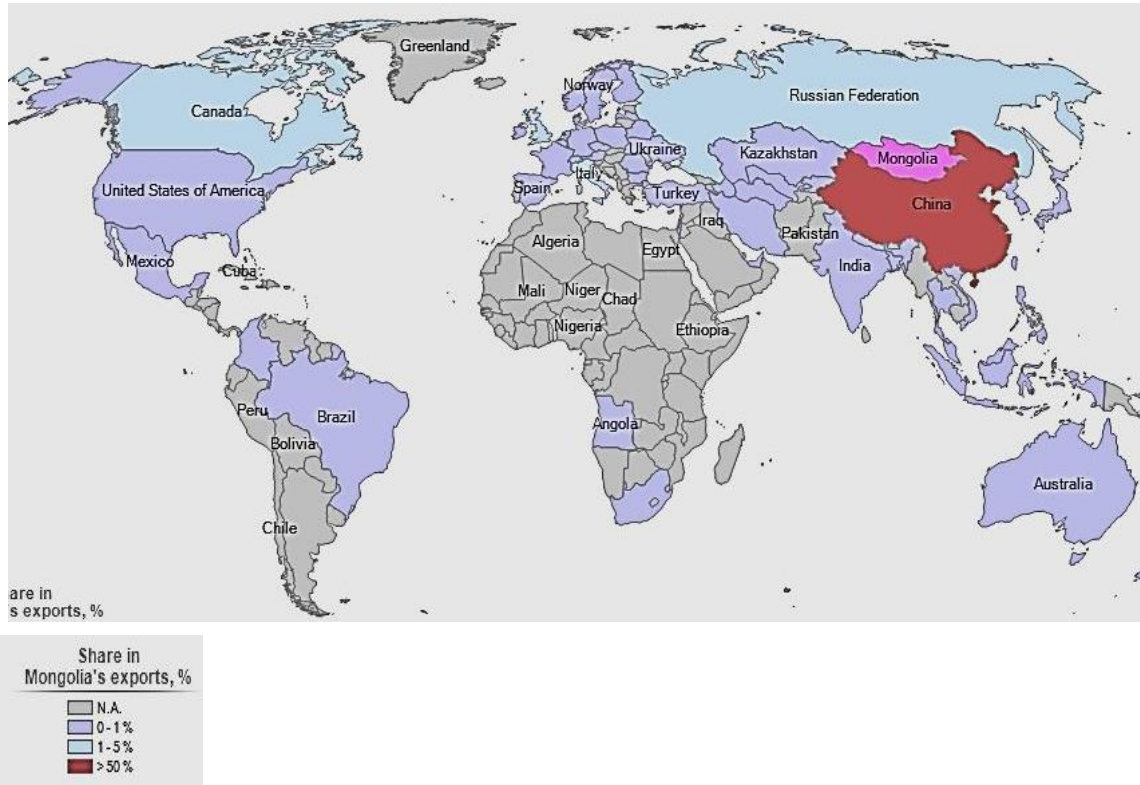
- + Article 11: Freedom of Transit
 - + The TFA has 13 Articles in Section I
 - + Article 11 is of particular interest to LLDCs due to high transit costs
 - + Adds specificity to the general existing rules
 - + For example, it suggests having a physically separate infrastructure for transit trade
 - + GATT Article V also relates to Freedom of Transit
- + Because of its location in the TFA, it allows for special and differential treatment as promised in Section II of the TFA

Part 3. Case Study: Mongolia



Part 3 : Case Mongolia

Importing markets for a product exported by Mongolia in 2013



- + Mongolia sources 95 percent of its petroleum from Russia.
- + Trade with China represents more than half of Mongolia's total external trade.
- + The trade balance is negative due to high imports.
- + Main trade partners include: Russia, China, US, Japan, South Korea, Germany, Canada, Italy and UK
- + Minerals formed 88% of total export in 2013
- + Mining sector represents 57.2% of total production. But only 4.4% of total employment.

Part 3 : Mongolia - Trade Performance

- + WTO member since 1997
- + **Trade cost:** to Mongolia
 - + Cost to export a container amounts to USD 2.745
 - + Cost to import a container amounts to USD 2.950
- + **Trade time:** For Mongolia
 - + Export - 49 days
 - + Import - 50 daysLLDCs in general average:
 - + Export - 37 days
 - + Import - 42 days
- + **Mongolia's exports:** 0.02% of world exports (ranking on 112 on world exports)
- + **Trade balance:** -2 billion USD / year

Part 3 : Case Mongolia as LLDC

Mongolia's initiatives on raising concerns of LLDCs:

- + Founding member of the official LLDC group at the UN
- + One of founding members of the WTO LLDC group in 2003
 - + objective: to promote the interests of LLDCs in the multilateral trade system
- + Host of Second Trade Ministerial Conference in 2007
- + High-Level Asia Pacific Policy Dialogue on the Implementation of the APoA and other development gaps faced by LLDCs, Apr 2011, UB
- + High Level Workshop on WTO TFA and Implications on LLDCs, June 2014, UB

Part 3 : Case Mongolia as LLDC

Transit Initiatives:

+ Tripartite transit agreement

- + Negotiations launched between Mongolia, China and Russia under the auspices of UNCTAD in 1999 (not completed yet)

+ Transit Mongolia Programme

- + For the support and development of transit transportation and logistics sector in Mongolia.
- + Initiated in 2008
- + implementation has been insufficient due to a shortage of financial resources and lack of coordination among public institutions.

Part 3 : Case Mongolia as LLDC

Mongolia's policy to improve rail connectivity to sea ports: State Policy on Railway Transportation (Parliament Resolution No.32, June, 2010)



- Existing railways
- Phase I - appr. 1100 km
- Phase II - appr. 900 km
- Phase III - appr. 3600 km

Part 3: Case Mongolia as LLDC

Mongolia's regional integration efforts:

- + Active participation in the regional cooperation mechanisms
 - + ADB CAREC, Greater Tumen Initiative, accession to APEC and APTA
- + Mongolia and Japan FTA/EPA negotiations
 - + expected to be ratified by Q1 2015
- + Mongolia's accession to APTA
 - + first-ever regional trade agreement for Mongolia

Part 3: Case Mongolia as LLDC

TFA implementation needs assessment

- + Mongolia identified its needs for capacity building for the implementation of the WTO Agreement on Trade Facilitation in June 2014.
- + 23 provisions under category A
- + 5 under category B
- + 8 under category C
 - + Such as...

Part 4. Conclusions and Recommendations



Part 4: Conclusions

3 policies LLDCs can consider to better capture the gains from trade

- + Advocate for the ratification of the TFA
 - + As part of this, complete the needs assessments
 - + Countries need to agree on so-called transit protocols for specific food and agricultural products (SPS-lite), taking into account the provisions in the new WTO TFA.
- + Support the launch of a Work Program for LLDCs
 - + WTO has considered special recognition of the LLDCs Group in the WTO
- + Consider the global marketplace
 - + We need to work with our neighbors to access export infrastructure
 - + Increasingly there are ways we can think beyond borders (e.g. Mongolia-Japan EPA)



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