



# **LANDLOCKED DEVELOPING COUNTRIES' TRADE AND TRANSPORT FACILITATION ISSUES RELATED TO TRANSIT**

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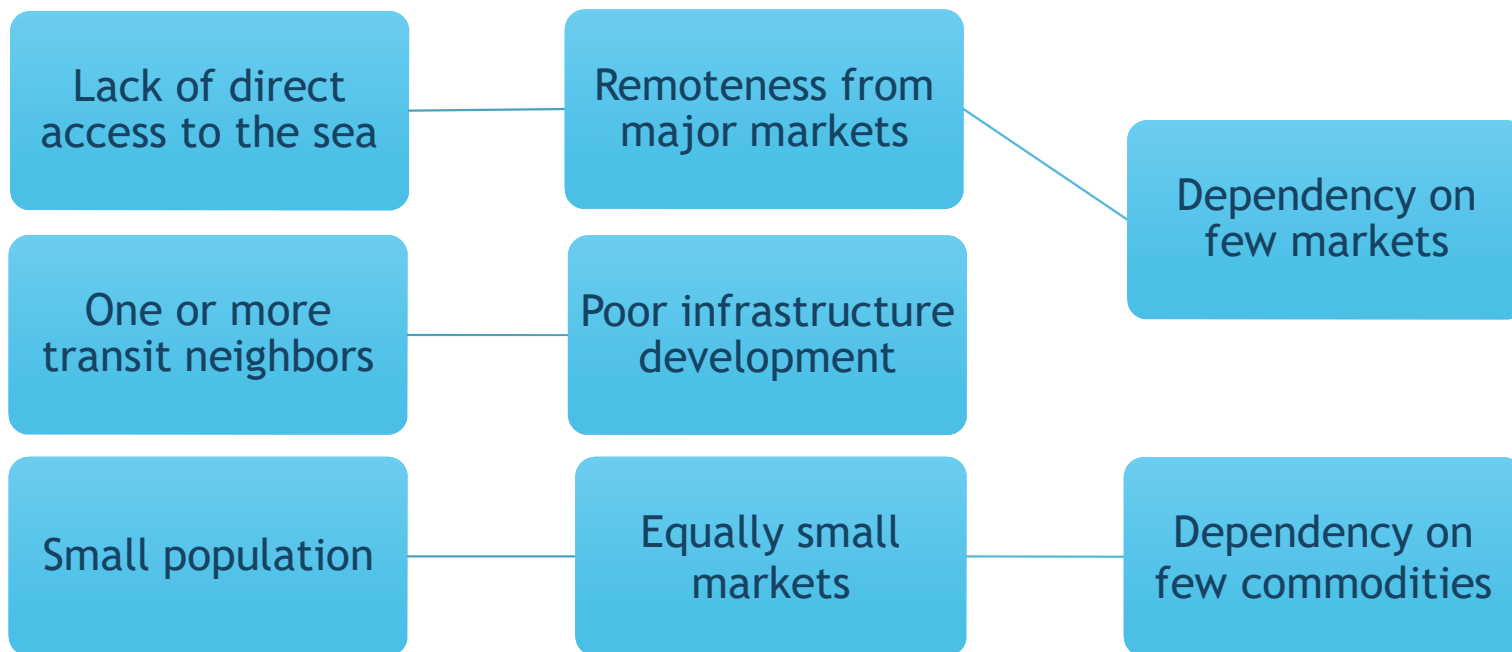
1. Challenges arising from being Landlockedness
2. Overview of LLDC Logistics and Transport Industry
3. Challenges for Logistics and Transport Industry
4. Case of Mongolia
5. Recommendations
6. Role of ITTLLDC

# Landlocked Developing Countries (LLDCs)

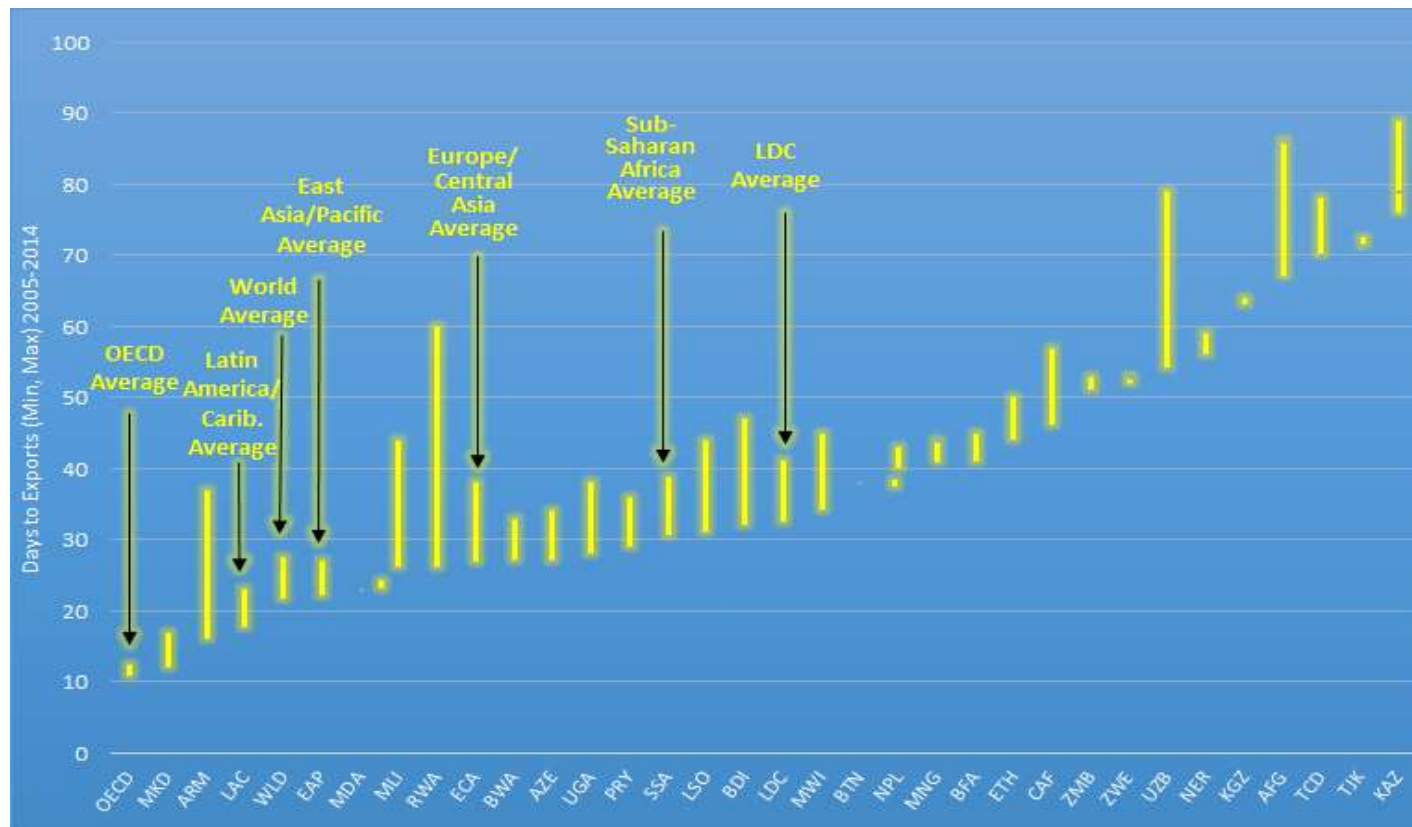
Africa 16, Asia 10, Latin America 2, Central and Eastern Europe 4



## The common challenges that face LLDCs

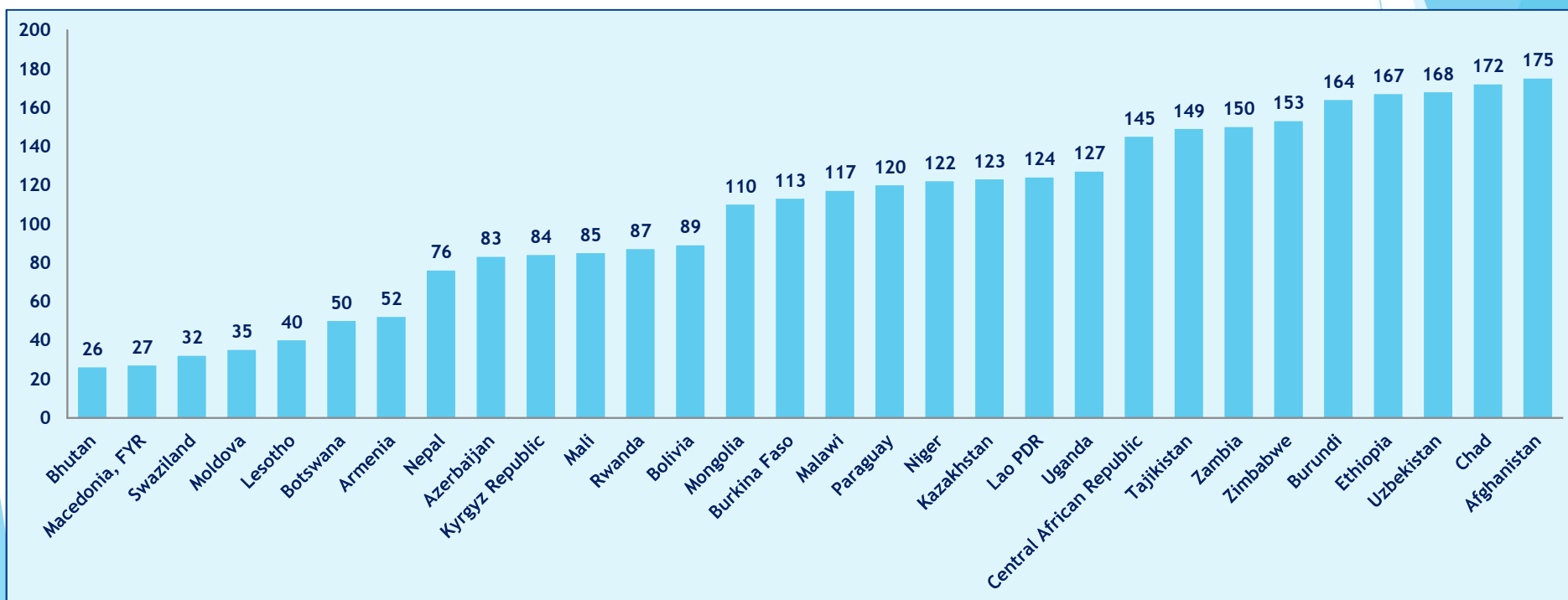


## Comparison graph of days to export for LLDCs



Source: World Bank World Development Indicators

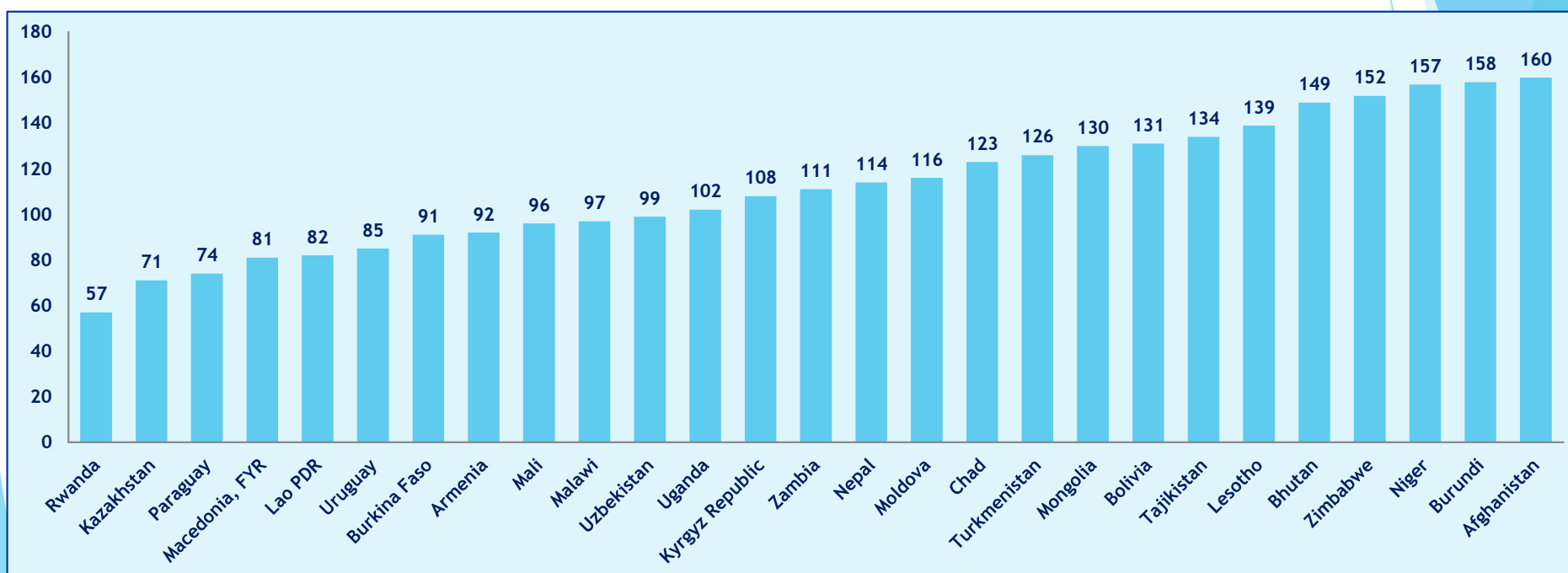
# Doing Business 2017: Trading Across Borders Ranking



Source: World Bank

# Logistic Performance Index Ranking - 2018

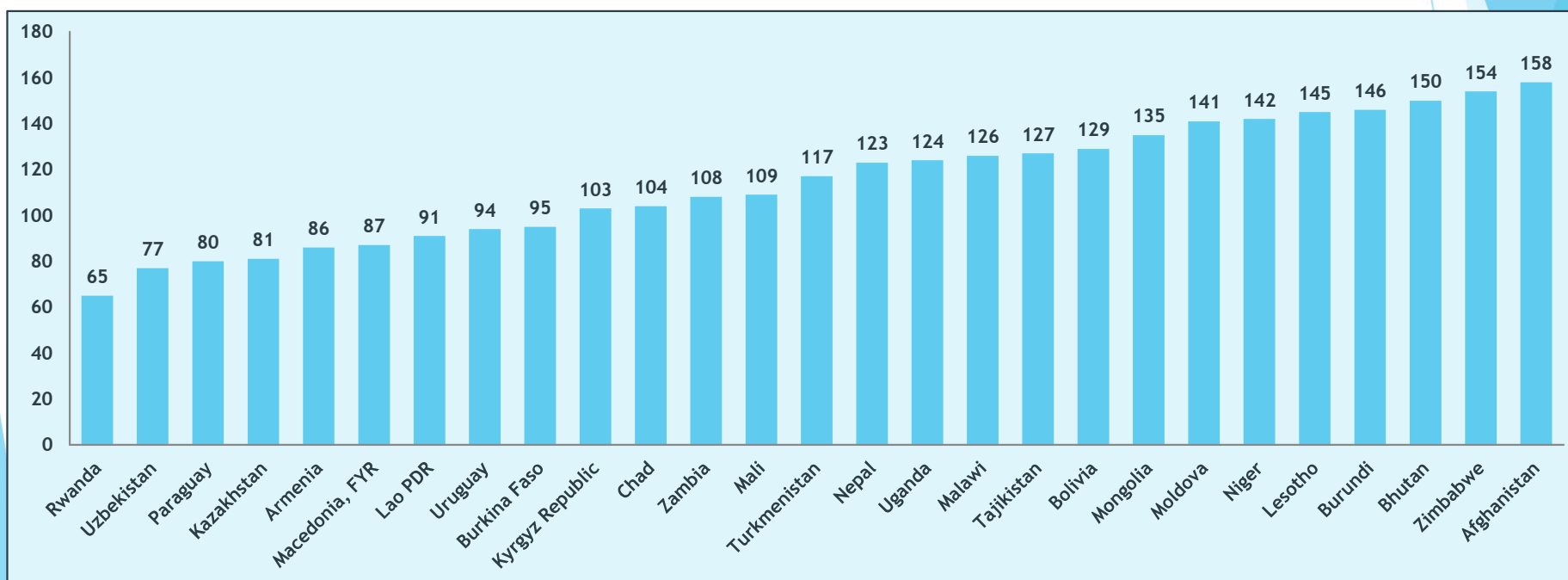
## Transit transport of LLDC



Source: World Bank

# Logistic Performance Index Ranking - 2018

Quality of trade and transport related infrastructure



Source: World Bank



## Logistic Performance Index - six dimensions

- ▶ The efficiency of customs and border management clearance (“**Customs**”).
- ▶ The quality of trade and transport infrastructure (“**Infrastructure**”).
- ▶ The ease of arranging competitively priced shipments (“**Ease of arranging shipments**”).
- ▶ The competence and quality of logistics services—trucking, forwarding, and customs brokerage (“**Quality of logistics services**”).
- ▶ The ability to track and trace consignments (“**Tracking and tracing**”).
- ▶ The frequency with which shipments reach consignees within scheduled or expected delivery times (“**Timeliness**”).

# WTO-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

# WTO-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

# LLDC Members and dates of acceptance of the WTO-TFA

1. Afghanistan (29 July 2016)
2. Armenia (20 March 2017)
3. Bolivia, Plurinational State of (30 January 2018)
4. Botswana (18 June 2015)
5. Burkina Faso (21 September 2018)
6. Central African Republic (11 January 2018)
7. Chad (22 February 2017)
8. Kazakhstan (26 May 2016)
9. Kyrgyz Republic (6 December 2016)
10. Lao People's Democratic Republic (29 September 2015)
11. Lesotho (4 January 2016)
12. Malawi (12 July 2017)
13. Mali (20 January 2016)
14. Moldova, Republic of (24 June 2016)
15. Mongolia (28 November 2016)
16. Nepal (24 January 2017)
17. Niger (6 August 2015)
18. North Macedonia (5 October 2015)
19. Paraguay (1 March 2016)
20. Rwanda (22 February 2017)
21. Tajikistan (2 July 2019)
22. Uganda (27 June 2018)
23. Zambia (16 December 2015)
24. Zimbabwe (17 October 2018)

# Mongolia at a glance



**Total area:** ~ 1.5 million square km  
**Population:** ~ 3 million people  
**GDP Current:** ~ 13,01 billion US\$ (2018)  
**GDP Growth:** ~ 6.9  
**Mongolia Exports by Country:**

- China	80%
- Switzerland	7.30%
- United Kingdom	6.70%
- Italy	0.94%
- Russia	0.90%
- Denmark	0.43%
- USA	0.37%
- France	0.19%
- Germany	0.23%
- Others	3%

*Source: The World Bank database*

## Mongolian export products (2018)

	Commodities Traded	Trade Partners (2018)
Exports	Copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar, other nonferrous metals, uranium, coal, crude oil	China 78%
Imports	Machinery and equipment, fuel, cars, food products, industrial consumer goods, chemicals, building materials, cigarettes and tobacco, appliances, soap and detergent	China - 32%, Russia - 29%, Japan-9%, South Korea-6%,





# Mongolia's road projects



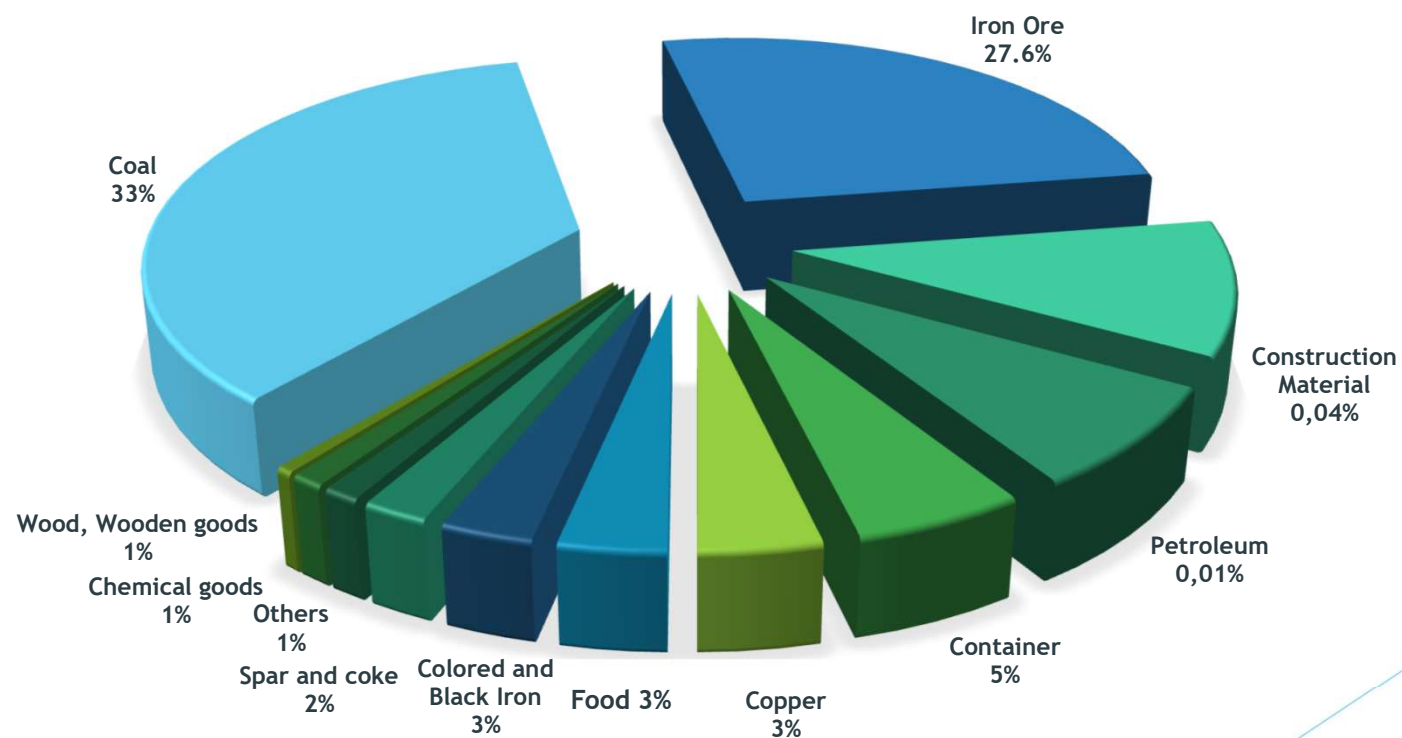
Source: Ministry of Road and Transportation Development



# Mongolia`s Logistics and Transport Sector

- 241 operators holding License issued by the Ministry of Roads and Transportation Development of Mongolia (2017, MRTD)
- DHL, FedEx, UPS and other big players entered Mongolian market
- Chinese and Russian Companies are increasing their presence

# Net weight of freight transportation



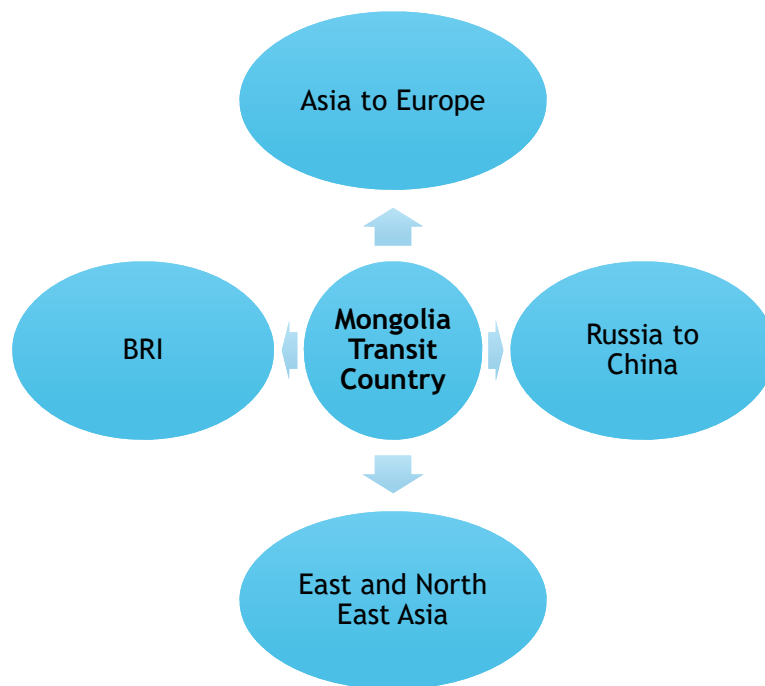
Source: National Statistical office of Mongolia. Statistical Yearbook 2018

## Inadequate Processing at Border Crossings

- ▶ Up to **57%** of transport time = border crossings
- ▶ **38%** of transport costs = unofficial levies



# Mongolia's transit connections



Source: ITT for LLDCs, 2016

# Mongolia - transit transport hub

- ❖ *Multimodal Transportation:* the best of all transport modes
  - ❖ Connective points,
  - ❖ Dry ports,
  - ❖ Terminals,
  - ❖ Hubs,
  - ❖ Free trade zone,
  - ❖ Logistic centers and
  - ❖ Industrial parks etc.

# International legal framework and agreements

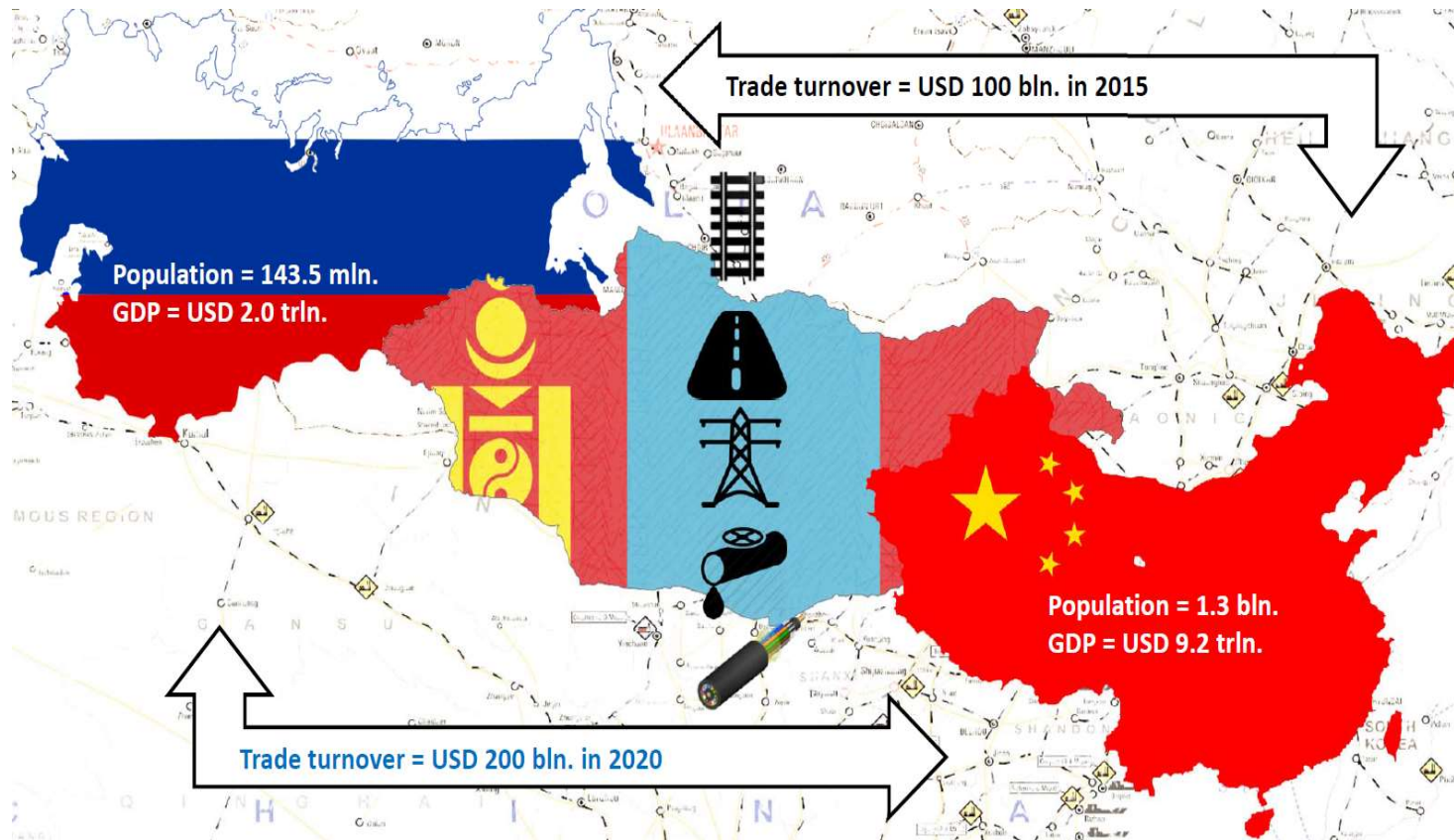
- ❖ WTO member
- ❖ Trade Facilitation Agreement
- ❖ TIR Convention
- ❖ Intergovernmental agreement on Dry ports

## Mongolia with TIR

- ▶ Mongolia acceded to the TIR Convention in 2002; TIR entered into force in 2003;
- ▶ NARTAM is the national association authorized by Mongolian Customs Administration;
- ▶ 100 Mongolian transport operators are authorized to use TIR carnets in the 1<sup>st</sup> Quarter of 2017;
- ▶ Close to 2,000 TIR carnets were used by foreign transport operators for transport to Mongolia in 2016;
- ▶ The first vehicle fit for TIR transport was approved by Mongolian Customs in 2016.



# China-Mongolia-Russia Economic Corridor

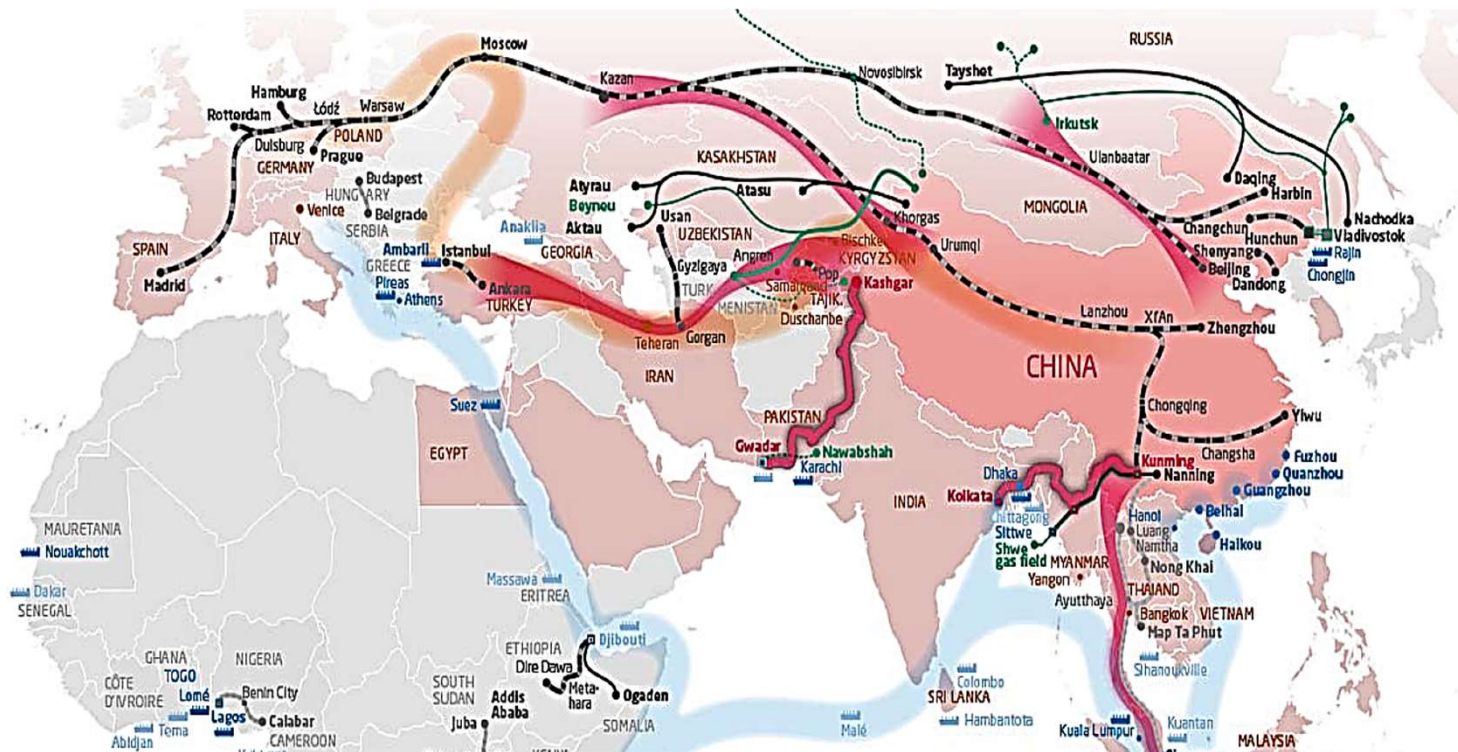


Source: Ministry of Foreign Affairs of Mongolia



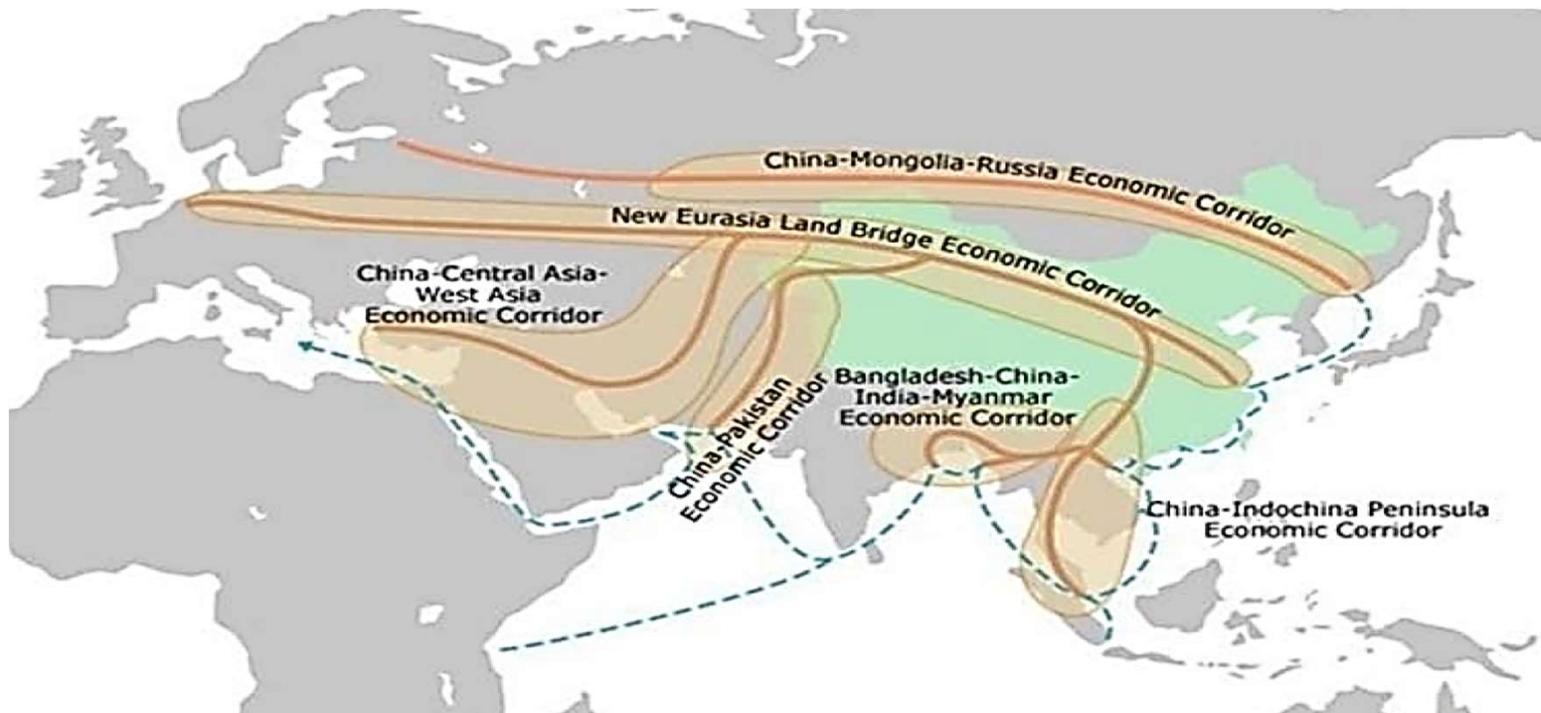
# Belt and Road Initiative

Spanning over 65 countries, covering 4.4 billion people and accounting for 40% of global GDP, 5 routes have been proposed under the Belt and Road Initiative.



Source: MERICS, Mercator Institute for China Studies

## 6 corridors of the Belt and Road Initiative



Source: MERICS, Mercator Institute for China Studies

# Recommendations

- ▶ *Diversification of Exports*
- ▶ *Mongolia's Maritime capacity and export Potential*
- ▶ *Diversify Trade Partners*
- ▶ *Mongolia as a Transit Country*
- ▶ *Diversification of Modes of Transport*
- ▶ *Enhance the role of Mongolia's logistics services sector through the creation of a Logistics Services Industry Policy*
- ▶ *Development of Infrastructure: transport corridors and hubs, special economic zones,*
- ▶ *Custom and administrative: Single window clearance, harmonizing documentary requirements, modernizing trade procedures,*
- ▶ *International Trade and Transit framework*
- ▶ *Regional Cooperation on Trade and Transit*
- ▶ *Role of Private Sector*
- ▶ *Customized Research on Mongolia's Trade and Transit issues*

# Recommendations

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

- ▶ *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*
  - ▶ *LLDCs need to work with their neighbors to access export infrastructure*
  - ▶ *Increasingly there are ways LLDCs can think beyond borders (regional integration)*

## Importance of research and evidence based analysis



# Importance of research and evidence based analysis

- ❖ Definition of right policy
- ❖ Define problems and find solutions
- ❖ High quality research = Good solution
- ❖ Capacity building
- ❖ Define high quality tools for research, and share (e.g. IDE-GSM-geographical simulation model)
- ❖ Cost and Benefit analysis
- ❖ Evidence based problem solving vs. populist approach



## ITT for LLDCs: Research papers

- ❖ “WTO Agreement on Trade Facilitation and the implications for LLDCs”,
- ❖ Bilateral Transit and Transportation Agreements of LLDCs: Benefits and Bottlenecks - Case India and Nepal,
- ❖ Rethinking regional integration for LLDCs,
- ❖ Economic impacts of economic corridors in Mongolia
- ❖ Economic Diversification of LLDCs



**Thank you for your kind attention!**

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