Reversal of the trade marginalization of LDCs: Thanks to their status?

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Fifty Years of Least Developed Countries

Rationale and Impact of a Differential Treatment

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Trade marginalization of LDCs and reversal

- Besides a critical examination of what has been done, under the special and differential treatment, both for market access and beyond market access, assessment of *trade outcomes*: how are they impacted by SDT?

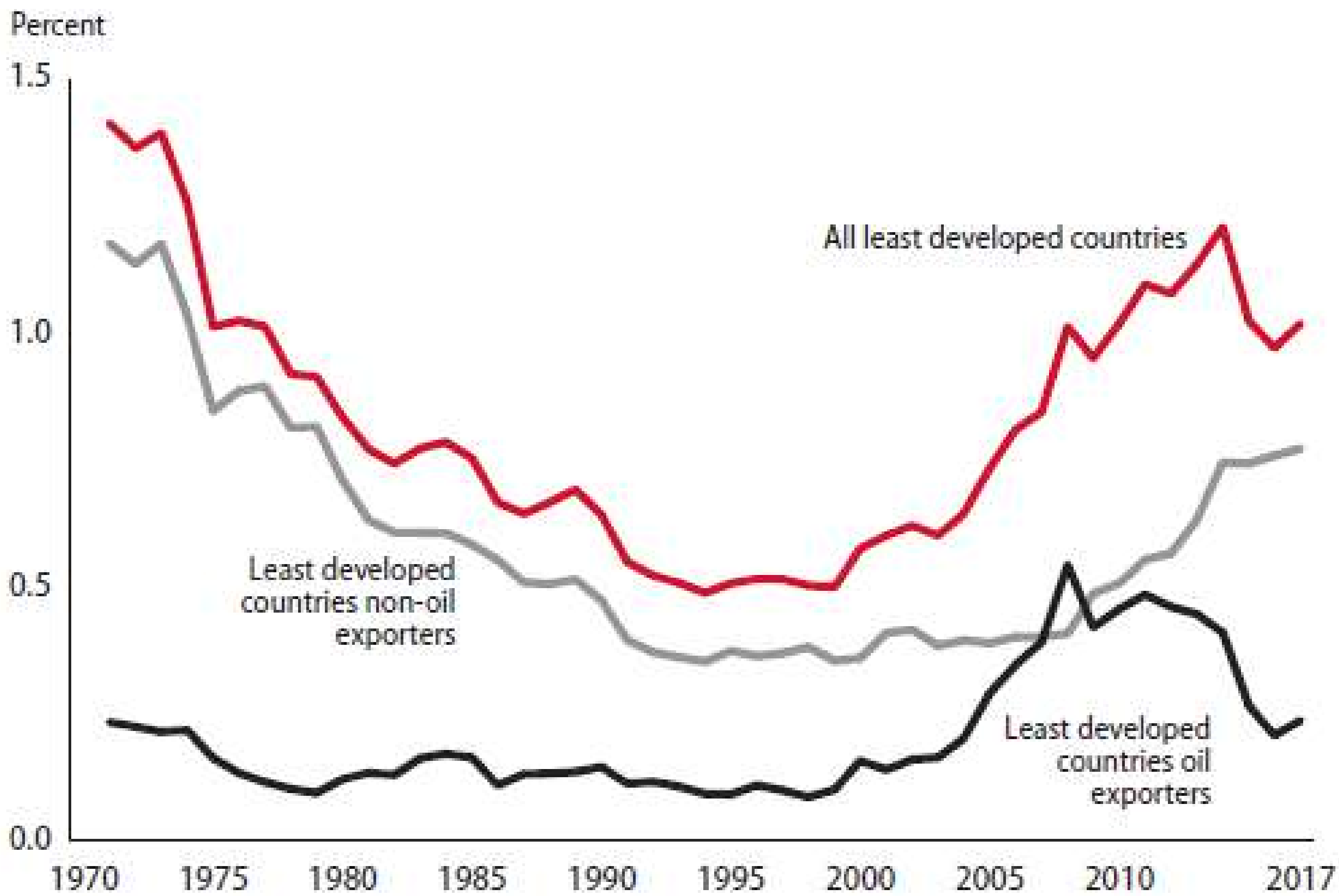
- Decline in share of world trade, reversed in the last decades, for goods (0.5% in 1999 to 1% in 2010, 1.3% in 2013, 0,89 in 2015 and 1,01 % in 2019) and for services (still at 0.8%).

- Angola, Bangladesh, Myanmar, Cambodia and Zambia) accounting for over 60 percent of all merchandise exports from LDCs in 2019. Relative cost advantages and geographical advantages offering better linkages to global value chains continued to play a critical role in boosting exports, particularly among Asian LDCs, while African LDCs relied heavily on abundant natural resources.

- Minor reversal without the 5 LDCs oil exporters, the mineral exporters, and few Asian exporters: The real change is that since the mid nineties the decline has been stopped.

- Trade gravity models show a rather negative impact of the category membership, but less and less negative, and depending on the destination of exports, suggesting the impact of market access.

Closed groups of 47 LDCs: All, Oil and non-oil exporters



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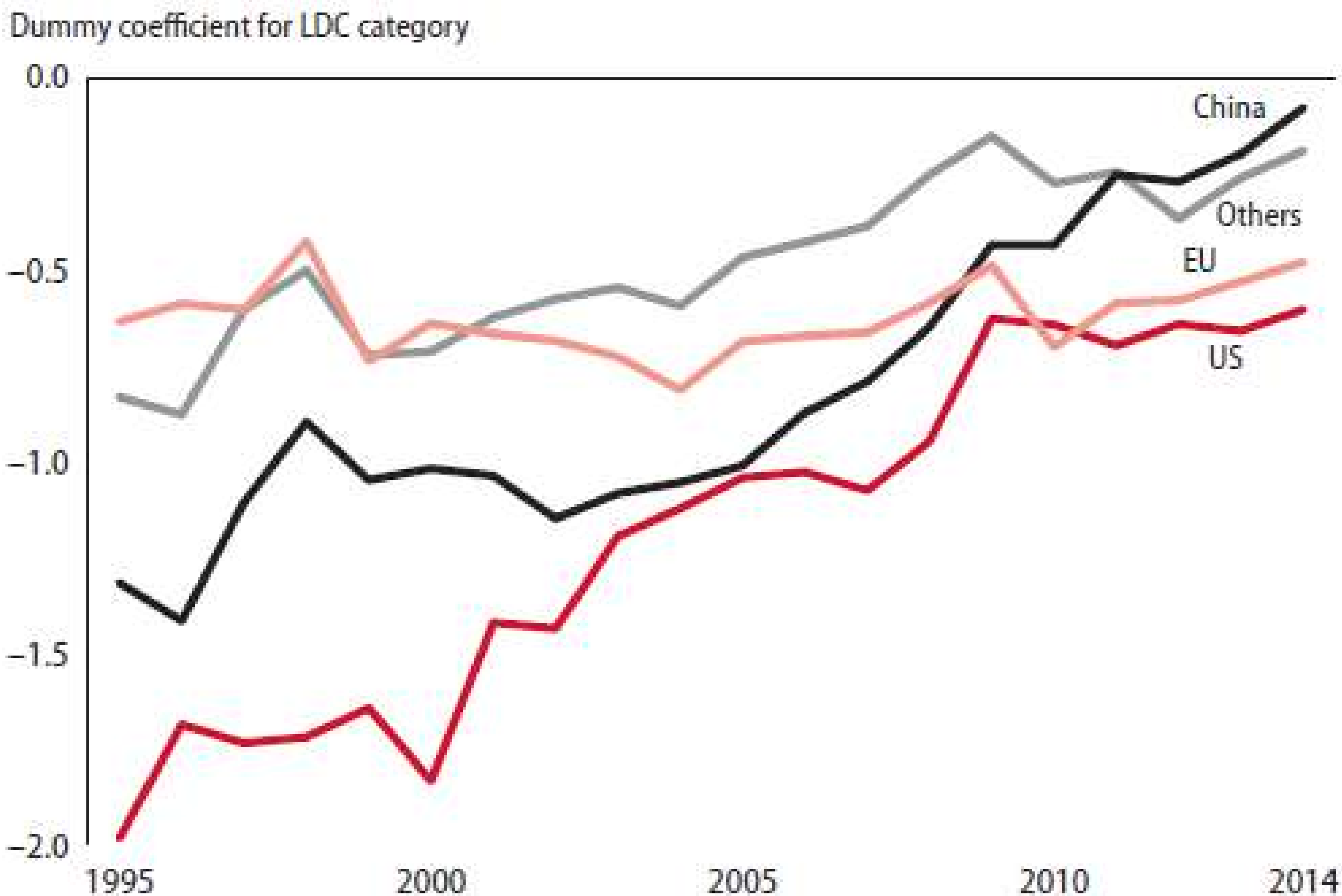
Evolution of LDCs in gravity equation, 1995-2014

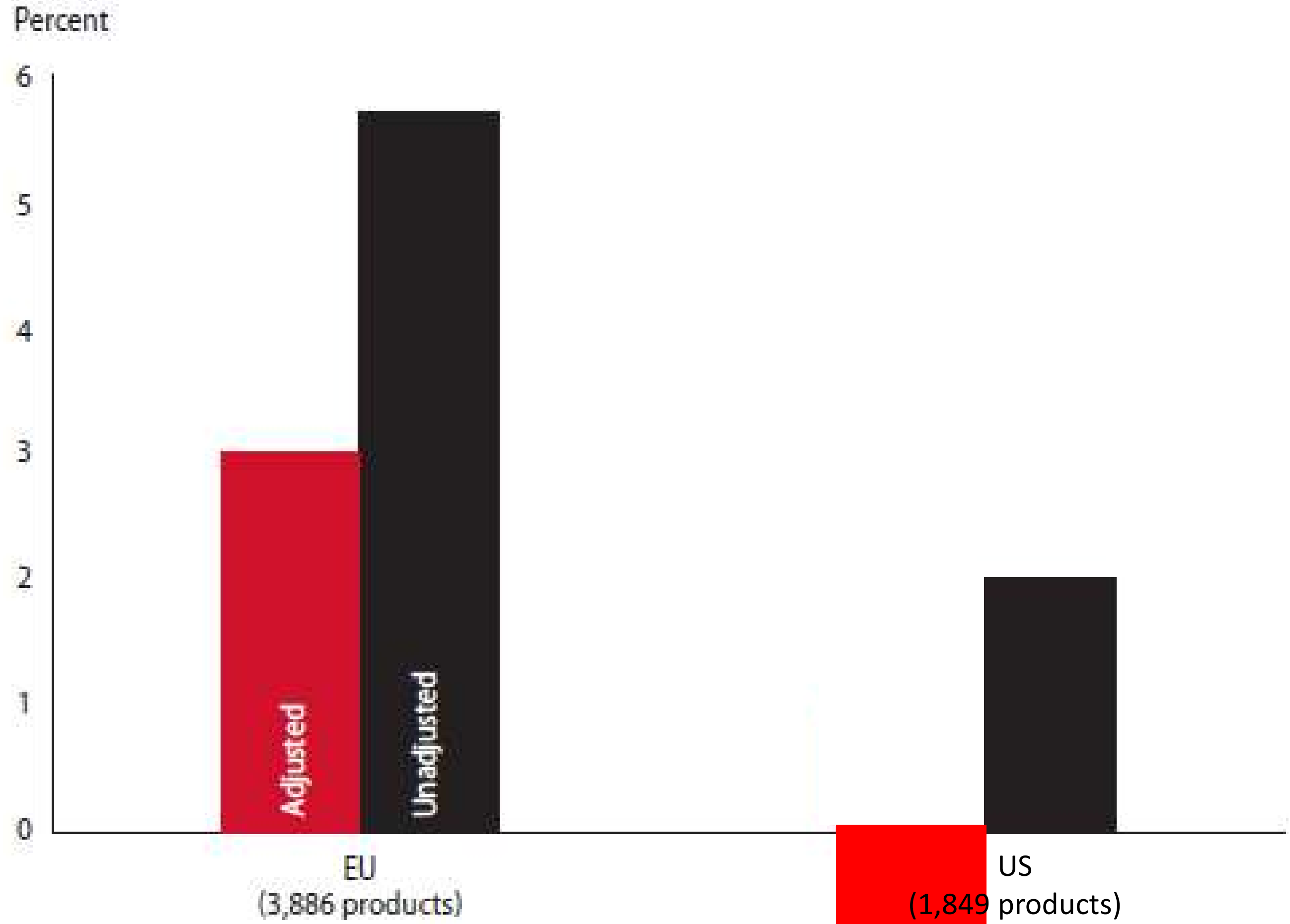


Three main factors depending on international community and lessening LDC trade share in world trade

1. Erosion of preferences
2. Rules of origin
3. NTBs

Erosion of Preferences

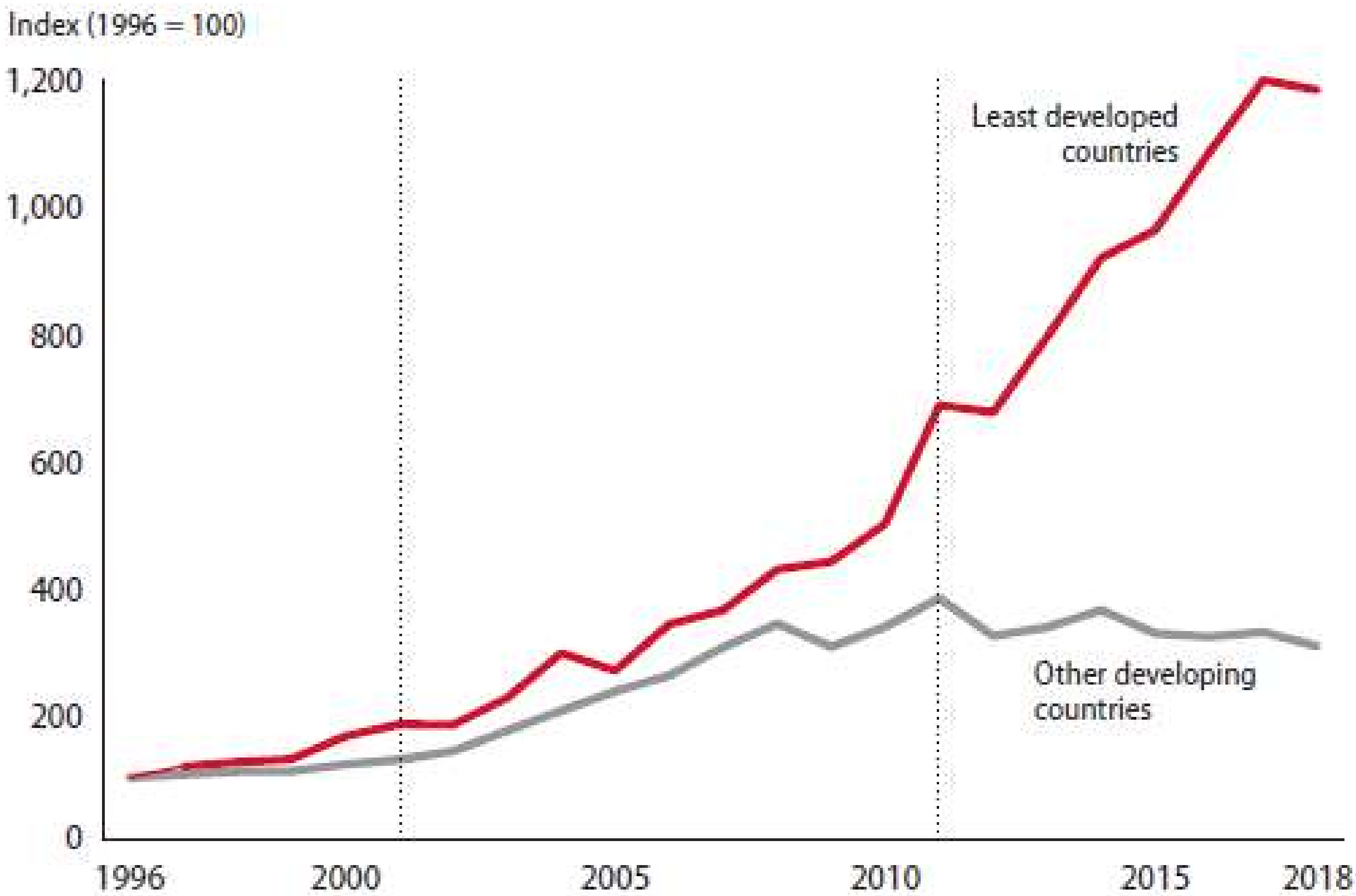
LDC's average preferential margins, unadjusted and adjusted, 2012



Note: Weighted by the LDC export value at the product level.

RoO

EU textile and clothing imports, 1996-2014 (base 100 in 1996)



Three instruments not targeted at LDCs that can provide avenues to lower trade costs

- Aid for trade both for expanding exports and for supporting competitive diversification, by improvement in infrastructure, transportation and capacity building
- WTO's Trade facilitation Agreement
- Support to Regional integration, crucial to make the LDCs (generally small) both more open and less vulnerable: need to give a regional dimension to aid for trade, and Enhanced Integrated Framework as well

Thank you for your attention