The Commonwealth

Trade Hot Topics

ISSUE 184

Realising the Trade Ambitions of the Doha Programme of Action for LDCs: A Commonwealth Perspective

Salamat Ali, Neil Balchin, Kyle de Klerk and Brendan Vickers*

1. Introduction

The United Nations' Doha Programme of Action (DPoA), which runs from 2022 to 2031, renews the global community's commitment to tackling the challenges hindering faster growth and development in the world's 46 least developed countries (LDCs). The DPoA has similar growth and trade-related goals and targets as its predecessor, the Istanbul Programme of Action (IPoA), which was implemented from 2011 to 2020. However, most LDCs, including several in the Commonwealth, did not meet a number of these goals in the past decade (Commonwealth Secretariat, 2022). In the rapidly changing global economic landscape, with concerns about a worldwide recession and multiple interrelated food, energy and debt crises, significant changes in the trade and development paths of LDCs are needed to realise the DPoA's aspirations and drive meaningful economic transformation.

The DPoA seeks to support LDCs to achieve faster growth and development and strengthen their institutional and productive capacities to enhance sustained structural transformation (see Box 1). More broadly, this growth and development should be low carbon and support a just and green transition in LDCs to help tackle climate change (UNCTAD, 2022). The DPoA carries over several trade and economic growth targets from the IPoA. For instance, the IPoA envisaged doubling the LDCs' share in global exports by 2020, from 1 per cent in 2011 to 2 per cent by the end of the plan. The DPoA envisions the same target to be realised by 2031. The DPoA also replicates the IPoA target of achieving at least a 7 per cent annual GDP growth rate in LDCs and graduates.

This issue of *Trade Hot Topics* quantifies the gaps between the historical levels of actual trade and economic growth in LDCs and the growth levels needed to achieve the targets set by the DPoA. It also examines some of the key levers and drivers of trade and investment to realise these ambitions.

2. Trade and economic growth envisaged under the DPoA

This section assesses the export and GDP growth that would have been required to meet the IPoA targets and uses the resulting estimates of gaps between realised and required growth to forecast the potential for LDCs to meet the DPoA targets.

2.1 Assessing the IPoA export targets

To double the LDCs' share in world exports, their export value should have reached US$354 billion by 2020, but the actual value was only $185 billion (Figure 2.1). This target required a substantially higher export growth rate of 7 per cent compared to the observed 2.83 per cent. Despite the LDCs' combined exports growing faster than the global export growth of 1.85 per cent, none of the LDC

* Brendan Vickers (Head of Section); Salamat Ali and Neil Balchin (Economic Advisers); and Kyle de Klerk (Assistant Research Officer) of the International Trade Policy Section, Commonwealth Secretariat, London. Any views expressed are those of the authors and do not necessarily represent those of the Commonwealth Secretariat.

Box 1. DPoA's objectives and trade-related priority areas

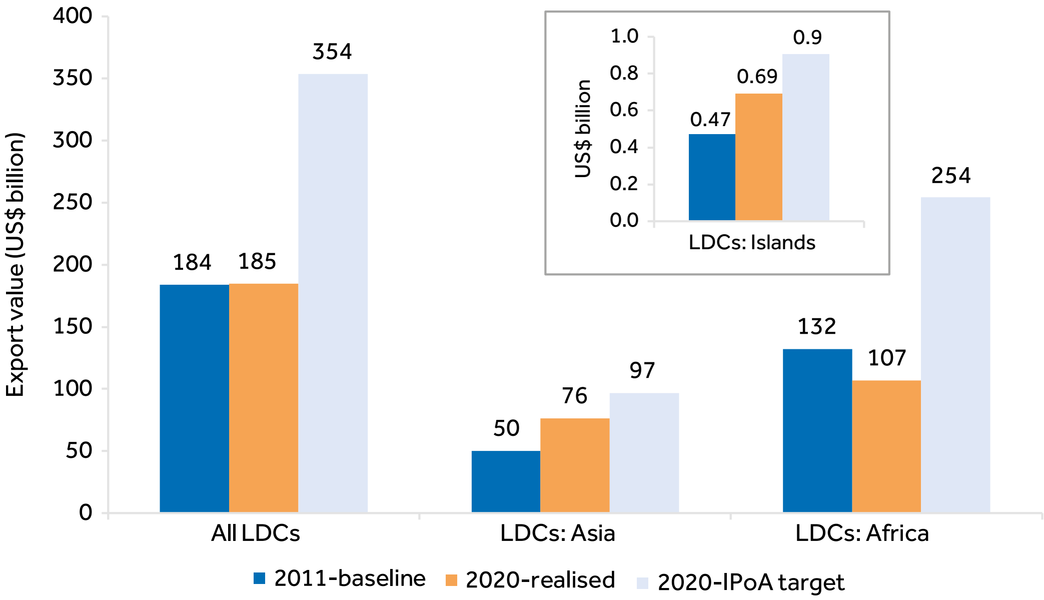
The DPoA's overarching objectives include enhancing support to LDCs to achieve rapid, sustainable and inclusive recovery from the COVID-19 pandemic, build resilience against future shocks, eradicate extreme poverty, strengthen labour markets, access sustainable and innovative financing, address inequalities, harness science, technology and innovation, generate structural transformation, and, ultimately, graduate from the LDC category. Most of these objectives are complementary to the Sustainable Development Goals (SDGs). Enhancing the international trade of LDCs is one of the six priority areas of the DPoA. The trade-related elements comprise:

- securing duty-free and quota-free (DFQF) market access for LDCs on a lasting basis;
- facilitating preferential rules of origin for imports from LDCs;
- operationalising the LDC services waiver and strengthening domestic services capacity;
- providing technical assistance and capacity building, including through Aid for Trade;
- supporting LDCs to implement the World Trade Organization (WTO) Agreement on Trade Facilitation;
- promoting technology transfer;
- maintaining flexibilities for LDCs in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); and
- ensuring full implementation of special and differential treatment provisions.

groups/regions achieved the required level of export growth to meet the IPoA target (Figure 2.2). As a result, the LDCs' export share remained stagnant at around 1 per cent during this decade.

The pace of export growth varied among the different LDC groups. LDCs in Asia (6.20 per cent) and LDC islands (4.8 per cent) experienced substantially higher export growth rates compared to others, marginally[1] raising their share in world exports. By comparison, the export performance of African LDCs was disappointing, with their exports growing by only 1.40 per cent on average. In fact, in absolute terms, the value of their exports in 2020 (US$107 billion) was much lower than at the start of the IPoA ($132 billion) and this reduced their share in world merchandise exports from 0.73 per cent to 0.61 per cent.

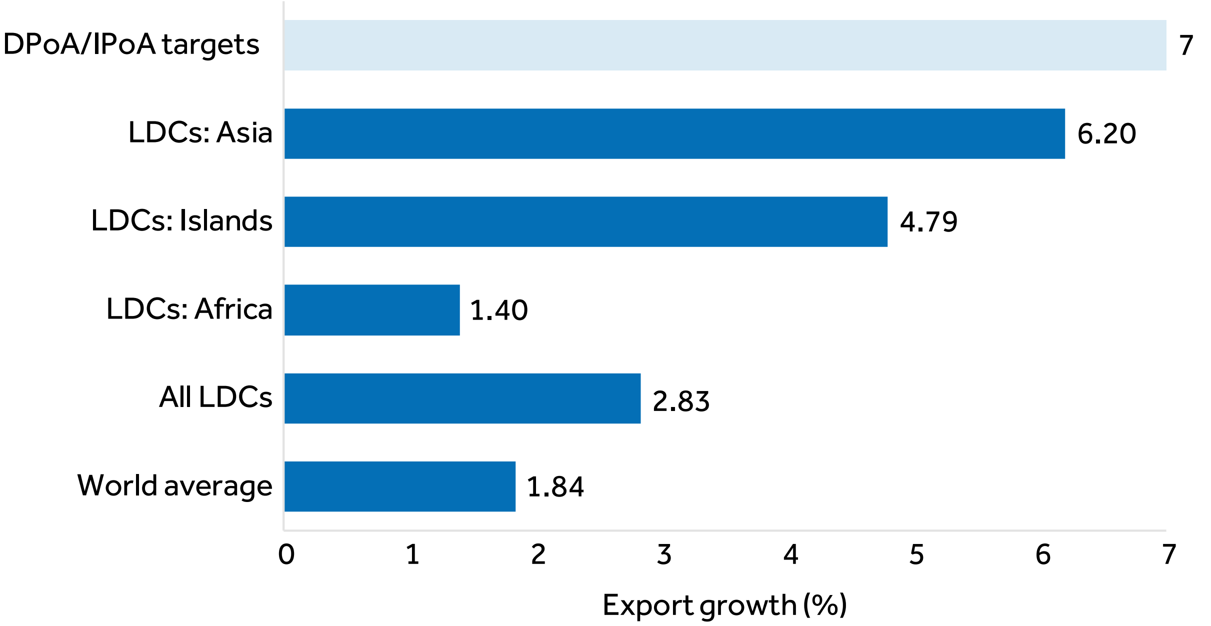
Figure 2.1. IPoA targets versus actual exports by LDC groups (2011 vs 2020)



Note: LDC islands are Comoros, Kiribati, Sao Tome and Principe, Solomon Islands, Timor-Leste and Tuvalu.
Source: Commonwealth Secretariat (using data from UNCTADstat)

1 The trade share of Asian LDCs increased from 0.44 per cent to 0.55 per cent and that of small island developing states (SIDS) from 0.003 to 0.004 per cent.

Figure 2.2. LDCs' average export growth during the IPoA (2011–2020)



Note: The chart contains average year-on-year export growth rates from 2011 to 2020. The exceptional export growth rate achieved by the island LDCs (72%) in 2011 has been dropped owing to it being an outlier.

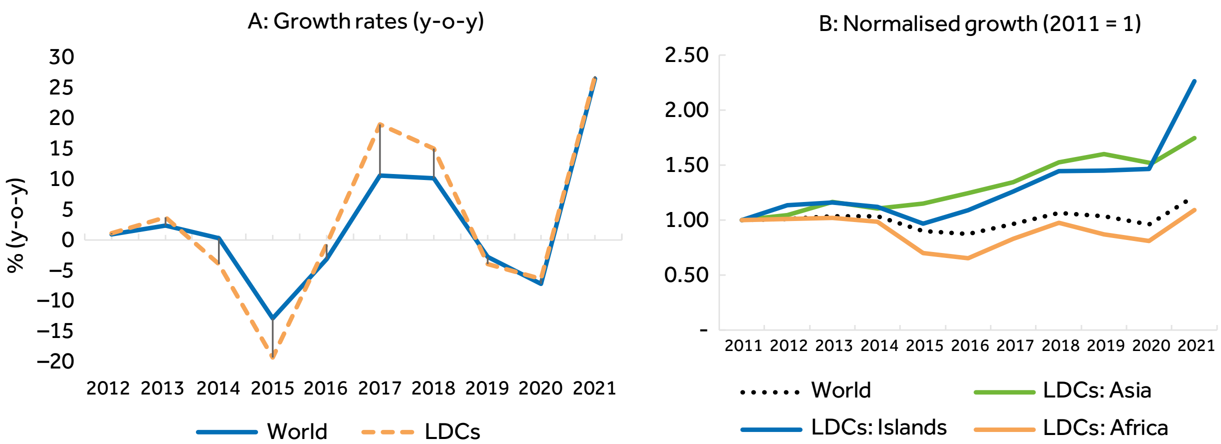
Source: Commonwealth Secretariat (using data from UNCTADstat)

Several structural and non-structural factors explain this weak export growth (Commonwealth Secretariat, 2022), while this period was also marked by significant export volatility (Panel A of Figure 2.3). The COVID-19 pandemic contributed only partly to this poor performance, especially for African LDCs, as their export growth during the pre-pandemic period was also lower than the global average (Panel B of Figure 2.3).

The export performance of the 14 LDCs that are members of the Commonwealth was significantly better compared to other LDCs. During the IPoA decade, their merchandise exports increased by US$11 billion (from $49 billion to $60 billion), raising their share in global exports to 0.34 per cent (Figure 2.4). The export share of six LDCs (Bangladesh, Kiribati, Rwanda, Sierra Leone, Tanzania and Uganda) increased, while that of five LDCs (Lesotho, Malawi, The Gambia, Zambia and Tuvalu) declined (Figure 2.5). These relatively better trade outcomes are largely attributable to three factors: higher GDP growth, an increase in intra-Commonwealth exports, and Bangladesh's strong export performance (Vickers et al., 2022).

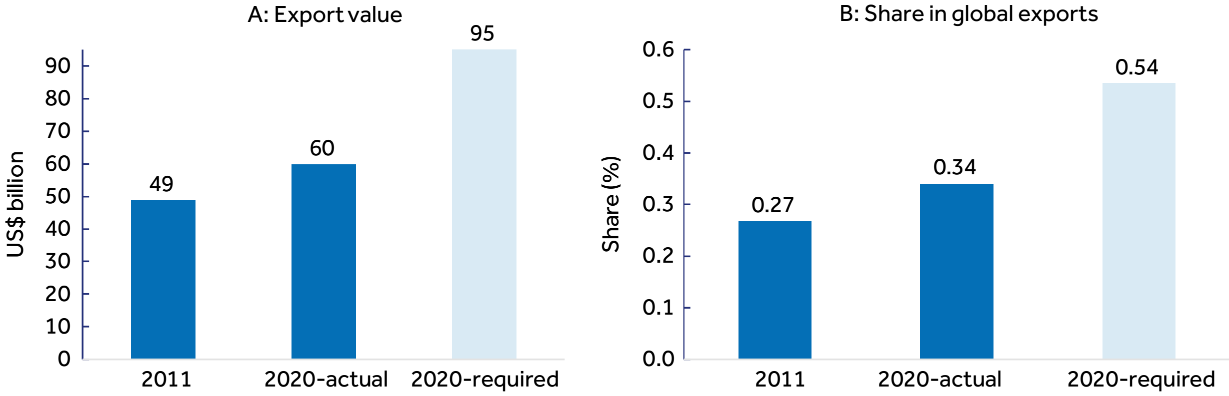
Around 80 per cent of this growth was due to the increased exports of only one country, Bangladesh,

Figure 2.3. Export growth trend during the past decade (2011–2021)



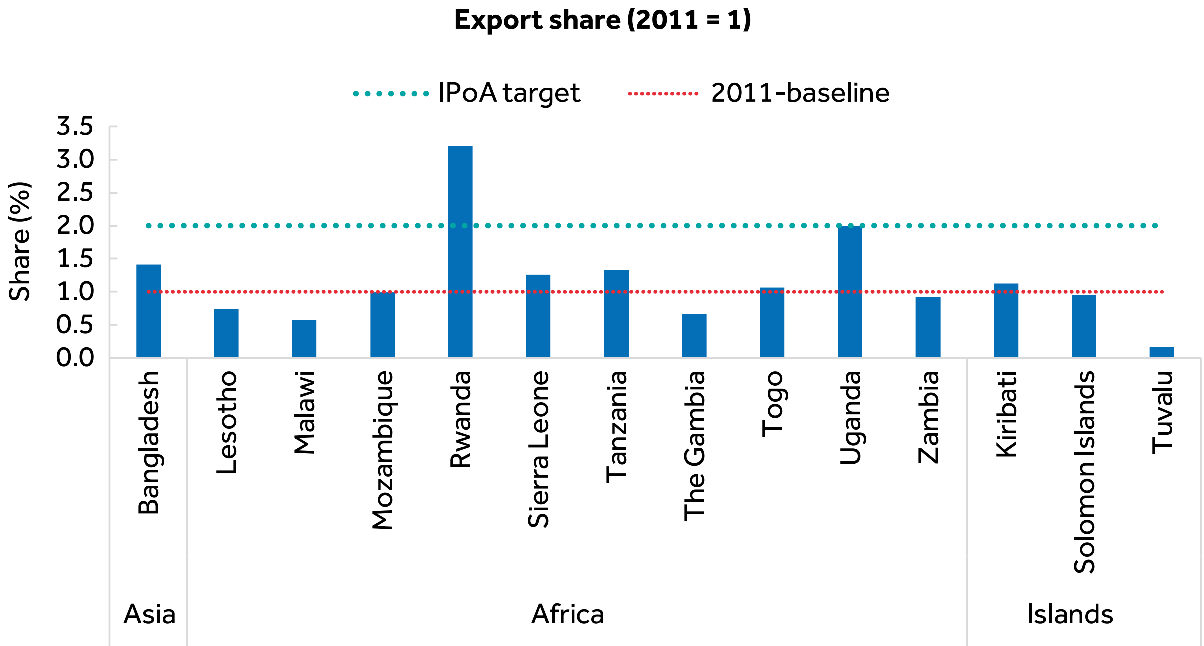
Source: Commonwealth Secretariat (using data from UNCTADstat)

Figure 2.4. Merchandise export performance of 14 Commonwealth LDCs (2011–2020)



Source: Commonwealth Secretariat (using data from UNCTADstat)

Figure 2.5. Changes in merchandise exports for Commonwealth LDCs during the IPoA



Note: IPoA target aimed to double the share of global exports in 2020 relative to 2011.

Source: Commonwealth Secretariat (using data from UNCTADstat)

which grew from US$24 billion to $33 billion (Table A1 in the Annex). Despite this relative improvement, the export growth of Commonwealth LDCs fell short of the target set by the IPoA to double their share in global exports. Only two Commonwealth LDCs, Rwanda and Uganda, achieved this target.

2.2 Unpacking the export growth target to realise the DPoA's ambitions

If both global and LDC merchandise exports continue to grow at the rate recorded in the past decade (2012–2021), the goal of doubling the LDCs' global export share is unlikely to be met. At this historical growth rate, the value of LDCs' total exports is projected to reach US$322 billion by the end of the DPoA in 2031, falling short of the required target of $598 billion by $276 billion (Table 2.1).

With this modest growth, the LDCs' export share will only slightly increase to 1.14 per cent (from 1.06 per cent in 2021). Not all LDC groups and regions will benefit from this small and negligible increase. The export share of island LDCs may reach the target, while that of Asian LDCs may slightly increase (from 0.40 per cent to 0.55 per cent), but the export share of African LDCs may remain unchanged from 2021.

The 14 LDCs that are members of the Commonwealth show a similar trend. In 2021, the value of their exports increased to US$76 billion (from $60 billion in 2020), but their share in global exports remained at 0.35 per cent. To meet the DPoA targets, the exports of Commonwealth LDCs need to reach US$195 billion by 2031. Based on the historical growth rate observed during 2012–2021, only Rwanda is expected to meet this

Table 2.1. DPoA export targets versus potential estimates for 46 LDCs (US$ billion, %)

	2021 baseline		2031 targets		2031 estimates		
Region/group	Value	Share	Value	Share	Growth rate	Value	Share
World	22,139.9				2.49	28,310.5	
All LDCs	234.0	1.06	598.5	2.11	3.26	322.4	1.14
Of which							
LDCs: Asia	87.7	0.40	224	0.79	5.93	156.1	0.55
LDCs: Islands	1.1	0.005	2.7	0.01	9.74	2.7	0.01
LDCs: Africa	144.3	0.65	369	1.30	2.46	183.9	0.65

Note: 2031 estimates are based on export growth rates for the past decade (2012–2021). The share indicates the merchandise export share in world trade.

target. To reach this level, an exceptional growth rate of around 10 per cent is required, which is 4 percentage points higher than the average growth seen during 2012–2021.

To achieve these ambitious export targets, LDC economies must experience exceptional economic growth, surpassing the growth registered during the IPoA decade (Table A2 in the Annex). These estimates highlight the urgency with which LDCs and their development partners need to redouble efforts on multiple fronts to achieve the DPoA targets (see Section 3).

2.3 Assessing the DPoA's GDP growth targets

The IPoA had set a target of 7 per cent annual GDP growth, but LDC economies only grew by an average of 4.2 per cent, which was still higher than the global economy's growth of 2.3 per cent. The 14 Commonwealth LDCs recorded slightly better growth rates of 6 per cent on average. Despite this progress, most LDCs fell short of the IPoA growth target. Had the target been achieved, their combined GDP could have reached as high as US$1.4 trillion (Figure 2.6). This could have raised their per capita income to $1,350, on average, almost $290 higher than that observed in 2020.

In this current period of multiple and compounding crises,[2] with various challenges facing the global economy and persistent structural issues hindering LDC growth, it is estimated that LDC economies will record similar levels of economic growth during the implementation of the DPoA[3] (Panel B of Figure 2.6).

If LDC economies grow at the predicted annual rate of 4.8 per cent in the next decade, their combined GDP may reach US$1.8 trillion by 2031, falling short of the DPoA target by approximately $400 billion. Except for Rwanda and Niger, none of the LDCs are predicted to grow at more than 7 per cent (Table A2 in the Annex). Without closing the gap in GDP growth (a difference of 2.2 percentage points) between the estimated 4.8 per cent and the DPoA target of 7 per cent, it may be difficult to reach most of the DPoA and related SDG targets.

3. Leveraging key trade drivers to meet the DPoA targets

Narrowing the gaps between the current situation and the DPoA's ambitious targets will require renewed and focused efforts to leverage the key drivers of trade for LDCs. With the support of their development partners, these countries can boost growth and increase and diversify trade by implementing and enhancing multilateral commitments to increase LDCs' participation in international trade, maximising the use of trade preferences, deepening regional integration and improving regional connectivity, providing more Aid for Trade, improving capabilities to engage in digital trade, expanding LDCs' services trade, and incentivising foreign direct investment (FDI) flows and technology transfer to LDCs.

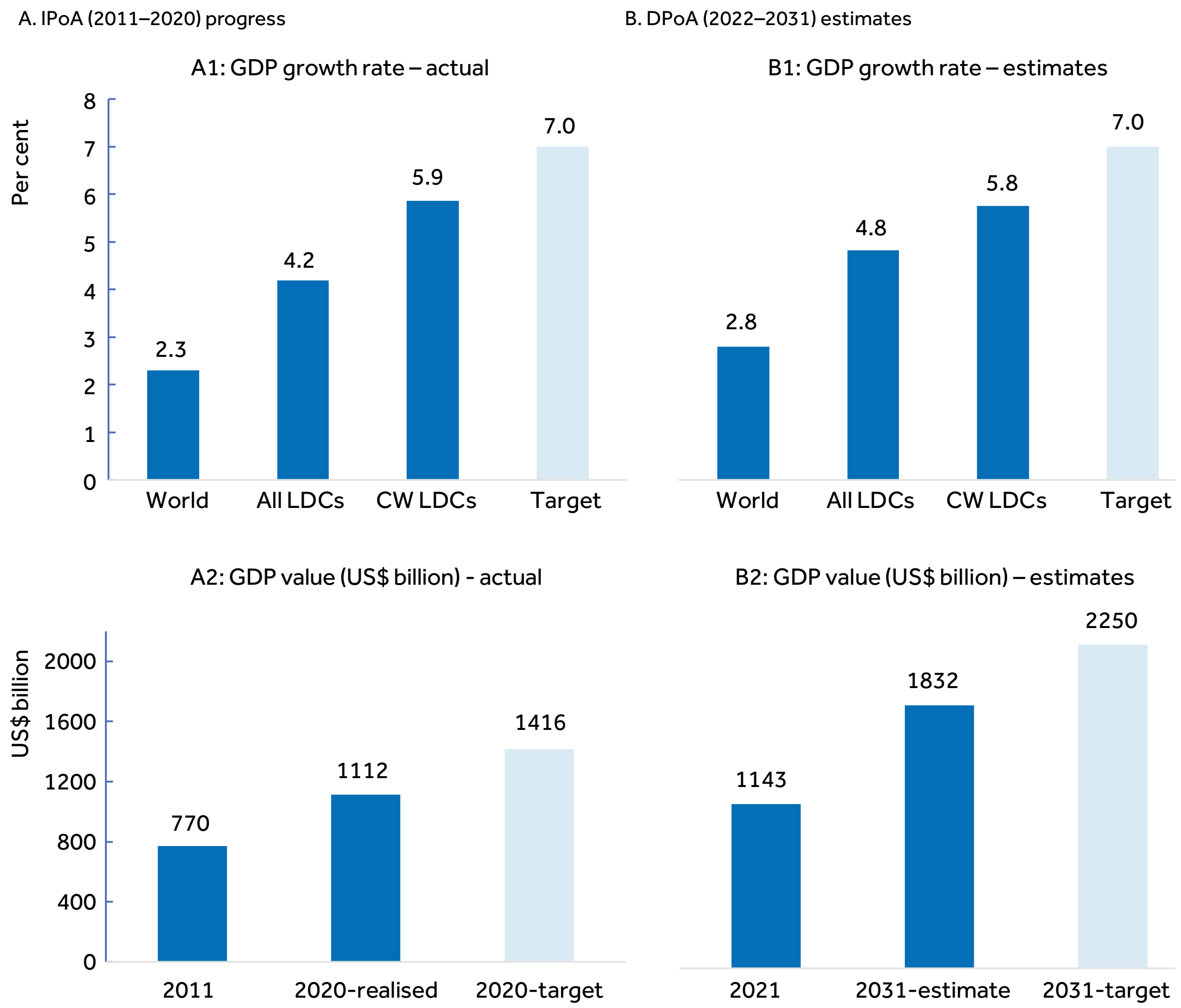
3.1 Implement and enhance multilateral trade commitments for LDCs and recent graduates

The multilateral trading system has a key role to play in supporting LDCs to develop their productive capacity, achieve economies of scale and diversify their economies through trade. This is contingent

2 Such as expanding geopolitical conflicts, the lingering effects of the COVID-19 pandemic and increasing anxiety about the implications of climate change.

3 These predictions are based on long-term GDP forecasts using the USDA International Macroeconomic data set: https://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx

Figure 2.6. GDP values and growth rates of LDCs during IPoA and DPoA



Source: Commonwealth Secretariat (using data from US Department of Agriculture [USDA]) https://www.ers.usda.gov/data-products/international-macroeconomic-data-set/

on maintaining a commitment to an open and rules-based multilateral trading system that addresses LDCs' special needs and requirements. The LDCs currently benefit from various LDC-specific flexibilities in WTO agreements. There are additional ways that the WTO could help enhance the integration of these countries in the global trading system.

First, WTO members could heed LDCs' long-standing calls to ease non-tariff barriers, particularly sanitary and phytosanitary (SPS) measures, rules of origin requirements (see Box 2), and other technical barriers to trade (TBT). The costs of compliance with these measures are asymmetrical across WTO members due to varying institutional, technical and infrastructural capabilities, and thus, with respect to SPS measures, may restrict the ability of LDCs to leverage their comparative advantage in agricultural exports and reduce the real impact of DFQF schemes. To minimise this burden, the WTO could look to encourage equivalence recognition of LDC SPS standards, as found in Article 4.1 of the SPS Agreement. The recognition of SPS equivalence would reduce technical barriers to LDC agri-food exports, a sector of outsized importance for many LDCs. The WTO could look to include discussions on SPS equivalence in a future SPS workplan, as well as encourage the alignment and standardisation of member SPS regulations with relevant international standards. Additionally, the WTO could look to provide technical assistance to LDCs to enhance compliance with SPS measures. This could be provided through mechanisms such as the Standards and Trade Development Facility (SDTF), which looks to enhance SPS capacity in developing countries – with 61 per cent of projects benefitting LDCs.[4] Finally, the persistent deficit of notifications at the WTO renders transparency

4 Standards and Trade Development Facility: https://standardsfacility.org/

enhancement as an effective and 'low-hanging' means to facilitate LDC participation in the global trading system. The recently launched ePing SPS and TBT platform, which explicitly aims to enhance the availability of information for exporters in LDCs and other countries, is a welcome development in this regard.[5]

Second, the WTO could look to enhance support for implementing the Trade Facilitation Agreement (TFA), which aims to streamline and simplify customs procedures, improve the transparency and predictability of trade regulations, reduce trade costs, and improve the efficiency of global trade. Once fully implemented, it is estimated that the agreement will reduce global trade costs by 14 per cent, and 16 per cent for LDCs. Implementation would also facilitate greater LDC export diversification, both in terms of market penetration and products. However, the accrual of these benefits requires implementation by both LDC trading partners and LDCs themselves, something which only 74 per cent of members and 36.8 per cent of LDCs have done thus far (WTO, 2022a). This points to the need for the provision and co-ordination of greater technical assistance for trade facilitation by the WTO, through measures such as the Trade Facilitation Agreement Facility, the STDF and national training activities.

Third, in recognition of their developmental requirements and limited financial and administrative capabilities, LDCs have enjoyed longer flexibilities in implementing elements of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, which looks to set minimum standards for the protection and enforcement of intellectual property (IP) rights such as patents, copyrights and trademarks among WTO member countries. This transition period, known as the TRIPS Waiver, has been extended three times in the past, with the current extension lasting until 2034 or until a member graduates from the LDC category. Given the relative lack of dynamic technological bases in LDCs (see 3.7), the WTO membership could consider a permanent moratorium on the application of certain provisions of the TRIPS, as well as the integration of smooth transition measures for graduating LDCs.

Finally, extending market access schemes, trade preferences and some WTO flexibilities to graduated LDCs for 12 years after graduation, as proposed by the LDC Group, would support a smooth transition out of the LDC category and require technical, financial and capacity-building support. WTO members could also initiate a work programme to agree on a suitable period for phasing out these schemes for graduated LDCs (Commonwealth Secretariat, 2021).

3.2 Effectively use LDC preference schemes for goods

LDCs have access to various preferential trade arrangements and schemes, including the United States' (US's) Generalised System of Preferences (GSP), the European Union's (EU's) Everything but Arms (EBA) scheme as part of it's GSP and the United Kingdom's (UK's) Developing Countries Trading Scheme (DCTS), as well as preferential treatment offered by developing countries such as China and India. These schemes provide duty-free or reduced-duty access for thousands of products, with LDCs receiving additional benefits such as extended cumulation and simplified rules of origin (see Box 2).

These schemes may help LDCs to attract investment in new export-oriented production and, where possible, export tariff free to several of the world's largest markets. However, low utilisation of these preferences is often due to limited productive capacity and insufficient trade infrastructure (Commonwealth Secretariat, 2015 and 2021; UNCTAD, 2020). LDCs can address these challenges through programmes such as the Enhanced Integrated Framework for LDCs, the United Nations Technology Bank for LDCs, and various bilateral and regional Aid for Trade initiatives (see 3.5).

Another effective way to support LDCs' integration into global trade would be to extend preferential schemes for LDC exports to include duty-free access for LDC value added embodied in third country exports of finished products (Cernat and Antimiani, 2021). These cumulative rules of origin would provide duty-free access across global value chains (GVCs) for LDC exporters, increasing their exports and integrating their exporting firms into GVCs. It would also diversify their production and export bases by creating new opportunities to supply intermediate inputs in a wider range of sectors (ibid.).

5 ePing SPS & TBT Platform: https://eping.wto.org/

Box 2. LDC utilisation of trade preference schemes

Currently, 23 WTO members, including both developed and developing countries, offer trade preferences for LDCs. The most notable schemes are those of the EU, the US, Japan and the UK, as well as China and India. However, while the LDC Group at the WTO has called for DFQF schemes to cover at least 97 per cent of products originating from LDCs, in practice this coverage varies widely with some implementing countries identifying sectors to safeguard from LDC competition. Both the EU and the UK provide DFQF treatment for 99.8 per cent of tariff lines, only excluding arms and ammunition. Japan provides 97.8 per cent and excludes some agricultural and textile products. China, the largest export market for LDCs, currently provides 96.1 per cent coverage with chemicals, machinery and mechanical appliances, and electrical machinery excluded, while India provides 94.1 per cent coverage, excluding plastics and some agricultural and food products. Notably, the US only provides 82.3 per cent coverage with the noteworthy exclusion of some textile and animal products, which are two primary LDC exports.[a]

However, the de facto utilisation of these preferences is somewhat lacking, with significant proportions of LDC exports eligible under these schemes not receiving tariff concessions. In 2019, the underutilisation of all LDC trade preferences was above 40 per cent for both electrical and non-electrical machinery and agricultural products, and over 90 per cent for animal products (WTO, 2021a). The utilisation rates vary according to country and sector. For example, in the EU, utilisation is relatively high with 94.1 per cent of textiles (which constitute 77.6 per cent of products imported into the EU from LDCs) receiving DFQF treatment under the EBA scheme. However, in the US, textiles are similarly the largest import but only 73 per cent receive DFQF treatment.[b]

The most cited reason for this underutilisation is the difficulty for LDC exporters to comply with rules of origin. Utilisation is minimal in sectors that are subject to stringent 'wholly obtained criteria' in preference-granting members, meaning that LDC exports may only qualify for DFQF treatment if exporters can demonstrate that all inputs are sourced domestically (or from certain exempt countries). Additionally, it may be difficult for exporters to comply with the heterogenous web of rules of origin requirements across different markets. A further difficulty that hampers the efficacy of DFQF schemes is that some key LDC exports are duty free for all members, which mitigates any advantage in the benefactor's market. For example, over 70 per cent of LDC exports entered China on a Most-Favoured-Nation (MFN) duty-free basis, while 80 per cent entered Switzerland on similar grounds with only 6 per cent enjoying real preferential market access (WTO, 2020).

This erosion of trade preferences points to the need to strengthen the capacity of LDC exporters to navigate and comply with preferential rules of origin requirements, as well as to implement trade facilitation measures to ease the burden on LDC exporters. The UK's DCTS, which recently replaced its GSP scheme, offers simplified rules of origin for LDC exporters. Up to 75 per cent non-domestic content for LDC export products qualify under the scheme, and it allows LDCs to source inputs from the UK, EU and other DCTS beneficiaries while still counting the input as domestic content. Additionally, all product-specific rules can be met through alternatives, giving LDC exporters much greater flexibility in meeting rules of origin requirements (Mendez-Parra, 2022).

a. Preferential market access for goods, LDC Portal – International Support Measures for Least Developed Countries: https://www.un.org/ldcportal/content/preferential-market-access-goods-2

b. Database on Generalized System of Trade Preferences Utilisation (UNCTAD): https://unctad.org/topic/trade-agreements/trade-preferences-utilization

3.3 Expand LDCs' services trade and operationalise the services trade waiver

Services offer great potential to expand LDC exports. In 2021, the share of services in LDCs' global exports (12.5%) was half the global average (25%). Moreover, their year-on-year services growth (9%) substantially lagged the global average (17%). As a result, LDCs' services exports were still 32 per cent below the pre-pandemic level in 2021 (WTO, 2022b). In addition to trade preferences for goods, developed countries and some developing countries can also offer commercially meaningful preferences to LDCs to increase and diversify their services exports. The LDC Services Waiver allows WTO members to grant preferential treatment to LDC service suppliers through an exemption to the MFN obligation in Article II of the General Agreement on Trade in Services (WTO, 2021b). Since its formalisation at the 2011 WTO Ministerial Conference in Geneva, more than 50 WTO members have notified preferences for LDCs' services and service suppliers under the waiver. However, there remains considerable room to further operationalise the waiver and ensure its effective implementation, including by notifying specific sectors and modes of supply in which LDCs can benefit from preferential treatment, especially in relation to Mode 4 services (movement of natural persons). Consideration could also be given to extending preferences granted under the services waiver to recently graduated LDCs, as part of smooth transition provisions.

The operationalisation of the waiver needs to be complemented by support to strengthen domestic services capacity in LDCs. At present, weak domestic supply-side capacities constrain LDCs from increasing their participation in international services trade (WTO and EIF, 2020).

3.4 Deepen regional integration and improve regional connectivity

Enhancing international trade and regional integration in LDCs are priorities in the DPoA. In addition to the underutilisation of trade preferences, most LDCs have not yet fully harnessed the potential to grow their trade through regional trading arrangements. LDCs should look to deepen their regional integration through active engagement in regional trade agreements and mega-regional trade blocs – such as the African Continental Free Trade Area, the Regional Comprehensive Economic Partnership in Asia-Pacific and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – to capitalise on regional trading opportunities and participate in regional value chains. This requires significant improvements to trade connectivity infrastructure, such as ports and road networks, as well as more cost-effective and efficient logistics services in LDCs.

3.5 Leverage Aid for Trade

LDCs should look to leverage resources and technical assistance available through Aid for Trade to enhance productive and trading capacity and address the supply-side constraints that currently hamper their participation in regional and global trade. Aid for Trade can be especially helpful in assisting LDCs to build their resilience against natural disasters and climate-related challenges that constrain their trade flows, for instance, by helping to mobilise the finance urgently needed for climate adaptation and mitigation measures. In this way, Aid for Trade can also support LDCs to engage in greener production and trade on the path to a just transition to a lower-carbon future.

3.6 Build capabilities to engage in digital trade

Aid for Trade can also help LDCs to build the necessary capabilities to engage more fully in digital trade. Rapid digitalisation and the exponential growth of the digital economy have fuelled expansion of digital trade, especially e-commerce. Yet many LDCs lack even the basic elements of digital connectivity necessary to expand their digital economies, narrow digital divides and participate effectively in digital trade. Across Commonwealth LDCs, for example, more than three-quarters (76.5%) of individuals remain offline without access to the internet. Based on data published by the International Telecommunication Union,[6] fewer than 20 per cent of the population uses the internet in 6 of the 14 Commonwealth LDCs; and these shares are as low as 6 per cent in Uganda, 10 per cent in Malawi and less than 12 per cent in Solomon Islands.

Building digital capabilities and growing digital trade can help LDCs to boost productivity, undertake more advanced and diversified production, overcome trade cost disadvantages, integrate better into supply chains, reach a wider range of markets, and expand and diversify their exports. Harnessing digital trade and digital technologies can also help drive post-COVID economic recovery in LDCs.

6 Country ICT Data: https://www.itu.int/en/ITU-D/Statistics/Documents/statistics/2022/December/PercentIndividualsUsingInternet.xlsx

To realise these gains, LDCs need to focus on:

- developing digital ecosystems by enhancing digital infrastructure and connectivity;
- building human capacity by empowering individuals and businesses with digital skills;
- developing robust and effective regulatory frameworks governing markets for digital infrastructure and services;
- supporting the development and rollout of digital government services; and
- enabling access to digital financial services (including through FinTech) to support digital trade.

These efforts can be accelerated through additional resources and donor support provided via a newly invigorated and additionally funded Aid for Digital Trade agenda (Lacey, 2021). Resources provided through Aid for Digital Trade could also be deployed to support LDCs to digitise trade facilitation by adopting paperless trade solutions.

3.7 Incentivise FDI and technology transfer

FDI – especially through productive greenfield investments – can help LDCs expand productive capacity and grow exports by facilitating the transfer of technology and skills and enabling firms in LDCs to integrate into international production networks and access foreign markets. The UN Conference on Trade and Development (UNCTAD, 2021) estimates that LDCs will need to invest US$1,051 billion annually to double the share of manufacturing in GDP (SDG Target 9.2). However, many LDCs only attract limited inflows of FDI. The 14 Commonwealth LDCs collectively hosted just 0.3 per cent of global FDI inward stock in 2021, while all 46 LDCs held just 0.9 per cent of this stock in that year.

LDCs need to create the necessary conditions to attract and sustain larger investment inflows, especially to key productive sectors and areas likely to underpin future growth, such as digital sectors and those supporting the green transition and low-carbon development (UNCTAD, 2022). This requires measures to strengthen their regulatory and policy environments, implement investment promotion regimes and provide tailored investment incentives, including through investment guarantees or risk insurance schemes.

Alongside more investment in productive capacity, LDCs also need support to adopt and adapt new frontier technologies to be in a better position to capitalise on the opportunities available through the Fourth Industrial Revolution ('Industry 4.0'). This is becoming an increasingly important driver of trade competitiveness in a world where rapid advances in automation, robotics and 3D printing are quickly changing production dynamics and reducing demand for traditionally manufactured goods (UNCTAD, 2020). The UN Technology Bank for LDCs can provide crucial support to LDCs to access technologies, including by facilitating technology transfer and assisting them to adopt and adapt new technologies for local settings.

4. Conclusions

LDCs require more targeted domestic and international policies to help overcome their major development challenges (UNCTAD, 2021). The DPoA offers an ambitious programme of action for transforming LDC economies. Enhancing export growth while focusing on economic diversification and addressing institutional and productive capacity limitations will be crucial to effectively implement the DPoA.

Achieving the export and GDP growth targets of the DPoA can provide a major boost toward graduation of several LDCs, including many that are members of the Commonwealth. If the goals of the DPoA are fully realised, it is estimated that the average per capita income of the 46 LDCs will increase by US$550 by 2031,[7] contributing substantially towards achieving the socio-economic progress envisaged in the SDGs. The implementation of the DPoA aligns with the final decade of the 2030 Agenda for Sustainable Development, making it a crucial period as LDCs and other developing countries strive to meet the ambitious targets set by the SDGs.

Given the low export growth rates of the previous decade, the goal of doubling LDCs' exports under the DPoA is expected to be highly challenging. Although their exports grew at a higher rate (2.83%) during the IPoA period compared to the world average (1.84%), it was still less than half the required growth to meet the targets. As a result, LDCs' share in global exports remained at around 1 per cent. In 2020, the collective share of the African LDCs in world exports was even lower than at the start of the IPoA. Additionally, several global challenges – including the lingering impact of the COVID-19 pandemic, food security issues, high energy prices,

7 In 2020, per capita income in LDCs was US$1,065, an increase of $150 from $916 at the start of the IPoA in 2011.

rising inflation and interest rates, tighter global financial conditions, slowing global growth, and increasing threats of economic fragmentation, as well as the impact of climate change and natural disasters – could make this task even more difficult.

In the face of a challenging geopolitical and economic environment, LDCs will require substantial support to grow and diversify their trade flows to achieve inclusive and equitable economic growth and realise the goal of sustained and green structural transformation (UNCTAD, 2022). To achieve a different outcome at the end of the DPoA, the global community must significantly improve the support system for LDCs, or the structural and non-structural challenges faced during the IPoA and previous initiatives will persist into the next decade. Decisive action and generous international support for the implementation of DPoA targets can overcome these challenges and drive sustainable growth and transformation in the world's 46 LDCs.

5. References

Cernat, L. and A. Antimiani (2021) 'GVCs for LDCs: How Would New Plan Boost Trade for Least Developed Countries?' EIF Trade for Development News Op-ed, 31 August. https://trade4devnews.enhancedif.org/en/op-ed/gvcs-ldcs-how-would-new-plan-boost-trade-least-developed-countries

Commonwealth Secretariat (2015) *The Commonwealth in the Unfolding Global Trade Landscape: Prospects, Priorities, Perspectives*. Commonwealth Trade Review 2015. London: Commonwealth Secretariat.

Commonwealth Secretariat (2021) *Energising Commonwealth Trade in a Digital World: Paths to Recovery Post-COVID*. Commonwealth Trade Review 2021. London: Commonwealth Secretariat.

Commonwealth Secretariat (2022) *A new programme of action for Commonwealth LDCs: Progress, challenges and priorities*. London: Commonwealth Secretariat. https://thecommonwealth.org/ldc-ipoa-report.

Lacey, S. (2021) 'Digital Reboot: The Case for a Newly Invigorated Aid for Digital Trade Initiative'. International Trade Working Paper 2021/10. London: Commonwealth Secretariat.

Mendez-Parra, M. (2022) 'The UK's new Developing Countries Trading Scheme: a welcomed change?'. London: ODI. https://odi.org/en/insights/the-uks-new-developing-countries-trading-scheme-a-welcomed-change/

UNCTAD (United Nations Conference on Trade and Development) (2020) *The Least Developed Countries Report 2020. Productive capacities for the new decade*. Geneva: UNCTAD.

UNCTAD (2021) *The Least Developed Countries Report 2021. The least developed countries in the post-COVID world: Learning from 50 years of experience*. Geneva: UNCTAD.

UNCTAD (2022) *The Least Developed Countries Report 2022. The low-carbon transition and its daunting implications for structural transformation.* Geneva: UNCTAD.

Vickers, B., Ali, S. and N. Balchin (2022) 'Why the least developed countries of the Commonwealth are doing better at trade'. Development Matters. https://oecd-development-matters.org/2022/02/16/why-the-least-developed-countries-of-the-commonwealth-are-doing-better-at-trade/

WTO (World Trade Organization) (2020) 'Market Access for Products and Services of Export Interest to Least Developed Countries'. https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/COMTD/LDCW67.pdf

WTO (2021a) 'Utilisation of Trade Preferences by Least Developed Countries: 2015–2019 Patterns and Trends'. https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/G/RO/W204.pdf&Open=True

WTO (2021b) 'WTO members continue review of LDC services waiver, e-commerce work programme', 1 July. https://www.wto.org/english/news_e/news21_e/serv_01jul21_e.htm#:~:text=The%20LDC%20Services%20Waiver%20allows,given%20to%20all%20other%20members

WTO (2022a) 'Boosting trade opportunities for least developed countries: Progress over the past ten years and current priorities'. https://www.wto.org/english/res_e/booksp_e/boosting_trade_opportunities_for_ldcs_e.pdf

WTO (2022b) 'World Trade Statistical Review 2022'. https://www.wto.org/english/res_e/publications_e/wtsr_2022_e.htm

WTO and EIF (Enhanced Integrated Framework) (2020) 'Trade impacts of LDC graduation: Matters related to the WTO agreements'. Pocket edition. https://www.wto.org/english/res_e/booksp_e/ldc_graduation_pocket_e.pdf

6. Annex

Table A1. Merchandise exports from Commonwealth LDCs (US$ million): IPoA progress vs DPoA targets

	IPoA progress		IPoA target	DPoA estimates			DPoA target
Region/Economy	**2011-baseline**	**2020-realised**	**by 2020**	**2021- baseline**	**Growth rate**	**2031-estimate**	**by 2031**
14 Commonwealth LDCs	48,701	59,551	93,719	76,451	6.20	139,463	195,536
Of which							
Asia							
Bangladesh	24,314	32,936	46,788	43,343	6.68	82,783	110,857
Africa							
Lesotho	1,172	833	2,256	998	3.10	1,354	2,553
Malawi	1,425	781	2,743	1,007	1.00	1,112	2,575
Mozambique	3,604	3,460	6,936	5,379	6.95	10,528	13,759
Rwanda	464	1,431	893	1,562	13.34	5,466	3,996
Sierra Leone	350	423	673	697	4.59	1,092	1,783
Tanzania	4,735	6,076	9,112	6,391	3.84	9,319	16,346
The Gambia	96	61	184	32	2.60	41	81
Togo	1,179	1,207	2,268	1,350	2.14	1,668	3,453
Uganda	2,159	4,149	4,155	4,193	7.12	8,341	10,725
Zambia	8,783	7,805	16,902	11,118	4.32	16,970	28,435
Islands							
Kiribati	9	9	16.5	9	6.04	16	23.3
Solomon Islands	412	379	792	371	7.60	772	949
Tuvalu	0.30	0.05	0.57	0.33	-	-	0.84

Note: DPoA estimates are based on the average export growth rate observed during the last decade. DPoA targets indicate exports required for doubling the LDCs' share in global exports.

Source: Commonwealth Secretariat (using data from UNCTADstat)

Table A2. GDP growth estimates for Commonwealth LDCs: IPoA progress vs DPoA targets

	IPoA progress		IPoA target	DPoA estimates			DPoA target
Region/Economy	**2011-baseline**	**2020-realised**	**by 2020**	**2021-baseline**	**Growth rate**	**2031-estimate**	**by 2031**
14 Commonwealth LDCs	270.1	448.0	496.6	474.8	5.8	830.5	934.0
Of which							
Asia							
Bangladesh	152.9	270.7	281.0	289.5	5.9	514.5	569.5
Africa							
Lesotho	2.0	2.3	3.7	2.4	2.6	3.1	4.7
Malawi	5.5	7.4	10.1	7.5	4.0	11.2	14.8
Mozambique	12.1	17.9	22.3	18.3	3.9	26.8	36.1
Rwanda	6.5	10.9	12.0	12.1	7.4	24.6	23.7
Sierra Leone	3.7	5.0	6.7	5.1	3.7	7.4	10.1
Tanzania	37.5	63.2	68.9	66.3	6.2	120.8	130.4
The Gambia	1.2	1.5	2.2	1.6	5.3	2.7	3.1
Togo	3.3	5.1	6.1	5.4	6.1	9.7	10.6
Uganda	27.0	39.2	49.7	40.9	5.9	72.6	80.5
Zambia	17.4	23.5	32.1	24.4	3.9	35.8	48.1
Islands							
Kiribati	-	-	-	-	-	-	-
Solomon Islands	1.0	1.3	1.9	1.3	2.2	2	2.5
Tuvalu	-	-	-	-	-	-	-

Source: Commonwealth Secretariat (using data from UNCTADstat)

International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 56 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITP's most recent activities focus on assisting member countries in their negotiations in the World Trade Organization and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

Selected Recent Meetings/Workshops Supported by ITP

16 November 2022: Public event on Enabling Climate Smart Trade and Investment: From Policies to Actions, organised for the ICC's Make Climate Action Everyone's Business Forum. The event examined how trade and trade policies can support climate action and how countries can integrate environmental and social considerations into trade agreements to achieve the SDGs.

2 November 2022: Public event on Maximising the Gains from Digital Trade: Solutions and Priorities for Developing Countries and LDCs, organised jointly with the Enhanced Integrated Framework (EIF) and hosted at the WTO in Geneva. The event reflected on lessons from country experiences and EIF projects, explored the concept of Aid for Digital Trade and identified innovative new ways to support LDCs, and particularly their MSMEs, to build capacity for digital trade.

31 October 2022: Joint Commonwealth Secretariat-UNCTAD workshop on Understanding the IPR-related Landscape for Graduating LDCs: Issues and Challenges. The workshop, hosted at the United Nations in Geneva, was attended by technical experts from the Centre for Policy Dialogue, United Nations Committee for Development Policy, ODI, South Centre, UNCTAD, WIPO and WTO, who discussed issues, challenges and opportunities related to intellectual property rights for graduating LDCs.

24 February 2022: Workshop for Commonwealth LDC members and recent graduates on A New Programme of Action for Commonwealth LDCs: Progress, Challenges and Priorities. The workshop assisted representatives from these countries with their preparations for the 5th United Nations Conference on the LDCs and helped to devise priorities for an ambitious new programme of action spanning the decade 2022–2031.

Previous Ten Issues of the Commonwealth Trade Hot Topics Series

The Commonwealth

Trade Hot Topics

ISSN: 2071-8527 (print) ISSN: 2071-9914 (online)

Commonwealth Trade Hot Topics is a peer-reviewed publication which provides concise and informative analyses on trade and related issues, prepared both by Commonwealth Secretariat and international experts.

Series editor: Brendan Vickers

Produced by the Trade, Oceans and Natural Resources Directorate of the Commonwealth Secretariat

For further information or to contribute to the Series, please email b.vickers@commonwealth.int