

Concept Note

Side Event at the WTO Public Forum 2021

Room W, WTO Secretariat, 1 October 2021, 15:00 – 16:00 (hybrid meeting)

Building Productive Capacities in LLDCs in a Post-COVID World

The health and socio-economic impact of the global COVID-19 pandemic has had a severe, adverse knock-on effect on the global economy, and on the development prospects of developing countries. The global death-toll from the pandemic alone exceeds 3 million persons, and it is possible that the number of casualties from indirect effects is far higher. The socio-economic fallout of the pandemic is likely to cause a significant increase in extreme poverty, malnourishment, and hunger across the globe, reversing years of development gains and undermining progress towards the SDGs. The landlocked developing countries (LLDCs) are among the most vulnerable countries to the impact of the pandemic.

LLDCs were already among the most disadvantaged countries in the world economy before the crisis, and the pandemic has further exacerbated their vulnerabilities. Border closures and disruptions of trade and transport networks have further isolated the LLDCs, which are dependent on their neighbouring transit countries for access to global markets and essential goods, including many medical supplies. In addition, falling demand for commodities has reduced fiscal revenue in many commodity dependent LLDCs, further reducing the resources available to fight the pandemic and support the most vulnerable populations. Increased fiscal outlays and reduced fiscal revenues have meant growing debt-burdens for many countries, potentially exacerbating the long-term effects of the crisis on development. In addition, the lack of productive capacities has rendered LLDCs less able to mitigate the effects of the crisis and reduce their vulnerability to future shocks.

As a result of the pandemic, average GDP growth in the LLDCs is estimated at -2.4% in 2020. However, the average hides considerable disparities. Among the Asian LLDCs, the most severely affected economies include Kyrgyzstan, which contracted by 7.5%, Armenia by 6.9% (compounded by the impact of recent armed conflict), the Republic of Moldova by 5.6% and Georgia by 5.2%. In contrast, among the African LLDCs, Zimbabwe, Botswana and South Sudan are estimated to see the largest contractions, at -9.8%, -8.5%, and -7.2% respectively. In Latin America, Bolivia is likely to see its GDP fall by 8% due to collapsing copper prices, while Paraguay is likely to see a contraction of only 1.6%.

In terms of merchandise trade, the LLDCs have seen an 11.1% decrease in their exports between 2019 and 2020. Thus, they experienced a sharper export contraction than the global average. Initial estimates at country-level also show the likely impact on poverty levels to be severe: In Kazakhstan, for example, the World Bank estimates that the percentage of people living in poverty will increase from 6% in 2016 to 12-14% in 2020. Similarly, in Rwanda, it is estimated that the pandemic will push an additional 550,000 people into poverty.

This working session will explore the impact of the pandemic on LLDCs and their development prospects and will focus on how LLDCs can build resilience to withstand future shocks. The

meeting will emphasize the role of export diversification and structural transformation in achieving inclusive growth and building resilience. In this context, the session will outline the role of productive capacities in the development process and highlight UNCTAD's new Productive Capacities Index (PCI). It will also discuss the policies and measures that LLDCs and their development partners can employ to support the building of productive capacities in LLDCs, including in the context of the forthcoming United Nations Conference on Trade and Development (UNCTAD XV) and the UNLDC-V. A particular focus will be on the ways and means of enhancing the role of trade and aid for trade in LLDCs.

Key questions to be addressed:

- What is the role of productive capacities in building resilience in LDCs in a post-COVID-19 environment?
- How can LLDCs harness their natural capital to foster productive capacities to build resilience against shocks?
- What is the role of development partners in supporting LLDCs in fostering productive capacities in a post-COVID-19 world?
- What is the role of international trade and aid for trade in building productive capacities in LLDCs?
- What are the key binding constraints on LLDCs' development, and what are the key export sectors with export diversification and growth potential?

Panel-members:

Moderator: H.E. Ambassador Purevsuren Lundeg, Ambassador of Mongolia in Geneva and Coordinator of the Group of Landlocked Developing Countries in Geneva

Panelists

Mr. Paul Akiwumi, Director, ALDC Division, UNCTAD

Mr. Shishir Priyadarshi, Director, Development Division, WTO

Ms. Heidi Schroderus-Fox, Director, Economic Affairs, OHRLLS

Mr. Chukwuka Onyekwena, Executive Director, Center for the Studies of Economies of Africa, Abuja, Nigeria