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LDC trade performance from 2011 to 2020

Packaging of handicrafts for export markets in Lalitpur, Nepal.

From 2011 to 2020, the share of LDCs in global exports declined from 0.95 per cent to 0.91 cent (see Figure 1). This is a disappointing result compared to the IPoA's target to double LDCs' share in global exports over the same period. The COVID-19 pandemic has only exacerbated the subdued trade performance registered by LDCs in the latter half of the IPoA implementation period.

The COVID-19 pandemic has had a severe trade impact on LDCs. In the second quarter of 2020, when many lockdown measures began or were already in force, LDC merchandise exports declined 30 per cent year-on-year, compared to a 21 per cent drop in merchandise exports at the world level. Overall, in 2020, LDC merchandise exports shrank by nearly 12 per cent in value terms, compared to the more than 7 per cent contraction for the world as a whole. Exports of primary commodities, such as fuel and mining products, have been hit hard with a drop of -41 per cent. Manufacturing plants shut down due to COVID-19 restrictions, and spending dropped due to stay-at-home orders; these effects translated into low demand for primary commodities from LDCs.

The LDC exports of commercial services also declined more sharply than the global average, at -35 per cent compared to -21 per cent, reflecting the disproportionate share of tourism and travel to LDCs.

The LDC trade profile continues to be characterized by concentration in specific products and markets. A limited number of the LDCs account for a larger share of exports of the LDC group. The top ten LDC exporters represented more than 80 per cent of LDC merchandise exports in 2011; this declined to 73 per cent in 2020 (see Annex Table 1).

LDC exports continue to be concentrated in five major destination markets: China, the European Union, the United States, India and Thailand. Due to the sharp fall in the prices of primary commodities, there has been a distinct change in the commodity mix of LDC exports over the last decade (see Figure 2). In 2011, primary products (mainly petroleum products) dominated exports with a share of 73 per cent of LDC merchandise exports. In 2020, the share of primary products declined to 48 per cent, due in particular to the sharp fall in the prices of fuels, while LDC exports of clothing registered a higher share in merchandise exports (up from 13 per cent in 2011 to 30 per cent in 2020).

Over the past decade, LDC merchandise export growth has seen sharp fluctuations, and it registered a negative growth rate in 2020 compared to its strong growth performance in 2011 (see Figure 3). The share of LDCs in world merchandise trade stood at 1.01 per cent in 2020, down from 1.06 per cent in 2011. From 2011 to 2019, world exports increased at an annual

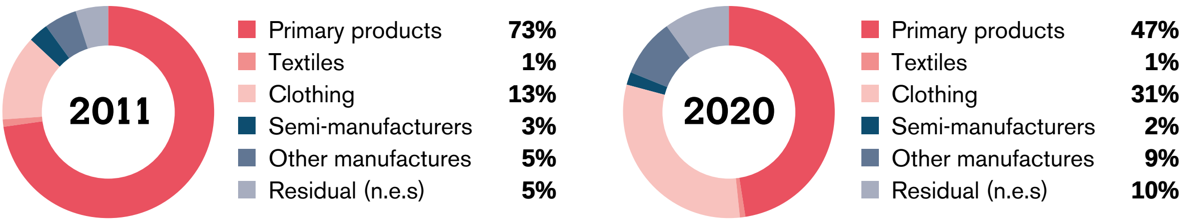
Figure 1 **LDC shares in world exports, 2011-2020**

(Percentage shares, BOP/BPM6)[1]

Source: Estimates by the WTO and the United Nations Conference on Trade and Development (UNCTAD).

Figure 2 Evolution of merchandise exports of LDCs, 2011 and 2020

(Percentage shares)



Source: WTO estimates based on Comtrade.

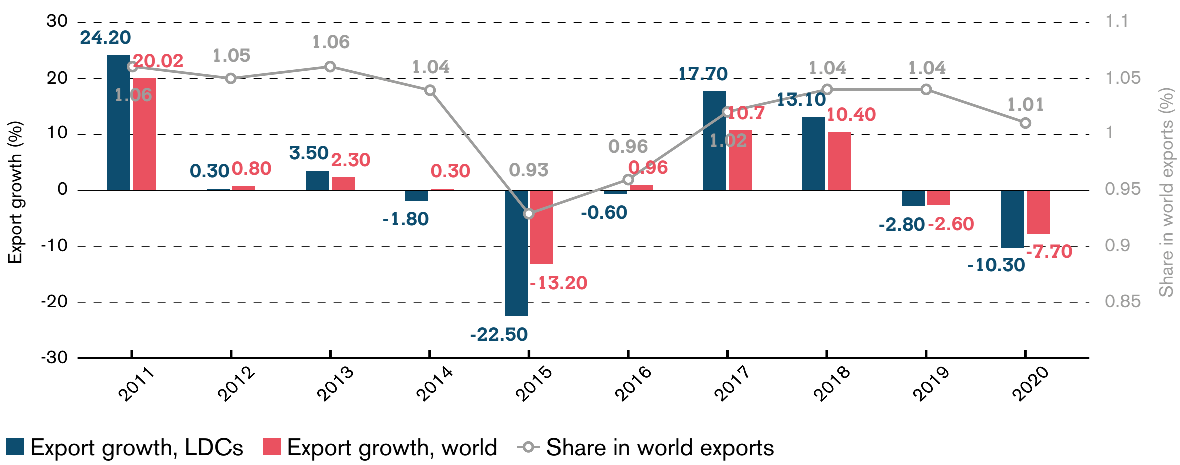
Note: "n.e.s." is "not elsewhere specified".

rate of 0.4 per cent, whereas LDC exports increased by just half of that (0.2 per cent). One important reason for this has been the volatility of prices of primary commodities. Thus, from 2011 to 2020, the annual export growth of oil-exporting LDCs was negative because fuel prices in 2020 dropped to half those of 2011. This volatility in primary commodity prices was exacerbated by the COVID-19 pandemic and the subsequent interruption to global economic activity.

Many LDCs face the challenge of a chronic trade deficit. From 2011 to 2019, there was a fivefold increase in the merchandise trade deficit of LDCs. The economic growth of many LDCs caused a higher demand for products, which are often not produced in LDCs. In addition, many LDCs are unable to move away from exporting primary goods. A combination of these factors has led to the worsening of their trade deficit.

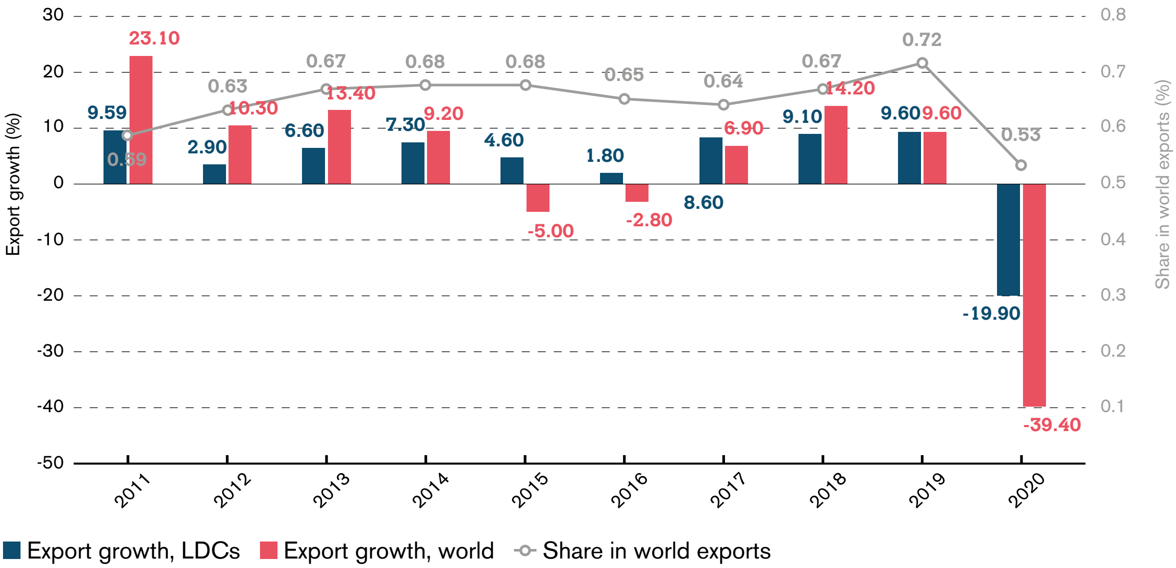
From 2011 to 2019, there was a 7 per cent annual growth of manufactured exports in LDCs, and over the past decade, the general LDC export structure has seen a gradual decline in primary products because of lower revenues from oil exports, and an increase in manufactured goods due to a growing share of clothing exports. In terms of merchandise exports, manufactured goods still only account for

Figure 3 Merchandise export growth and LDCs' share in world exports



Source: WTO-UNCTAD estimates.

Figure 4 Commercial services export growth and LDCs' share in world exports



Source: WTO-UNCTAD estimates in cooperation with the International Trade Centre (ITC) and the United Nations Statistics Division (UNSD).

40 per cent for LDCs, compared to 66 per cent for the rest of the world.

From 2011 to 2019, LDCs experienced a 6.8 per cent annual growth in commercial services exports, and the world share of LDC services exports increased from 0.59 per cent to 0.72 per cent. However, there has not been a discernible improvement from a low supply base.

In 2020, services exports for LDCs dropped by a staggering 40 per cent, more than double the drop in world services exports. The share of LDCs in world commercial services exports accounted for a marginal 0.53 per cent in 2020, down from 0.6 per cent in 2011 (see Figure 4). For some countries, such as Comoros, Ethiopia and The Gambia, services exports constitute more than half of their total exports (Annex Table 2). Only a handful of LDCs, such as Bangladesh, Myanmar, Nepal and Senegal, have been able to make meaningful progress in exporting more sophisticated services exports, such as finance, computer services and professional services; however, tourism and business travel remain the primary service sector exports in LDCs.

Because of this, LDCs services exports have been hit particularly hard by COVID-19. Travel exports dropped 88 per cent year-on-year in the second quarter of 2020 due to travel restrictions and lockdowns, and they hardly recovered in the third and fourth quarters. Although the shock caused by COVID-19 to service export demand is probably temporary, it is still crucial that LDCs build their supply-side capacity for services to diversify their economies.

[1] International Monetary Fund (IMF) (2013), Balance of Payments and International Investment Position Manual, sixth edition (BOP/BPM6), Washington, D.C.: IMF.