

Special problems and constraints confronted by Landlocked Developing Countries (LLDCs)

OSCE Conference for the development of trans-Asian and Eurasian
transit transportation through Central Asia till the year 2015

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| Definition |

- Landlocked countries are those that do not possess any seacoast
- There are 31 landlocked developing countries (LLDCs)

LLDCs:

- **Africa:** Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia, Zimbabwe (16)
- **Asia:** Afghanistan, Bhutan, Kazakhstan, Kyrgyzstan, Laos, Mongolia, Nepal, Tajikistan, Turkmenistan, Uzbekistan (14)
- **Europe:** Armenia, Azerbaijan, FYR Macedonia, Moldova (4)
- **South America:** Bolivia, Paraguay (2)

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Special problems of LLDCs

- ◆ **Lack of territorial access to the sea**
- ◆ **Remoteness and isolation from major world markets**
- ◆ **Dependence on transit services of transit neighbors**
- ◆ **High transit transport costs**

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Lack of territorial access to the sea

- ✦ **No control over transit facilities and their development**
 - Must negotiate for their transit needs and facilities as transit countries have their own development priorities and problems
 - Transit countries may impose cumbersome transit procedures and excessive requirements for documentation and security arrangement to avoid diversion of transit goods en route
 - Transit countries may limit use of certain routes or modes of transport
 - Strikes, natural disasters, civil war or economic upheavals in transit neighbors may damage or even close the transit routes used by LLDCs

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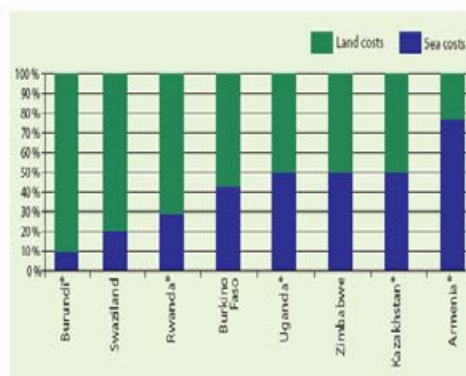
Remoteness, isolation from major world markets and disadvantageous location

Distance and location is important

factors for external trade

- Doubling distance cuts trade volumes by between half and two-thirds (Henderson, Shalizi, & Venables, 2001).
- Land transport is seven times as expensive as sea transport.
- Neighbours matter. European landlocked countries surrounded by rich markets with efficient and developed transit transport infrastructure.

Decomposition of overland and sea transport costs for LLDCs



Source: Limão and Venables, "Infrastructure, Geographical Disadvantage, and Transport Costs", World Bank, 1999.

* Overland transit cost for these countries is calculated from a major city in transit countries rather than from the port of entry.

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Distance of selected LLDCs from the sea

➤ Distance

LLDC	Distance from the sea (km)
Kazakhstan	4 800
Kyrgyzstan	4 570
Tajikistan	4 450
Uzbekistan	4 300
Turkmenistan	3 800
Azerbaijan	3 090
Armenia	2 865
Rwanda	1 530
Burundi	1 455
Uganda	1 150
Botswana	1 100
Zambia	950
Malawi	815
Lesotho	740

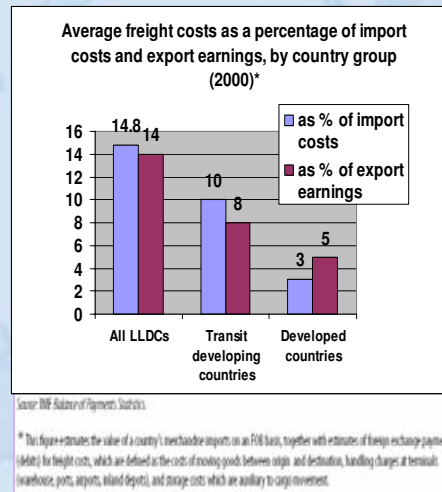
Sources: UNCTAD/LDC/2003/1, "Improvement of Transit Systems in Southern and Eastern Africa", April 2003; and Jeffrey Sachs, Geography and Economic Transition, Center for Economic Development at Harvard, November 1997.

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➤ High Transport Costs

- ✚ **Two measures provide a way to show the higher transport costs experienced by LLDCs (CIF/FOB margins, ratio of freight-to-import costs and export earnings).**



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➤ Physical barriers

- Less than one third of Africa's 2 million kilometers (km) of roads are asphalted, amounting to 6.84 km per 100 km² compared to 12 km per 100 km² in Latin America and 18 per 100 km² in Asia.
 - only 0.8 percent of the roads in Chad is paved, while in Mongolia it is 3.5 percent, in Bolivia 6 percent and in Mali 18 percent.
- In terms of telecommunication infrastructure, on average in 2003 there were 5.1 main phone lines per 100 inhabitants and an average of 6.8 mobile phone subscribers per 100 inhabitants in 2003 for LLDCs.
- Whereas LLDCs had 15.1 personal computers per 1000 inhabitants in 2003, the world average was 100.8 personal computers.

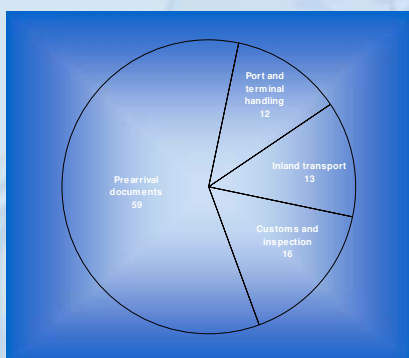
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	Roads, total network (km)		Roads paved (percentage of total roads)		Rail lines (total route, km)			Airports with paved runways		Waterways (km)		Pipelines (km)	
	2003*	2004	2003*	2004	2003	2004	2005	2006	2004	2005	2006	2006	
Afghanistan	34789	34782	23.7	23.7	..	..	..	11	..	1200	..	466 (gas)
Armenia	7633	..	97	..	..	711	845	11	..	..	..	2002 (gas)
Azerbaijan	27016	59141	47	49.4	..	2122	2957	27	..	..	..	3190 (gas); 2,436 (oil)
Bhutan	8050	..	62	..	..	..	..	1	..	..	..	..
Bolivia	60762	62479	7.1	6	..	..	..	16	..	10000	..	4,907 (gas); 2,475 (oil);
Botswana	25233	24455	35.1	36.5	888	..	..	10	..	..	..	1,589 (refined products)
Burkina Faso	12506	15272	16	31	622	..	..	2	..	..	..	..
Burundi	14480	12322	7.1	10.4	..	..	..	1	..	..	..	..
Central African Republic	23810	..	..	..	..	..	..	3	..	2800	..	..
Chad	33400	..	0.8	..	..	..	..	7	..	..	..	205 (oil)
Ethiopia	33856	36469	12.9	19.1	..	..	681	14	..	..	..	..
Kazakhstan	..	90018	93.4	..	13770	13770	13700	67	..	4000	..	659 (condensate); 11,019 (gas); 10,338 (oil); 1,095 (refined products)	
Kyrgyzstan	18500	..	91	90	..	..	470	18	..	600	..	254 (gas); 16 (oil)
Lao People's Democratic Republic	31210	..	14.4	..	..	..	..	9	..	4600	..	540 (refined products)
Lesotho	5940	..	18.3	..	..	..	..	3	..	..	..	..
Macedonia, FYR	8684	..	63.8	..	..	..	699	10	..	..	..	268 (gas); 120 (oil)
Malawi	15451	..	45	..	..	..	797	6	..	700	..	..
Mali	15100	18709	..	18	..	..	729	9	..	1815	..	..
Moldova, Republic of	12730	12733	86.2	86.2	..	..	1138	6	..	424	..	606 (gas)
Mongolia	49250	..	3.5	..	1810	1810	1810	12	580	..	..	..
Nepal	15905	17380	..	56.9	59	59	59	10	..	..	..	..
Niger	10100	14565	..	25	..	..	..	9	..	300	..	..
Paraguay	29500	..	50.8	..	..	..	36	12	..	3100	..	..
Rwanda	12000	14008	8.3	19	..	..	..	4	..	..	..	..
Swaziland	3594	..	30	..	..	..	301	1	..	..	..	..
Tajikistan	27767	..	..	..	..	..	482	17	..	200	..	549 (gas); 38 (oil)
Turkmenistan	24000	..	81.2	..	..	..	2440	22	..	1300	..	6,441 (gas); 1,361 (oil)
Uganda	70746	..	23	..	259	259	1244	5	..	200	..	9,594 (gas); 868 (oil)	
Uzbekistan	81600	..	87.3	..	4126	4126	3950	34	..	1100	..	..
Zambia	91440	..	22	..	1273	..	2173	10	..	..	..	771 (oil)
Zimbabwe	97267	..	19	3077	17	261 (refined products)	
Landlocked developing countries	973837	1040175	40.1	39098	384	

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➤ Non physical barriers



Source: *Doing Business in 2006*, World Bank.

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Hard infrastructure accounts for only a quarter of delays

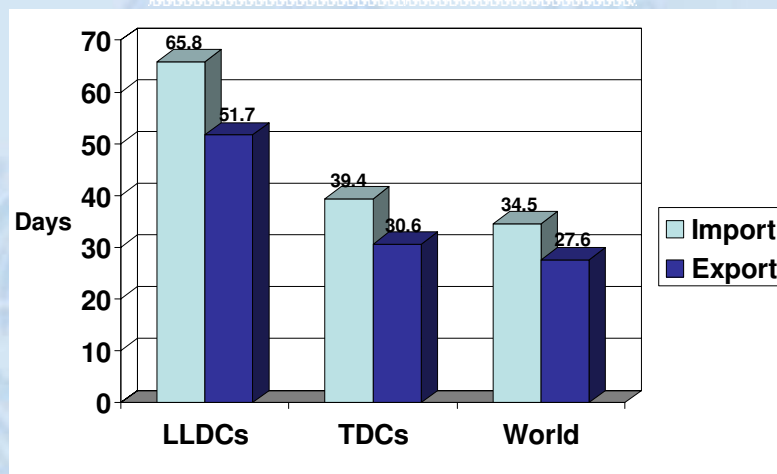
Distribution of time in importing (%)

- Red tape is estimated to cost nearly 10% of the value of exports in developing countries
- Each additional day in transport delays costs 0.5% of cargo value for goods transported by ship or rail

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➤ Non physical barriers (cont.)

Number of days to complete procedural stages



Impact of special problems of LLDCs on their external trade

- ✦ Increasing a country's cif/fob ratio from 12% to 17% reduces the long term growth of the share of non-primary manufactured exports in GDP by around 0.2% per annum (Radelet & Sachs, 1998)
- ✦ Doubling transport costs reduces trade volume by around 80% and the median landlocked country has less than 40% of the trade volume of the median coastal economy (Henderson, Shalizi, & Venables, 2001)
- ✦ **High transport costs discourage trade in goods and services**
 - Higher trade costs make imports expensive and exports uncompetitive
 - Excessive transport costs also impede trade in services, especially the export of tourism services (variations in travel costs, air transport services)
- ✦ The LLDCs' share of world exports was only 0.7% in 2005.
- ✦ LLDCs suffer a conspicuous disadvantage when competing in global markets against coastal States
- ✦ The lack of integration with external markets hinders economic growth by limiting the scope of their market
 - Lack of specialization in production
 - Inefficient utilization of labor
 - Limited choice of trading partners (nearby stagnant, underdeveloped countries instead of rich and high-growth markets further away)

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Efforts to address the special needs of LLDCs

Almaty Programme of Action Over-arching goal:

- Forge partnerships to overcome LLDCs' special problems caused by lack of territorial access to the sea and remoteness and isolation from world markets
- Comprehensive:
 - Links between development and effective transport services
 - Transport as key sector for international trade, regional integration and for ensuring a balanced national development
- Well-balanced:
 - LLDCs and Transit countries' interests are mutually reinforcing and complimentary
- Focused:
 - Measurable and attainable specific actions in **five priorities**

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UN-OHRLLS proposal on a set of indicators

The UN-OHRLLS proposes 4 sets of indicators:

1. Indicators on economic development;
2. Indicators on transit transport and communications infrastructure;
3. Indicators on trade and trade facilitation and transit policy issues;
4. Indicators on International Support

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To forge global partnerships to address the special needs of LLDCs it should start with the mobilization of international attention and recognition of special development challenges faced by the LLDCs.

In recent years major development economists and institutions, who are major opinion makers in international development dialogue increasingly recognized this reality.

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There is a growing recognition of the fact that **geography matters.....** as stated in these books by leading economists and institutions, international opinion makers.

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What needs to be done

✦ **Improve Legal framework for transit cooperation**

- International instruments to secure access to the sea (UN Law of the Sea Convention, article V(2) of GATT, New York Convention, Barcelona Convention)
- Most favored nation status/equality of treatment
- International conventions on transit transport operations, accession rate to the instruments is very low among LLDCs and transit countries

✦ **Need for good relations with transit neighbors**

- Better economic integration with their neighbours. Better integration leads to better benefit from spillover
- Conflict with transit neighbors may result in border blockages or other impediments to trade
- Cumbersome administrative requirements by transit countries often make international trade onerous and expensive for LLDCs

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What needs to be done

✦ **Eliminate intraregional trade barriers**

- Reduce the external barriers of landlocked regions
- Better policy choices and decisions from coastal neighbors

✦ **Greater use of air transport and e-services**

✦ **LLDCs should strive to become the centers of regional goods**

✦ **Maximizing remittances by providing better education and facilitating jobs**

✦ **Create a transparent and investor friendly environment**

✦ **Implementation of the Almaty Programme of Action**

✦ **Greater access to official development assistance**

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Global mandate of the UN-OHRLLS related to LLDCs

The High Representative is at the level of the USG who is the highest ranking official appointed to deal with these groups of countries. The portfolio of the HR expanded with the focal point for Africa and UNCTAD representative at the UN Headquarters.

- ➡ Mobilization and coordination of system-wide effort for the implementation of the APA
- ➡ Monitor and report on the implementation of the APA
- ➡ Assist LLDCs in strengthening their negotiating capability in international fora
- ➡ Advocacy to mobilize international awareness

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Immediate priority for UN-OHRLLS

