Specific actions related to the particular needs and problems of landlocked developing countries

Note by the Secretary-General

1. The General Assembly, in its resolution 52/183 of 18 December 1997, requested the Secretary-General, together with the Secretary-General of the United Nations Conference on Trade and Development, to prepare a report on the implementation of that resolution and submit it to the Trade and Development Board and to the General Assembly at its fifty-fourth session.

2. Pursuant to that request, the Secretary-General has the honour to transmit herewith the above-mentioned report to the General Assembly.
Specific actions related to the particular needs and problems of landlocked developing countries

Progress report of the secretariat of the United Nations Conference on Trade and Development

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I. Introduction

1. In paragraph 15 of its resolution 52/183 of 18 December 1997, the General Assembly requested the Secretary-General, together with the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), to prepare a report on the implementation of that resolution and submit it to the Trade and Development Board and to the General Assembly at its fifty-fourth session.

2. In paragraph 6 of the same resolution, the General Assembly took note of the agreed conclusions and recommendations of the third Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held in New York from 18 to 20 June 1997. In paragraph 11 of the resolution, the Assembly requested the Secretary-General to convene in 1999 another meeting of governmental experts from landlocked and transit developing countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems, including sectoral aspects as well as transit transport costs, with a view to exploring the possibility of formulating specific action-oriented measures. The fourth Meeting was convened under the auspices of UNCTAD, at Headquarters, from 24 to 26 August 1999. The conclusions and recommendations of the Meeting, are contained in section II of the present report.

3. In paragraph 13 of the same resolution, the General Assembly noted with appreciation the contribution UNCTAD in formulating international measures to deal with the special problems of the landlocked developing countries, and urged the Conference, inter alia, to keep under constant review the evolution of transit transport infrastructure facilities, institutions and services, to monitor the implementation of agreed measures, to collaborate in all relevant initiatives, including those of the private sector and non-governmental organizations, and to serve as a focal point on cross-regional issues of landlocked developing countries. In paragraph 14 of the resolution, the Assembly invited the Secretary-General, in consultation with the Secretary-General of UNCTAD, to take appropriate measures for the effective implementation of the activities called for in that resolution. The recent activities of UNCTAD on behalf of landlocked developing countries in this regard are highlighted in section III of the present report.

4. In paragraph 4 of the resolution, the General Assembly invited landlocked developing countries and their transit neighbours to strengthen further their cooperative and collaborative arrangements, and in paragraph 10, the Assembly invited donor countries and multilateral financial institutions to provide those countries with appropriate financial and technical assistance. Accordingly, the Secretary-General of UNCTAD requested the countries and institutions concerned to provide him with information on the actions they had taken in that regard. This information is summarized in section IV of the present report.

II. Agreed conclusions and recommendations of the fourth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held at Headquarters from 24 to 26 August 1999

A. Landlocked and transit developing countries and the global market

5. The trade and development prospects of landlocked developing countries, over half of which are also least developed, depend, inter alia, on efforts to reduce the present high costs of transit transport and to promote fast and reliable services to world markets. While there has been some progress in the recent past for most landlocked countries and their transit neighbours, problems in transit systems persist. Transit transport costs in landlocked and transit developing countries are high for a variety of reasons including:

   (a) Inadequate and/or poorly maintained physical infrastructure;

   (b) A broad range of non-physical obstacles such as poor utilization of assets, weak and inefficient transport management, cumbersome and incompatible procedures, outdated financial, regulatory and institutional systems, trade imbalances and inadequate security, often accompanied by very high user charges;

   (c) Difficulties and constraints faced by landlocked and transit developing countries in developing and
maintaining the physical transport infrastructure and in ameliorating non-physical barriers, which require levels of investment that are very large and often beyond their financial capabilities.

6. Most transit countries are themselves either developing countries or least developed countries facing serious economic problems, including lack of adequate infrastructure. The above factors offset or limit the potential gains from liberalized market access and impede effective participation in international trade by the landlocked developing countries.

7. Yet, as world trade, investment and financial flows continue to expand at a remarkable pace, so has the need for establishing integrated, flexible, fast, cost-effective and environmentally sound national and international transport and communications become more pronounced. In some cases, better services in terms of speed, reliability and flexibility can be used to increase the market share of successful transport operations or justify price rises, thereby generating additional revenue while lowering the real cost of transport services to the public. In other cases, liberalization of the transport services market can improve the variety and quality of transport services while lowering actual freight charges and thus greatly lowering the real cost to the public. At the same time, in many regions the role of the State is crucial for the development and maintenance of transport infrastructure. The costs of land transit transport are influenced by a variety of factors including terrain, climate and so on and vary by region/subregion. Any effort to address the level and structure of such costs would need to be based on far more detailed subregion-specific studies and analyses, and arrangements for competitive delivery systems would need to be worked out between the concerned transit and landlocked developing countries through consultations.

B. Problems related to physical infrastructure

8. The movement of goods in transit in landlocked developing countries requires appropriate transport infrastructure in their own territories as well as in the territories of their transit neighbours. Difficulties in establishing and/or maintaining efficient transport services in these countries are compounded frequently by topographic and climatic constraints and also often by low volumes of cargo in relation to investment, implying low returns. This presents a strong case for public capital investments in these countries supported by the international community, which is encouraged to consider assisting national efforts in the following often critical areas for transit transport:

- Rehabilitation and provisions of new port facilities;
- Upgrading of handling facilities and existing airports;
- Rehabilitation and upgrading of roads and bridges;
- Rehabilitation and upgrading of railway infrastructure;
- Completion of the missing links in railroad networks in the countries concerned;
- Improvement of capacity to efficiently and effectively manage these facilities and services, including the establishment and enhancement of transport information systems.

C. Non-physical barriers in lowering transit costs

9. Harmonization, simplification and standardization of transit procedures and documentation play a critical role in improving transit systems. Landlocked and transit developing countries that have made substantial adjustments to their trade and transport management practices in this regard have been able to achieve a significant reduction in their overall transport costs. This achievement should be built upon by facilitating access by the poor to the new possibilities for economic development that have been created. The resulting increased efficiency has encouraged such countries to pursue even more ambitious reform programmes, namely:

- Further simplification, harmonization and standardization of transit procedures and documentation, including the improvement of custom transit systems;
- Efficient operation of border posts, including establishment of joint inspection “one stop” border posts;
- Consolidation and extension of customs and transport information systems.

10. The implementation of such programmes of transit facilitation could be made more effective through:

- Undertaking policy reforms, where appropriate;
- Legislation to translate them into specific regulations;
(c) Institutional reforms;
(d) Mobilization of financial and human resources in support of their implementation;
(e) Willingness to implement and manage change on a sustainable basis and commitment thereto.

D. Follow-up actions

11. While the landlocked and transit developing countries themselves are encouraged to take the steps needed to implement programmes such as those enumerated in paragraph 9 above, the international donor community, including financial and development institutions, is invited to consider giving high priority to programmes addressing such constraints and according increased financial and technical support.

12. In order to achieve better coordination on transit transport issues, the Meeting calls upon countries bordering each transit route to consider concluding bilateral or subregional intergovernmental agreements regarding various aspects of transit transport. Universal accession to international conventions relevant to transit trade by landlocked and transit developing countries should be further encouraged. Regional forums and intergovernmental agreements should be used to facilitate and strengthen arrangements for the transit transport of goods of landlocked developing countries.

13. The authorities in landlocked and transit developing countries, in consultation with each other, should identify and take measures designed to reduce transit costs and, in this connection, may seek assistance from the international community and UNCTAD in undertaking feasibility studies and analyses of specific conditions prevailing in regional/subregional contexts as and when requested by the concerned States. These studies could include, for example, analyses of:

(a) Bottlenecks to be overcome in particular transit corridors and the particular investments and institutional and regulatory changes needed to accomplish this;
(b) Where feasible, changes in transit costs and delays in the recent past and those projected for the next few years;
(c) Where feasible, present costs and times of delay on particular major corridors, which could be contrasted with benchmarks of best practices on routes of comparable distance and terrain in other developing and developed countries.

14. Bilateral, subregional and regional economic cooperation has provided an effective framework for improving transit transport systems. Where appropriate, the secretariats of regional organizations and transit transport corridor administrations have played an important role in monitoring and assisting their member States with respect to implementing agreed policy measures and actions. The international donor community is invited to strengthen the capacities of these secretariats and other regional cooperation arrangements through increased financial and technical support.

15. In bringing together experts from landlocked and transit developing countries in different regions and subregions, as well as representatives from transit and donor parties, this Meeting has contributed critically to an in-depth analysis of the transit transport issues from the national and regional perspective and an exchange of lessons on best practices. It has also underscored the need for concrete action by all countries concerned and for greater donor support. The Meeting recommends that the General Assembly, at its fifty-fourth session, consider convening, in 2001, the fifth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions. In this context, a proposal was made during the Meeting to convene a ministerial meeting on transit transport issues to give appropriate emphasis to the problems of landlocked and transit developing countries. This proposal should be considered at the next Meeting of Governmental Experts in 2001. It was also suggested that appropriate preparatory work, including consultations with landlocked and transit developing countries, would be necessary and would need to achieve meaningful results if such a meeting was to be held.

16. UNCTAD should facilitate the implementation of the above recommendations and the Global Framework for Transit Transport Cooperation between Landlocked and Transit Developing Countries and the Donor Community (see TD/B/42(1)/11-TD/B/LDC/AC.1/7, annex I). The concerns of landlocked and transit developing countries should be adequately taken into account in the preparations for the tenth session of UNCTAD (UNCTAD X), the Third United Nations Conference on the Least Developed Countries, the high-level intergovernmental event on financing for development and other relevant intergovernmental meetings and conferences.

17. UNCTAD’s technical cooperation programmes, including the Automated System of Customs Data Entry, Control and Management (ASYCUDA), the Advance
Cargo Information System (ACIS), and Trade Point, which had made important contributions to the improvement of transit transport in landlocked developing countries and their transit neighbours, should continue to accord due priority to this group of countries, particularly to regions that have not yet benefited from such programmes. UNCTAD should also undertake new specific case studies, at the request of concerned States, on issues relating to transport organization in landlocked and transit developing countries and report thereon to the next meeting. The issues relating to air transport, including air transport corridors and physical barriers, should also be addressed in this context.

18. In line with paragraph 14 of General Assembly resolution 52/183 and paragraph 3 of Assembly resolution 53/171 of 15 December 1998, the Meeting invited the Secretary-General of the United Nations, in consultation with the Secretary-General of UNCTAD, to provide identifiable resources in the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries of UNCTAD so as to allow the Office to implement effectively its mandate to continue to support the landlocked and transit developing countries.

19. In line with General Assembly resolutions 52/183, paragraph 10, and 53/171, paragraph 4, the donor community is invited, in partnership with the countries concerned, to provide landlocked and transit developing countries with appropriate financial and technical assistance in the form of grants and concessional loans for the construction, maintenance and improvement of transport, storage and other transit-related facilities, including alternative routes and improved communications, and to promote subregional, regional and interregional projects and programmes.

20. The Meeting noted with deep appreciation the generous financial contribution made by the Government of Japan to the organization of the current Meeting. This had made possible the participation of national experts from landlocked developing countries and resource persons, which contributed significantly to the quality of the deliberations and the outcome of the Meeting.

III. Activities of the United Nations Conference on Trade and Development

A. Review of progress made in the development of transit systems

21. In order to facilitate the review of progress in the development of transit systems at the above-mentioned meeting of governmental experts, UNCTAD undertook comprehensive regional and subregional analytical studies to highlight recent developments in the transit transport sector of landlocked and transit developing countries, and made recommendations for future action. These studies described the programmes that have been undertaken to improve transit transport systems and focused particularly on the impact of transit procedures and documentation on transport costs. They also highlighted the new transit transport policy initiatives taken by individual countries. These studies, together with the contribution of the regional economic commissions, provided the basis for the issues note prepared for the meeting (TD/B/LDC/AC.1/13).

B. Assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements

22. The UNCTAD secretariat, in the context of improving the legal framework for transit transport systems, has responded to requests from member States seeking assistance in drafting or negotiating bilateral or regional transit transport agreements or arrangements. A draft transit transport framework agreement prepared for Central Asia was negotiated and signed by States members of the Economic Cooperation Organization (ECO) at Almaty, on 9 May 1998. Also, pursuant to the Ulaanbaatar Memorandum of Understanding adopted by the North-east Asia Subregional Consultative Meeting of Landlocked and Transit Countries on 22 May 1997, the UNCTAD secretariat submitted a draft transit traffic framework agreement for consideration by the Governments of China, Mongolia and the Russian Federation.

C. Customs modernization and reform

23. Efficient customs formalities contribute in an important way to the expedient processing and clearance of goods in transit. Major benefits can be expected when neighbouring countries use the same or compatible customs systems which facilitates the exchange of information and further reduces delays.
24. In 1997, 126 experts, from 76 countries, 2 United Nations bodies, 7 intergovernmental organizations and 7 non-governmental organizations, participated in a meeting on the use of information technologies to make transit arrangements more effective. On that occasion, experts agreed that UNCTAD should develop a transit module in the context of its Automated System of Customs Data Entry, Control and Management (ASYCUDA), which should cover all functions of customs control of goods in transit, from the commencement to the completion of the transit operation, including the release of securities where appropriate. This would lead to a comprehensive information management system to facilitate legitimate road traffic, reduce queues and target fraudulent operations.

25. In this framework, UNCTAD has developed a customs transit management module known as “MODTRS”, which is included in the new ASYCUDA++ release and has been distributed to all ASYCUDA++ user countries since mid-1999.

26. The ASYCUDA++ software includes the following elements:
   (a) A database to handle the large volume of transactional data that is generated by transit operations and to ensure the completeness of the information;
   (b) A telecommunications network to transfer these data to places where they are needed, and to ensure the availability of the information;
   (c) A selectivity module to analyse risk and target suspicious transactions, in order to ensure the validity and accuracy of information.

27. This transit monitoring system handles the international road transport (TIR) carnet procedure that is used by more than 40 countries in Europe and Asia, and the “T” transit documents based on the Single Administrative Document (SAD & T1). The latter are widely used in Europe within and outside the Common Transit Agreement. Other types of transit are also available, such as the pre-arrival clearance (first identification procedure) and the export release.

28. The UNCTAD secretariat is also working closely with the International Road Transport Union (IRU) for the design of the TIR carnet management function and the integration of the IRU’s “SafeTIR” in the ASYCUDA system. The functional analysis has been coordinated between the two organizations in full compliance with the Customs Convention on the International Transport of Goods under Cover of TIR Carnets of 4 November 1975.3

29. The existing module is the first step towards a comprehensive system that will expand the functionality and the geographical coverage of the system to other regions and countries.

30. ASYCUDA projects are under way or have been completed in over 70 countries worldwide, including 14 landlocked countries as well as 15 transit countries. The development of ASYCUDA has been financed through contributions from the Governments of Denmark, France, Germany, Italy, Japan, Norway, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America, as well as from the United Nations Development Programme (UNDP), the European Union, the World Bank, the Caribbean Development Bank and the Inter-American Development Bank.

D. Advance Cargo Information System

31. The Advance Cargo Information System (ACIS) is a logistics information system designed to improve transport efficiency by tracking equipment on all transport modes (rail, road, and lake/river) and at the interfaces (ports and inland clearance depots) and providing information in advance of cargo arrival. ACIS provides both public and private transport operators and ancillaries with reliable and real-time data on transport operations, such as the whereabouts of goods and transport equipment, and thus improves day-to-day management and decision-making. It also produces regular performance indicators which enable management to remedy deficiencies and to make full use of the existing infrastructure and equipment capacity.

32. Once installed at the national and subregional levels, ACIS could provide data for macroeconomic planning to foster the optimal modal distribution patterns. It can play an important role in the development of trade relations and in reinforcing subregional integration, because it enables transport operators to communicate, through modes and interfaces and over borders, the vital information which they require in order to improve their efficiency, thus reducing the costs and time of carriage along transport corridors.

33. Over the past two years, ACIS has been either partially or fully installed in various landlocked and transit countries, as follows:
   (a) **Port tracker**: The Harbour Master and Gate Pass modules are being installed in the ports of Tema,
Ghana, Mombasa, Kenya, and Dar es Salaam, United Republic of Tanzania;

(b) Rail tracker: At the request of users, much greater effort and resources have gone into the development and implementation of the railway module of ACIS. As a result of this approach, goods as well as rolling stock are being tracked on railway networks in Bangladesh, Burkina Faso and Côte d’Ivoire, Cameroon, the Democratic Republic of the Congo, Ghana, Kenya, Mali, Senegal, the Sudan, Uganda, the United Republic of Tanzania and Zambia. On Ghana Railways, for the moment, only rolling stock is being tracked.

34. The following benefits to the railways which are currently using the ACIS rail tracker have been confirmed both independently and by the users themselves:

(a) Comprehensive data are now available on-line for traffic and other managers. The data include such information as the position of wagons on the network; and the number of broken-down wagons, wagons that have been loaded for more than three days and wagons that are in workshops;

(b) Weekly/monthly reports for managers at various levels within railway administrations can now be generated easily. The reports include such information as weekly loading data, customer/commodity performance, average locomotive/kilometre fuel issued and train transit time;

(c) Customer information has drastically improved. In the past, it took four to five days to provide a customer with information about the whereabouts of the customer’s wagon, but now this information can be provided instantaneously;

(d) Tangible positive results have been registered in wagon turnaround time, wagon availability and average repair time, wagon hiring charges, etc.;

(e) Where networks are connected, the operational managements of transit and landlocked countries’ railways, has been integrated into the same system, thereby facilitating the circulation of transit traffic.

35. ACIS has been funded largely by the European Commission. However, funding has also been provided in the past by UNDP and the World Bank, as well as by German and French development institutions.

E. Multimodal, transit and trade facilitation project in Nepal

36. In March 1998, UNCTAD and the Government of Nepal signed an agreement covering an UNCTAD technical assistance project aimed at the promotion of the trade and transport sector of Nepal by correcting the inefficiencies in Nepal’s transport and trade system. In this agreement, UNCTAD was requested to implement, within three years, the institution-building components of the project, namely:

(a) Technical assistance/training for trade facilitation;

(b) Installation of ASYCUDA;

(c) Installation of ACIS.

37. UNCTAD’s technical assistance, the cost of which is estimated to be approximately US$ 3 million, forms part of a major infrastructure development project (estimated to cost US$ 28.5 million) financed by the World Bank. The estimated completion date of the project is the end of 2001.

38. UNCTAD’s technical assistance in the field of trade facilitation in Nepal includes assistance to the freight-forwarding industry of the country, the modernization of transport laws and the updating of insurance provisions for door-to-door transport, as well as the streamlining of procedures and the reduction and simplification of trade and transport documents. The introduction of ASYCUDA at the main customs entry points of the country began in 1996 and will be completed in 2000 when the new inland clearance depot at Birgunj will become operative. In parallel with this work, the tracking of containers between Calcutta and the three border stations will be handled by the introduction of a special version of ACIS that takes into account the fact that a large share of land transport will continue to go by road.

F. Transport of perishable foodstuffs in West and Central Africa

39. In 1998, UNCTAD signed a memorandum of understanding for technical assistance in the areas of logistics and training with the Liaison Committee for Tropical Fruits and Off-season Vegetables exported from African, Caribbean and Pacific States (COLEACP). Within the framework of this memorandum, UNCTAD participated in the organization and delivery of two workshops (in Cotonou, in October 1998, and in Ouagadougou, in March 1999). These workshops identified training needs and made recommendations for the management of sea- and air-freight of fresh produce
IV. Actions by individual countries and international and intergovernmental organizations on behalf of landlocked developing countries

40. The information provided by landlocked and transit developing countries as well as by other countries and by international organizations, on activities related to the improvement of the transit transport systems is summarized in document TD/B/LDC/AC.1/14. More information on action by individual countries and intergovernmental organizations was made available in statements made during the meeting of governmental experts from landlocked and transit developing countries and representatives of donor countries and financial and development institutions.

41. The information received outlined country programmes to improve transit systems that are either under way or planned. Although a greater degree of detail would have made it possible to draw more substantive conclusions, the information received provides a reasonably adequate picture of the main developments, obstacles, policies and activities at the national, subregional and international levels in the area of transit transport systems.

42. The information received underlines the particular importance of the development of rail and road services in achieving better-functioning transit transport systems. The development of the physical infrastructure remains a major concern for most landlocked and transit developing countries, which have continued to make significant investments in it, subject to the availability of financial resources. The major sources of such investment, in the form of grant aid or soft loans, have been their development partners, with regional development banks, the World Bank, the European Union and Japan prominent among them. Progress has been made in improving sectoral aspects of transit transport, in particular in the development of sea and inland ports and air safety measures. Efforts have also been made to build up a broader consensus on and a better understanding of various aspects of transit trade at the national and subregional levels through a wide range of workshops for both government officials and the business community, mainly organized by international organizations.

43. Although members of the Organisation for Economic Cooperation and Development (OECD) have channelled some resources to the development of transit transport systems, their financial assistance and foreign investment in the transport sector have been insufficient given that most landlocked developing countries and their transit neighbours have a relatively underdeveloped physical infrastructure. On average, a mere 9 per cent of the total official development assistance provided by OECD members in 1997 was allocated to the transport and communication sector of landlocked developing countries, although allocations vary greatly from country to country.

44. Recently, a few countries have adopted policies and measures to encourage the involvement of the private sector in transit transport operations and to liberalize transport services. Such measures are expected to improve the commercial viability of the transit transport sector and the quality of services and to lead to a reduction in the cost to the customer.

45. The harmonization, simplification and standardization of transit procedures and documentation play a critical role in improving transit systems. Landlocked and transit developing countries that have made substantial adjustments to their trade and transport management practices in this regard have been able to achieve significant reductions in their overall transport costs.

46. Transit traffic is greatly facilitated by bilateral and regional agreements and arrangements which establish the principles and modalities that govern the development of the transit infrastructure, day-to-day management and maintenance and transit procedures. Since 1997, a number of important bilateral agreements have been signed in the field of transit transport. Their effective implementation would further reduce the delays in transit traffic caused by physical and non-physical barriers. In addition, regional transit transport agreements within the context of regional integration have been a major vehicle for promoting cooperative arrangements. In many instances, however, the implementation of such agreements and arrangements remains weak, owing to the lack of effective monitoring and enforcement mechanisms or the lack of political will on the part of the signatories.

47. At the multilateral level, there is a wide range of conventions relevant to transit traffic, which set out principles for promoting efficient and reliable transit transport systems. Accession to these conventions by
landlocked and transit developing countries has so far been slow, although regional economic commissions such as the Economic and Social Commission for Asia and the Pacific and the Economic Commission for Europe have made focused efforts to promote these conventions.

48. The costs of establishing and maintaining an efficient transit transport system are often so high that landlocked and transit developing countries cannot accomplish this formidable task without support from the international donor community in the shape of advisory and technical services and financial resources.

49. Although most international financial and economic organizations do not have specifically tailored programmes to address the particular needs and problems of landlocked developing countries as a category, most of these countries are eligible for “soft window” facilities as they are amongst the poorest countries. Transport costs are a determining factor in any country’s external trade performance. It is thus necessary to enhance the capacity of landlocked developing countries to participate effectively in the globalized world economy and international trading systems through increased market access, technology transfer and foreign investment, as well as through human resource development and institution-building.

Notes

1 TD/B/44/7.

2 “Review of progress in the development of transit transport systems in North-East Asia” (UNCTAD/LDC/100); “Review of progress in the development of transit transport systems in Southern Africa” (UNCTAD/LDC/101); “Review of progress in the development of transit transport systems in West and Central Africa (UNCTAD/LDC/102); “Review of progress in the development of transit transport systems in Eastern Africa (UNCTAD/LDC/103); “Selected transport and trade data: landlocked developing countries” (UNCTAD/LDC/104); “Trade and transport facilitation: case study of Mongolia” (UNCTAD/LDC/105).