Statement
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Brainstorming meeting on the Priorities of a New Development Agenda for the Landlocked Developing Countries
Session 5: Priorities to structurally transform LLDCs and harnessing emerging opportunities, enhance trade, diversify, development of productive capacities and service sector
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Excellencies, Distinguished Guests, and Ladies and Gentlemen

Thank you very much, Mr Chairman, for organizing this timely brainstorming meeting on “priorities of a New Development Agenda for the Landlocked Developing Countries” and for giving UNCTAD the opportunity to share our perspective on the topic for this session. Let me also acknowledge and express my appreciation of the excellent background report prepared by OHRLLS to serve as a basis for facilitating our discussion.

From the overall assessment of the report, it is evident that LLDCs need a New Development Agenda and a new analytical and policy narrative - about how development can be promoted in landlocked developing countries that suffer from specific structural weaknesses and locational disadvantages. They also need a new approach to international development cooperation that addresses their problems in a more targeted manner.

Yesterday’s brainstorming sessions addressed the challenges facing LLDCs in the areas of trade promotion, transport, transit and trade facilitation. These are – no doubt – critical and persistent problems that require continuous policy attention for some time to come. However, we also know very-well that the problems of LLDCs go much deeper than having efficient transport and trade facilitation system. In this respect, we agree with the background report, which suggests that business-as-usual approach to policy agenda where the priorities and major constraints facing LLDCs are seen primarily in terms of transport, transit and trade facilitation is not sufficient. A New Development Agenda should address broader issues that go beyond the legitimate but narrow concerns related to transport and trade facilitation.

The background report also shows that despite LLDCs impressive growth performance in the last decade, their economic and export structures are generally less diversified and they continue to rely on the export of primary commodities more heavily than any other group of countries. This lack of export diversification – a worrying trend for LLDCs - is
explained by the relatively low share of manufacturing in LLDCs GDP. Indeed, the 2012 UNCTAD report on Africa also show that with commodity boom and the intensification of commodity exports between 2002 and 2009, the share of manufacturing exports declined in many African countries – among them Landlocked countries – signaling a process of deindustrialization. Such a reversal of structural change goes against the whole objective of economic diversification, which all LLDCs badly need and aspire to achieve as a means of producing goods that are less dependent on the very constraint that they face as landlocked countries. Equally worrying is the finding of the background report that regional integration agreements are less frequent in landlocked developing countries than in other developing countries. This trend needs to be remedied, because, in our opinion, landlocked developing countries will benefit most from regional value chains based on development-centered regional integration arrangement – or what we call, “developmental regionalism” – and I will come back to this point in a minute.

Mr Chairman,

As indicated in the programme for this session, the main purpose of our discussion this morning is to identify the priorities necessary to structurally transform LLDCs and enhance the development of their productive capacities. I will confine the rest of my short remarks to these two issues.

In designing a programme for the next decade, it is important to identify concrete indicators to measure the progress made by landlocked countries. There is no graduation from “landlockedness”. For LLDCs, progress is measured by the advances they make in diversifying their economies and developing the capacity and technological capability that they require to produce and supply goods that are competitive in global markets and that can be exported without undue constraints from the very weaknesses they face as landlocked countries – in some cases located a long distance from potential markets.

An essential feature of any development process – and especially relevant for landlocked development countries – is what is often referred to structural transformation. This is a process that all successful countries have gone through and it is measurable and essential for structurally weak economies such as LLDCs. It describes the creation of new areas of activities through shifting resources from traditional to modern activities and from low-technology and low-productivity to high-technology and higher-productivity activities. Therefore, the structural shift takes place not only across sectors but also by moving from low- to high-productivity activities and the production of more advanced and sophisticated products within sectors. We know that in trade – what you produce matters. The more competitive goods are often associated with higher productivity levels and countries that are able to get into such activities and sectors are the ones that can establish a strong and sustained market presence and long-term development path.

The question is, what is the motor that drives structural transformation? For most people, and, in fact, it is also the view of the background report for this meeting – industrial development, in particular the manufacturing sector, is key to structural transformation.
While we totally agree with this view, we believe that other sectors are also equally important for promoting structural transformation. It is true that industrialization, in particular the development of the manufacturing sector, presents greater opportunities for creating productive capacities, productive employment, raising income, wages, living standards and reducing poverty. It is also conducive for technological upgrading, generating linkages and stimulating productivity growth, which are vital for competitiveness and for climbing the development ladder. Indeed, it is impossible to imagine landlocked developing countries – or other developing countries - providing productive employment and decent income to the millions of young people that are expected to join the labour market in the this decade alone without expanding their manufacturing activities. Therefore, a New Development Agenda for LLDCs that seeks to promote structural change and economic diversification must incorporate a strategy for industrial development.

However, it will be wrong to assume that it is only in industry where productivity growth and linkages could take place. It could and does also take place in agriculture and services - the two areas where LLDCs also need to give priority attention in the coming decade.

As highlighted yesterday, the services sector holds great potential for economic diversification. There are relevant lessons for LLDCs - from other developing countries, including resource poor economies - where productivity improvement in the services sector has been the main driver of economic growth and export diversification. In this connection, I wish to inform you, Mr Chairman, and excellencies and colleagues around this table, that UNCTAD - in collaboration with the Ministry of Commerce of China - will be organizing the Second Global Services Forum in Beijing, at the end of May 2013. The Forum will bring together leaders from governments and business to address new strategies needed to harness the services economy for economic growth, export diversification and inclusive and sustainable development. More specifically, the Forum will deliberate on new strategies for building productive and export capacity in services, and for removing barriers to services trade. It will promote the sharing of experiences and lessons learned to identify successful and innovative best-fit policies to sustain global recovery in the post-crisis period and to promote inclusive development. We hope also that it will contribute to the creation of new services partnerships (South–South, North–South and triangular, as well as public–private). In view of the ongoing review process of the Almaty programme of Action and given the importance of services for LLDCs, the Forum will give special attention to the role of services-trade in LLDCs. This part of the Forum’s activities will be conducted in collaboration with OHRLLS and we hope that the outcome will serve as inputs for consideration in the context of the review process.

Mr Chairman,

In pursuing the structural transformation and productive capacity building agenda, we believe that LLDCs could also learn from the experience of countries that have turned commodity dependence – from being a “curse” to a “blessing” through forward and backward linkaged activities. This obviously, will not be an easy task, especially for
economies with weak institutions, low-level of skills, product market rigidities, and weak private sector. But, LLDCs have to start somewhere and they have examples like Botswana - a small landlocked country -, which has made major strides in deepening its productive capacity through commodity-related backward and forward linkages.

Finally, I wish to mention in passing - an issue that we have highlighted in the past in the context of LLDCs, but worth repeating for the purposes of today’s brainstorming. It concerns regional integration that fosters structural change and economic growth in member States - both as goals per se- and- also as a means of collectively linking the region into the global web of market relations. We believe that regional integration created in the Greater Mekong Subregion (GMS), can be considered a successful example of developmental regionalism and could be relevant as a model for LLDCs. What is interesting about this arrangement – apart from the fact that its members include landlocked countries - is that its core objective goes beyond the domain of trade per se, and includes other – more ambitious forms of intervention, such as coordination of policies for industrial development and linking the region as a whole into global markets through regional value chain mechanism. The basic strategy is to attract private investment into the region and facilitate cross-border trade, technology transfer and tourism by implementing programmes to strengthen regional transport network, communications, energy supply, trade facilitation and human resource development. This form of regional integration links landlocked and transit members of the regional grouping more closely - thereby facilitating a coordinated and collective effort at trade facilitation. One of the beneficiaries of the GMS initiative is Lao PDR – and perhaps the lessons learnt are worth sharing with other LLDCs.

Thank you very much for your attention.