The costs of being landlocked

What the research says
What being landlocked costs

Research in the 1990s showed that being landlocked

- Raises the transport costs of a country’s foreign trade by around 50%
- Reduces a country’s trade volume by 30-60%
- Cuts annual economic growth by 1-1.5 percentage points!
Poor infrastructure is part of the picture, but only part

Research in the 1990s showed that:

Improving a country’s infrastructure and that of transit countries from the 25th percentile to the 75th percentile overcomes more than half of the disadvantage of being landlocked.

New research shows that other problems are just as costly, if not more so

- Unpredictable transit times
- Anti-competitive regulation
- Transit overheads (superfluous services and bribes)
Transit times can be wildly unpredictable

- Consider the dwell times for transit containers at Mombasa port

- Short for most: 1-9 days

- But 30+ days possible for many
And unpredictable transit times add costs

- Larger inventories or emergency shipments to avoid stockouts
- Lost sales from stockouts

- What does each extra day of transit cost?
- New research shows that each extra day adds nearly 1% of the shipment’s value, about 10 times the costs of capital tied up in goods moving
Regulatory arrangements add more costs

Intended to protect weaker suppliers, regulations allow all suppliers to maintain high prices

- On the Douala-Ndjamena Corridor, tariff setting by the Freight Bureau doubles road freight rates
- On the Vientiane-Bangkok Corridor, opening Lao transit trade to all Thai truckers reduced logistics costs by 30%
And transit “overheads” add 30-100% to transport costs

- For a 40 foot container transiting from Lome to Ouagadougou:
  - Transit overhead should run 5-20% of the transport cost
  - US Department of Transport allows adding 4%

  Needed services in Togo and Burkina should add 14%, within the range

  But excess charges and unnecessary public services add another 14%
  Those for unnecessary private services add a further 16%
  And bribes for passage add another 28%

- For a grand total of 72%!  

THE COSTS OF BEING LANDLOCKED
What’s needed to hold down these costs and improve services?

Better infrastructure is quite often needed, of course, but to get good returns from the investments requires:

- Regulation that promotes competition
- More modern practices for collecting customs duties in both landlocked and transit countries.
The LPI shows what’s possible

Even with similarly poor infrastructure, landlocked Uganda and Mali rank higher than coastal Tanzania and Ghana on the logistics performance index

<table>
<thead>
<tr>
<th>Country</th>
<th>Infrastruct Rating</th>
<th>Logistic Compet.</th>
<th>Timely Delivery</th>
<th>Overall LPI Score</th>
<th>Rank in Africa</th>
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THE COSTS OF BEING LANDLOCKED
But the LPI also indicates the extent of the problem more generally across the world.

<table>
<thead>
<tr>
<th>Country</th>
<th>Infrastructure</th>
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Research offers further insights for the landlocked

- Have at least two routes to the sea
- Integrate regional planning for transport and major traffic-generating projects
- Always consider air freight
- Use supply chain analysis to identify promising production possibilities
Above all, modernize and energize the private sector

In line with the 2003 Almaty Conference conclusions, strong involvement of the private sector is essential:

- To achieve the transparency and predictability needed for modern logistics
- To strengthen the communications and partnerships among all stakeholders

as UNCTAD has steadily emphasized.
Coming up

The presentations today will elaborate on measures to reduce the transport impediments to landlocked countries’ growth:

- Graham Smith will explore the benefits and costs of transit trade and improving the incentives that transit countries offer for its development.

- Robin Carruthers will propose systems for collecting objective indicators of transit costs and times, in the spirit of what gets measured gets managed.

- Jean-Francois Arvis will present the findings of a global review of transit regimes and systems, identifying what works, what doesn’t, and why.

- Henry Bofinger will demonstrate several cases illustrating the potential of air freight for landlocked countries.