Location matters

What role does geography play in constraining the world’s least-developed countries and what can be done to assist them in achieving the Millennium Development Goals?

In 1776, Adam Smith observed that the inland parts of Africa and Asia were the least economically developed areas of the world. He argued that, due to the difficulty of doing trade in a competitive manner, geographically remote areas fail to realise full gains from specialisation and the associated benefits.

Even today, despite unprecedented advances in science, communications and technology, high transportation costs typically place landlocked developing countries at a distinct disadvantage relative to their coastal neighbours. The current competitive global market puts a premium on just-in-time delivery, value chain management and efficiency in trade facilitation.

A recent study by the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) on the development cost of being landlocked found that transport costs for LLDCs were 45 per cent higher than for a comparable coastal economy in 2010. Furthermore, according to data from the World Bank 2013 Doing Business Report, the costs of importing and exporting in LLDCs are more than double those of their transit neighbours. For example, landlocked developing countries spent, on average, $3,040 to export a container of cargo, as compared with $1,268 for transit developing countries.

Therefore it is no mere coincidence that LLDCs are some of the poorest countries in the world. The UN-OHRLLS study mentioned above concluded that because of landlockedness, the level of development in the LLDCs is around 20 per cent lower than it would be, were the countries not landlocked.

The UN recognises 31 landlocked developing countries, widely dispersed around the globe: 15 are located in Africa, 12 in Asia, two in Central and Eastern Europe, and two in Latin America. Despite their location on four different continents, all LLDCs share some common problems of geographic remoteness and no direct maritime access, implying dependence on trade and transport systems in neighbouring coastal countries. This has resulted in less specialisation, less marketisation and limited economic activities in these countries, leading to limited economic growth and persistent poverty.

Globalisation has triggered strong interlinkages among economies around the world. However, landlocked developing countries continue to be marginalised from the global markets. Although their share in world merchandise exports doubled between 2003 and 2011, coinciding with the commodity boom, it remains at just 1.2 per cent.

In addition to remoteness from major markets, cumbersome customs and border crossings procedures, limited infrastructure, missing links, inadequate transit facilities and inefficient logistics systems—among other things—result in higher transport and trade transaction costs. The structural vulnerabilities and limited productive capacities of LLDCs expose them disproportionately to the severe negative impacts of the current global economic crisis.

Since the crisis, value addition from agriculture, manufacturing and exports of goods and services continues to diminish in these 31 countries. The contribution of agriculture to their combined annual GDP is estimated to have declined from 22.8 per cent in 2001 to 18.2 per cent in 2011. The manufacturing value added, a basic indicator of the level of industrialisation developed by the World Bank, has
also declined precipitously from the peak of 18.1 per cent in 1992 to 11.5 per cent in 2011.

UN support to landlocked developing countries

The UN has long recognised LLDCs as a group of countries with special needs and challenges. As early as 1957, the UN General Assembly adopted a consensus resolution – GA Resolution 1028 (XI) – on this issue. Since then, it has consistently been on the UN's agenda, not just in the Assembly, but in a host of other UN bodies, regional organisations, development partners and international organisations.

In 2001, the UN Secretary-General established the UN-Ohrrls with the overall objective to assist and support the countries in special situations, including landlocked developing countries. In addition, to address the constraints facing LLDCs, the UN organised the first International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation in Almaty, Kazakhstan, in August 2003. The Conference adopted the Almaty Programme of Action and the Almaty Ministerial Declaration.

The overarching goal of the Almaty Programme of Action is to foster the establishment of efficient transport systems in all LLDCs based on mutually beneficial collaboration with transit developing countries and with the support of the development partners. Five priority areas were identified, namely: 1) fundamental transit policy issues; 2) infrastructure development and maintenance; 3) international trade and trade facilitation; 4) international support measures; and 5) implementation and review.

Notable progress

The LLDCs continue to make some notable progress in the implementation of the priority areas of the Almaty Programme of Action, and the international community has strengthened its technical and financial support. LLDCs as a group recorded an average economic growth of 6.2 per cent during the period 2003-2011, despite growth dropping to 3.6 per cent in 2009 as a result of the global economic and financial crisis. Furthermore, merchandise exports increased from $43 billion to $224 billion from 2003 to 2011, and imports from $49 billion to $185 billion during the same period.

But a disaggregated analysis reveals that only a handful of the resource-rich LLDCs are responsible for this phenomenal increase in exports. Moreover, the export structure of LLDCs continues to be increasingly characterised by reliance on a limited number of products, in particular unprocessed agricultural goods and minerals, leaving LLDCs vulnerable to external shocks. Likewise, their import-export ratio is generally much higher than the average ratio of similar countries with coastal access.

On the plus side, international support to LLDCs is gradually increasing, although this too is heavily concentrated in a few countries. The UN system and other international and regional organisations and financial institutions also continue to provide financial and technical assistance to LLDCs.

Although there has been some progress in infrastructure development and maintenance, the percentage of paved roads, the principal mode of transport, remains low. Only nine LLDCs have more than 50 per cent of their roads paved and eight have only between 20 and 49 per cent of them paved. The challenges with regard to transport infrastructure are not only physical, but institutional and related to implementation. Inadequate soft infrastructure, mainly in logistics services, and inefficient border crossing procedures are some of the major challenges.

Many LLDCs and transit countries are implementing various measures that considerably reduce transaction costs and delays at border-crossing points. These include building better infrastructure,
and harmonising border and customs procedures, rules and documentation. But further efforts are required to ensure faster and cheaper trade across borders, along with improvements in transport and transit corridors. The early conclusion of the Agreement on Trade Facilitation at the World Trade Organization, with strong reflection of the interests of LLDCs, would have a salutary impact on expanding trade opportunities and competitiveness in these countries.

The road to the 10-year review conference
In its Resolutions 66/214 (2012) and 67/222 (2013), the General Assembly decided to hold a comprehensive 10-year review conference of the Almaty Programme of Action in 2014. The conference will be preceded by national, regional and global, as well as thematic preparations. In addition, two intergovernmental preparatory committee sessions will be organised prior to the conference.

The overall objectives of the conference will be to: undertake a comprehensive appraisal of the implementation of the Almaty Programme of Action; identify effective international, regional, sub-regional and domestic policies in light of the outcome of

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the appraisal; reaffirm the global commitment to addressing the special development needs and the challenges faced by the LLDCs; and mobilise additional international support measures and action in favour of the LLDCs.

The General Assembly designated UN-OHRLLS as the UN system-wide focal point for the preparatory process. It has also invited other UN system organisations and regional organisations within their respective mandates, to provide necessary support and actively contribute to the preparatory review process and the comprehensive 10-year review conference.

Preparatory processes have already started. In particular, UN-OHRLLS has prepared a roadmap that highlights activities to be undertaken towards the conference along three main tracks: the intergovernmental track; the inter-agency track; and the private sector track.

As part of the intergovernmental track, LLDCs are preparing national reviews on the implementation of the Almaty Programme. At the regional level, the UN Regional Commissions, in close coordination with UN-OHRLLS, are organising regional preparatory review meetings in 2013. The Euro-Asia regional review meeting was held in Lao in March 2013, the African Regional Review Meeting was held in Ethiopia in July 2013. Preparations are ongoing for the Latin American regional review meeting to be held later this year. The national and regional preparations will provide crucial inputs into the global review process.

UN-OHRLLS, together with the UN system and other international organisations, is organising a number of thematic events to facilitate intergovernmental processes. A number of these pre-conference events have already been successfully held, including the High-Level Thematic Meeting on International Trade, Trade Facilitation and Aid-for-Trade in Almaty in September 2012; the Brainstorming Meeting on the Priorities of a New Development Agenda for the LLDCs in New York in March 2013; and an event on transport development and trade facilitation at the World Bank in June 2013.

Other planned thematic events will look at issues of particular importance to LLDCs, including transport and logistics innovations, vulnerability to external shocks, implications of climate change, international support measures, including South-South cooperation, and enhancing productive capacities.

In addition, UN-OHRLLS, in collaboration with partners, will ensure that private sector representatives from LLDCs and transit countries are involved in all stages of the preparatory process. An increased participation of LLDCs in international trade depends on a thriving private sector and the effective functioning of transit transport systems.

The upcoming UN Conference on LLDCs in 2014 will undertake a comprehensive appraisal of the implementation of the Almaty Programme of Action in order to build a development agenda that can enable LLDCs to integrate better into the global trading system, ensure efficient transit arrangements, promote infrastructure and connectivity, and move closer to achieving the internationally agreed development goals in the next decade.

Strong collaboration among LLDCs, transit countries, development partners and all other stakeholders, international organisations, civil society and the private sector will be crucial for the success of the conference. The conference will be an important global event to galvanise international support and partnerships in favour of LLDCs, especially as we all prepare ourselves for the post-2015 development agenda.

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1 UN-OHRLLS (2013), The Development Economics of Landlockedness: Understanding the development costs of being landlocked