Landlocked Developing Countries: Key issues on trade and development

Presentation by

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Excellencies
Honourable Ministers,
Ladies and gentlemen

I am pleased to be here with you in Almaty, and am particularly honoured to be part of this panel highlighting the key issues pertaining to trade and development of landlocked developing countries.

My presentation covers three key points: First, I will set out some compelling reasons why it is important for landlocked developing countries to expand trade beyond current levels; Second, I will briefly present some of the challenges faced by landlocked developing countries as they seek to harness trade opportunities and improve their overall sustainable development; and Third, I will provide a few recommendations on ways to enhance the ability of landlocked developing countries to promote and enhance their trade opportunities.

Let me start then by highlighting some of the reasons why it is important for landlocked developing countries to expand trade beyond current levels. It is well recognised that trade creates opportunities for accelerated growth, improved productivity, employment creation, poverty alleviation and overall sustainable development. Trade enables countries to specialise and export goods that are cost and quality competitive. Trade is also a key source of financing for development, together with official development assistance and debt relief.

During the period 2003 to 2010, the landlocked developing countries as a group experienced GDP annual growth rates between 5 and 7 percent. It is important to note, however that growth was uneven, fluctuating as low as 3% due to the characteristic high commodity dependence that many landlocked developing countries face, and the associated high vulnerability to commodity price volatility. It is crucial for landlocked developing countries to achieve economic growth that is more stable and more sustainable. In order to do so, productive capacities must improve and structural transformation must occur. Increased trade can help to achieve these aims.

With respect to social development, landlocked developing countries have made progress towards reaching some of the targets of the Millennium Development Goals as evidenced by a steady improvement in primary education, access to clean water and some gender equality indicators since 2003. However significant gaps remain. In 50 percent of the landlocked developing countries, the proportion of the population
living under $1.25 per person per day is greater than 20 percent. Progress is also slow on reducing hunger, child and maternal mortality and improving access to sanitation. The landlocked developing countries are all heavily affected by climate change, deforestation, land degradation and desertification. These are all areas that require more resources in order to improve social welfare. It is critical for landlocked developing countries to search for new ways to unlock their trade potential so they can accelerate economic growth, reduce poverty, and improve the quality of life for their citizens.

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Allow me now to address my second point, pertaining to the challenges faced by landlocked developing countries as they seek to harness their trade potential.

Previous speakers this morning have highlighted many of the challenges that limit the competitiveness of landlocked developing countries, including the lack of access to the sea; remoteness from major markets; infrastructural bottlenecks in transit transport, energy and communication; cumbersome customs and border-crossing procedures; inadequate regulatory frameworks; as well as weak legal and institutional arrangements and inefficient logistics systems. These challenges result in high transport and trade transaction costs that undermine the competitiveness of landlocked developing countries, and they act as a significant drag on investment and entrepreneurship.

Landlocked developing countries are affected by other supply-side constraints such as limited productive capacity, reliance on primary commodities, lack of value addition to exports, inability to meet international standards - including sanitary and phytosanitary standards-, inadequate technology and know-how, and limited access to finance. Landlocked developing countries also face problems of market access including barriers caused by trade-distorting policies on tariffs and subsidies imposed by both developed and developing countries in the global markets.

Since the adoption of the Almaty Programme of Action in 2003, landlocked developing countries in cooperation with transit developing countries and with support from development partners, have been working to address many of these constraints. Joint actions have included initiatives to restore macroeconomic stability, promote efficient transport
systems, improve electricity generation and access, modernize telecommunications services and streamline and harmonize transit border facilities and procedures to increase efficiency. These efforts have resulted in a measure of economic progress, yet the gaps remain large, and the resources required are considerable,

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My third point of discussion highlights various ways to enhance the ability of landlocked developing countries to more effectively harness trade for development.

• First, there is a continuing need to promote trade facilitation in order to reduce transit and trade transaction costs. To this end, initiatives such as the creation of one-stop border posts, and the establishment of inland clearance centres, or dry ports, have been proven effective and should be replicated;

• Second, the ongoing negotiations under the Doha Development Round should address the trade facilitation needs of landlocked developing countries;

• Third, efforts are needed to improve access to agricultural and non-agricultural markets for products of interest to landlocked developing countries, including through the elimination of non-tariff barriers to landlocked developing country exports;

• More investment is needed in the development and maintenance of physical transport infrastructure, energy and communications systems in landlocked developing countries in order to ensure a secure, reliable and efficient transit transport system and enhanced intraregional connectivity;

• Competitive productive supply capacities need to be promoted, and export diversification in landlocked developing countries is needed;

• Economic, financial and legal incentives that encourage foreign direct investment flows and encourage private sector participation should be promoted;
• Expanded avenues for South-South cooperation should be more intensively explored, notably through deeper regional integration via intra-regional trade;

• Furthermore, landlocked developing countries would greatly benefit from increased technical and financial assistance from the United Nations to effectively participate in international trade discussions and negotiations, including support during the accession process to the World Trade Organization;

• Landlocked developing states stand to benefit from enhanced Official Development Assistance transfers and Aid for Trade both of which can help to improve productive capacities and address supply-side constraints;

• Finally, trade promotion should be addressed in a holistic manner through stronger coordination among the various development actors and in close consultation with the private sector. Trade should be promoted within the context of national development strategy formulation, implementation and follow-up.

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These constitute some of the important issues to be addressed as we prepare for the upcoming ten year review conference of the Almaty Programme to be held in 2014.

Thank you for your kind attention.