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“Unlocking the Trade Potential of Landlocked Developing Countries”
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Excellencies, Distinguished Guests, and Ladies and Gentlemen

I wish to thank you, Mr Chairman, and the organizers for giving me the opportunity to share UNCTAD’s perspective on how to unlock the trade potential of landlocked developing countries. Indeed, as already mentioned by the Deputy Secretary-General of UNCTAD, the topic of trade and landlocked developing countries has been in UNCTAD’s work programme ever since the establishment of the organization in 1964. Since then, UNCTAD has undertaken extensive analytical work and technical assistant activities in the areas of transport policies, trade facilitation and transit trade – with a focus on supporting the development of transit corridors, modernization of customs operations (through, for example, ASYCUDA, which is now operational in nearly 90 countries), installation of cargo tracking system, assisting landlocked countries in their negotiations in the GATT, the Uruguay Round, and more recently the Doha Round and also in their accession to WTO. UNCTAD still runs a transport and trade logistics programme, which convenes multi-year expert meetings on transport and trade facilitation with special focus on landlocked developing countries.

I am pleased to report that in keeping with the established tradition, the recent UNCTAD Ministerial Conference (UNCTAD XIII) held in Doha, Qatar has endorsed that the UNCTAD secretariat should continue to assist landlocked and transit countries and address challenges affecting their participation in trade. We will apply the extensive experience and expertise that the organization has accumulated over the years to ensure that these mandates are fulfilled.

However, the main objective of today’s meeting is not to talk about the past or what we have done, but about the future and what needs to be done – more specifically, to identify the key issues that should be addressed in a future work programme and to develop also a common understanding and position on policies and strategies that could help landlocked developing countries to turn trade into an engine of economic growth and inclusive and sustainable development.

Landlocked countries face both “persistent” and “emerging” challenges. As we all know, the persistent challenges are related to their geographical location, which has been the main factor hindering their ability to take advantage of trading opportunities and to develop internationally competitive products. Understandably, the programme and policy orientation of landlocked developing countries and the support that they have received from development partners in recent past have concentrated on the development of trade-related infrastructure and improvements in customs and trade facilitation system. In this respect, it may appear as if the challenges facing landlocked countries are not different from those faced by other developing countries. After all, lack of adequate infrastructure, including efficient transport network, is a major constraint not only in landlocked but also other developing countries.

However, there is one big difference – and that is – in the case of landlocked countries, the success of their efforts to improve transport network and reduce transaction costs by creating an efficient trade facilitation system is dependent on similar efforts and the level of efficiency in transit countries. Therefore, as rightly highlighted in the Almaty programme, the ability of landlocked countries to harness their trade potential is closely linked with the state of transport network and the efficiency of trade facilitation system in neighbouring transit countries.
In the next two to three days, much of our discussion will be on ways to address these “persistent” challenges, which continue to hinder the trade potential of landlocked countries. However, at UNCTAD, we believe – in line with the emerging consensus - that a new Programme of Action for landlocked countries should also address broader but-related issues that go beyond the legitimate traditional concerns related to transport, trade facilitation and transit facilities. Trade is a multifaceted activity and harnessing its potential requires the development of diverse capabilities that range from building the capacity and knowledge to produce goods that give countries competitive advantages - to - developing efficient delivery systems.

Since the purpose of this session is to identify key issues for consideration in the preparations of the ten-Year Review Conference of the Almaty programme, I wish to use the limited time I have to mention at least five new or emerging challenges that deserve extra attention because of their direct impact on the “persistent” concerns of landlocked countries.

First, a new approach to development strategy is needed to ensure that the policies adopted to assist landlocked developing countries reflect the rapidly changing global economic environment. Since the Almaty programme of Action was adopted 10 years ago, the global economic environment has changed fundamentally and in ways that have serious consequences for trade, growth, employment and poverty reduction. For example, rising energy prices and its impact on transport has become an important feature of the global economy that policymakers, in particular in landlocked countries, have to contend with or cannot afford to ignore. There has also been an increase in the frequency of extreme weather events - due largely to climate change - with policymakers increasingly concerned about how this may affect future growth and the sustainability of trade-led development. This, in turn, has drawn attention to possible damages to the natural environment from infrastructure development, which has implications for landlocked countries that are still developing their physical infrastructure. Furthermore, the recent global economic and financial crisis has increased macroeconomic instability and eroded some of the gains made from trade since the beginning of the new millennium. How these recent developments affect landlocked countries and what types of additional support they need to mitigate the negative impacts would need careful assessment.

Second, policies and strategies for building productive capacities that would enable landlocked developing countries to produce tradable goods that are less dependent on the very constraint that they face should be given greater attention. Despite the recent favourable economic growth - driven mainly by commodity boom - the economies of landlocked developing countries as a group have shown little progress in structural transformation. They continue to rely on commodity exports and, as noted earlier, two products alone- crude oil and natural gas – account for 60 percent the total exports of landlocked developing countries. Trade in services continue to play a marginal role. The issue of economic diversification and structural transformation should be given a renewed emphasis and greater attention. There is no graduation from “landlockedness” – progress is measured by the advances made in building productive capacities and attaining structural transformation, which are critical for unlocking the trade potential of landlocked countries. Structural transformation occurs through a complex socio-economic process, which is not automatic. Lessons from the experience of developed countries and emerging economies suggest that deliberate government action, and more specifically industrial policy and increased private and public investments, are required in order to attain sustainable structural change and trade-led growth.

Third, in developing their infrastructure and trade supply capacity, there is likely to be greater pressure on landlocked developing countries to take the environment into consideration. Therefore, the question of how to develop climate-resilient infrastructure and transport system will be increasingly important. The associated risks and costs of meeting environmental standards may be considerable, in particular for countries with low adaptive capacity,
including, of course, landlocked developing countries. Given the long service life of transport infrastructure, effective adaptation in transportation requires serious rethinking of established approaches and practices. Obviously, this also affects transit countries with respect to maritime transport infrastructure. Given that ports handle more than 80 per cent of the volume of world merchandise trade, their integrity and climate-resilience is vital to the ability of all countries – including landlocked countries – to access global markets.

Fourth, unlocking the trade potential of landlocked developing countries will require giving priority to the energy supply issue. Most landlocked developing countries continue to face challenges in providing their productive sectors with sufficient, reliable and affordable energy supply. Addressing this challenge requires, among other things, more public and private investments in the energy sector - it also means exploring other innovative ways of financing energy supply. Increasingly, landlocked countries will be confronted with an important policy challenge with regard to deciding what mix of traditional, low-carbon and renewable energy technologies will set them onto a sustainable development path, and how the chosen energy strategy will play out in terms of job creation and trade potential. Of particular interest to landlocked developing countries are service infrastructures, such as telecommunications and transport, which are highly dependent on energy access. Building technological capabilities for the adaptation, dissemination and use of low-carbon and renewable energy technologies is key to enabling the structural change needed to unlock the trade potential of landlocked developing countries.

Finally, in terms of South-South Cooperation and regional integration, we believe that landlocked countries will benefit most from development-centred regional integration arrangements—what we call, “developmental regionalism”. The aim of developmental regionalism is to foster 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. The experience of developmental regionalism is still in its infancy in most of the developing world, but there are one - or - two examples, which could be used as models for pursuing developmental regionalism in other parts of the developing region. The Greater Mekong Subregion, a programme coordinated and spearheaded by the Asian Development Bank can be considered a successful example of developmental regionalism. What is interesting about this programme – 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 to 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.

Excellencies, and Ladies and Gentlemen,
These are only a few of a number of new and emerging issues that should be considered in the context of the preparations for the review of the Almaty programme. We hope that these and other important issues will be elaborated further in the course of our discussions in coming days. For the moment, I wish to thank you for your attention and for giving me the opportunity to share some of our thoughts.