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**United Nations Office of the High Representative for the Least
Developed Countries, Landlocked Developing Countries and
Small Island Developing States**

Statement

by

**Mr. Gyan Chandra Acharya, Under-Secretary-General and
High Representative for the Least Developed Countries,
Landlocked Developing Countries and Small Island
Developing States**

**The 9th Ministerial TransEurasia International Conference on Transit
and Transport Potential
“Heritage and Revival of Great Silk Way”**

10 Years of the Almaty Programme of Action and the Future of LLDCs

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**Soluxe Hotel Hall, Second Floor, 67 Syganak Street
Astana, Kazakhstan**

**Your Excellency,
Mr. Karim Massimov,
Prime Minister of the Republic of Kazakhstan,
Distinguished Ministers,
Ladies and Gentlemen**

I would like to begin by thanking His Excellency the Prime Minister for chairing this meeting. Let me also thank our host and distinguished Minister, Mr. Zhenis Kassymbek, Minister of Transport and Communications of the Republic of Kazakhstan for inviting me to speak on this auspicious occasion at the opening of **the 9th International Conference on Transit and Transport Potential**, in my capacity as the United Nations High Representative and Under-Secretary-General for Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States. Allow me to congratulate, His Excellency, President Nazarbayev and his Government, and the Eurasian Economic Club of Scientists for bringing together, once again, High-level representatives of different Governments, United Nations system, the private sector, along with accomplished scholars and experts, to take part in the **VII Astana Economic Forum** and the **Second World Anti-Crisis Conference**.

My statement this morning is focused on the development challenges that confront the 32 Landlocked Developing Countries located in Africa, Asia, Europe and Latin America, and home to a combined population of more than 440 million. Outside of Africa, the Asian Continent has the largest concentration of landlocked countries, most of which are located here in Central Asia and the surrounding region: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Landlocked developing countries (LLDCs) confront similar challenges, some of which are well known. They all lack territorial access to the sea and many of them are mostly small, commodities-dependent economies located long distances from major markets of the world. Challenging mountainous terrain, tropical climate and harsh desert ecology are additional difficulties that confront many of them.

For LLDCs, Landlockedness means an inherent dependence on the political goodwill, stability, infrastructure, transit facilitation and institutional quality of coastal transit countries. Furthermore, most LLDCs lack adequate policy and institutional capacities, have underdeveloped domestic markets, and a shortfall in human resource capacity.

Geographical hardship - reinforced by other growth-impeding factors - has pushed majority of LLDCs to the bottom of the **Human Development Index** of the United Nations. This is hardly surprising. World Bank studies on trans-border costs have repeatedly found that LLDCs **spend nearly twice as much** and takes twice as much time as their neighbors to import and export merchandise to similar markets overseas. The study by my office also revealed that the LLDCs lose about 20 to 25 per cent of GDP compared to the transit countries in similar situation. That is the cost of being landlocked and it has its cascading impact upon growth and development. Professors Paul Collier and Jeffrey Sachs have also outlined the same or similar impact analysis.

Cumulatively, these relatively high transaction costs generally lead to lower import and export volumes, inadequate foreign direct investment, insufficient use of modern technology, high and chronic unemployment levels, greater informality, and high incidence of extreme poverty. In real terms, GDP per capita for two-thirds of the countries in the LLDCs is well below US\$ 1,000. LLDCs participation in global trade is negligible. In 2012, their merchandise trade volume was about 1.2% of total global trade.

Distinguished Ministers,
Ladies and Gentlemen

The special challenges of LLDCs have not gone unnoticed. A little over 10 years ago, the first UN Conference of Trade Ministers from Landlocked and transit developing countries, along with their development partners was held some about 975 km from here, in Almaty, with the goal of fostering effective partnerships capable of supporting LLDCs' cross-border trade, which at the time, stood at 0.6% of the world trade. That meeting adopted the **Almaty Declaration**, which outlined the elements of the **Almaty Programme of Action for Landlocked Developing Countries (APoA)**. The United Nations General Assembly subsequently endorsed the resolution, setting into motion a Programme that reflected the strong commitment of the international community to address the special challenges of landlocked developing countries through effective transit systems and other measures. This legacy of Almaty is there for all to see.

There is no doubt that APoA has helped bring a positive change in many landlocked developing countries. The Programme has contributed to an increased recognition of LLDCs and their special needs at the international level, and at the United Nations. It has also galvanized global support in favour of LLDCs, especially in the areas of financial and technical support.

Ten-years since APoA went into effect, LLDCs are growing at a relatively faster rate than they did at the beginning of the New Millennium. They have also achieved notable, though limited progress in trade, domestic and foreign resource mobilization, infrastructure development, urbanization, and delivery of social services. In the last five years, more than one-third of the twenty fastest growing economies in the world have been LLDCs. In fact, until the onset of the 2007 global financial and economic crises, annual GDP growth rate for the group was at an impressive 9 %. But now they are down to about 5%. Sadly, this growth has largely been inadequate, unbalanced and jobless.

Distinguished Ministers,

Transport development and transit are priority issues for many landlocked developing countries since the most severe impacts of landlockedness are transmitted principally through international trade and transit transport. In the short run, secure, reliable and efficient transit transport systems are critical to reducing transport costs, connecting countries and regions, unlocking previously inaccessible and remote areas, and creating employment opportunities. In medium to long run, good infrastructure can sustain economic growth and development by enhancing export competitiveness, attracting foreign capital and technology, fostering productivity, reducing inequality and underwriting growth in incomes.

Continued progress is evident in the development and upgrading of the Asian Highway and Trans-Asian Railway networks. The latest report of the Secretary-General shows that more than 30% of Asian Highway roads in LLDCs in this region have been upgraded since 2004. Governments in Central Asia are committed to closing missing links in the railroad network. They are also harmonizing infrastructure standards, including railway gauges along the 117,000 km Trans-Asian Railway network.

But it is not enough to simply have a good road and rail network: physical infrastructure must be accompanied by necessary soft infrastructure, which includes border-crossing procedures, policies, laws, transit procedures, logistics and regulatory regimes. Studies show that cumbersome clearance procedures at port and border crossings contribute significantly to transaction costs and delays. In its 2014 *Doing Business* report, the World Bank estimates that although it takes 27 days for coastal developing countries to export a container of merchandise, LLDCs face an additional 15-day delay for the same. Likewise, it takes 27 days to import a standard container to a coastal economy and 42 days for a typical LLDC.

Underscoring the need to invest in soft infrastructure, analytical study by the International Road Transport Union (IRU) observes that while road shipments are technically feasible and commercially viable between Europe and Asia, they are seriously constrained by the absence of harmonized procedures and regulations at borders, numerous checkpoints, outdated border-crossing points, inappropriate customs formalities and controls, and cumbersome visa processes for drivers. IRU estimates that, even with good roads, some 40% of transport time between Europe and Asia is lost at the border crossings.

Ratification and implementation of relevant international conventions and agreements on transit transport and border crossing is needed to achieve simplified, harmonized and standardized transit operations. Effective implementation of such measures can significantly reduce transit delays and costs. In view of the following, I am pleased to note that authorities in Central Asia are taking decisive measures to improve soft infrastructure. They are harmonizing custom procedures, rules and documentation. Some of the more practical measures already in place include the use of Single-Window Systems, Automated System for Customs Data, one-stop border posts, third-party motor insurance schemes and the removal of roadblocks.

Distinguished Ministers,

While some progress has been achieved during the implementation of APoA in the past 10 years, a lot more needs to be done. LLDCs are still beset by other core challenges that include joblessness, extreme poverty, economic informality and isolation, low productivity, and a heightened dependency on aid for some countries. This has also compromised their resilience to internal and external shocks, including fallout from climate change. In addition - and as the latest report of the Secretary-General on the implementation of APoA observed - the last decade was regrettably marked by declining productivity in agriculture and increased deindustrialization in many of the LLDCs. Equally worrying is the fact that a number of resource-rich LLDC economies have become economically less diversified.

Additionally, there are troubling imbalances in different areas of development. For instance, while FDI inflows have shown remarkable increase, from about US\$ 55 billion in 2003, to over US\$ 210 billion in 2011, a closer look at the data reveals that just 3 countries have received almost 60% of total FDI disbursed to the group,

since 2009. Similar disparity is evident in the value of merchandise exports from the group, in which only two countries account for more than 50%.

Clearly, without an effective international response, LLDCs will not be able to attain rapid and inclusive sustainable development. It is urgent, therefore, to implement measures that promote market access, product and market diversification, value addition, improved services sector, integration into the global value chains and resilience building. To this end, I urge the international community to develop new instruments that can effectively address development handicaps of the LLDCs and enable them to build self-sustaining resilience for the future.

Distinguished Ministers,
Ladies and Gentlemen

Let me now take the example of economic and policy reforms that have enabled a resource-rich but landlocked country of Kazakhstan to achieve rapid, inclusive and sustainable growth. In 1997, you adopted a long-term development strategy titled **“Kazakhstan 2030: Prosperity, Security and Ever Growing Welfare of all the Kazakhstanis”**. The strategy was based on seven long-term priorities with transport infrastructure firmly linked to the overall development, stability and progress.

After seventeen years, it is clearly evident that Kazakhstan is resolutely on course to realizing many of the lofty goals that were set out in that Strategy: incomes have more than doubled; unemployment has been halved, while the business environment has improved tremendously. The World Bank ranks Kazakhstan at is one of top 50 most business-friendly countries in the world. **An Ernst and Young Attractiveness Survey of 2014** observes that while FDI global inflows declined by 18% between 2011 and 2012, Kazakhstan remained a stable destination for investors. In addition, although natural resources are still key, that survey indicates that investors are increasingly attracted to Kazakhstan by its stable political, social and macroeconomic environment. Kazakhstan’s growing knowledge-based and high value-addition-oriented policy would fuel economic transformation and diversification.

The need for a good transport system that is supported by adequate transit arrangements and economic policies cannot be emphasized enough when it comes to the landlocked countries. **The Great Silk Road** in the past centuries opened

this region to a new world of diverse people, market, culture and ideas. It also brought enormous benefits to the European countries at that time. It boosted trade and brought much prosperity to Central Asia. This region was a strong locomotive of that mutual benefit. It is against this backdrop of win-win scenario that I applaud efforts to revive the Great Silk Road through the development of an international transit corridor connecting Western Europe to Western China. I have no doubt that the modernization and expansion of the highways and bridging the missing links will contribute to increased transport efficiency, growth in commercial trade, road management and road safety in Kazakhstan and beyond.

Distinguished Ministers,
Ladies and Gentlemen

This is a historic year for LLDCs. **The Second International Conference on the LLDCs** will take place, 3-5 November 2014, in Vienna, Austria. The Agenda of the Conference will be to comprehensively review the Almaty Programme of Action, and for the International Community to provide a new development roadmap for 32 LLDCs around the world.

Having been mandated by the United Nations General Assembly to take the lead in the preparatory process, my Office, with the support of Member States, United Nations Agencies and other international organizations has already facilitated national consultations and successfully organized regional review meetings in Africa, Asia and Latin America. In addition, 15 pre-conference events focusing on key priority areas, have taken place. The first pre-conference event started rightly from Almaty, the birthplace of the historic first conference, with the trade ministers meeting in September 2012. A common message from each of these meetings is that while the new development programme should retain transit and transport issues at its core, there is a need to encompass other development aspects, such as capacity development, regional integration, structural transformation and resilience building to promote sustainable development of LLDCs.

Distinguished Ministers,
Ladies and Gentlemen,

In conclusion, it is important to recall that transport is the lifeblood of the modern economy. An efficient transit transport system for LLDCs determines the speed and scale of their integration to the global economy. Both hard and soft transport infrastructure are crucial to sustaining economic growth. We must keep in mind

that although transport costs have decreased in all other parts of the world, they are still unsustainably high for LLDCs, resulting in rising costs of doing business. It is, thus, important that we hasten the revival of the Great Silk road, and provide an excellent example for similarly visionary infrastructural development in other landlocked regions.

I thank you for your kind attention.