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**UNCTAD-supported negotiations led recently[1] to a new transit agreement between inland Afghanistan and seaside Pakistan. Afghan goods bound overseas no longer have to be transferred to Pakistani trucks at the border – a slow and costly process. Paperwork has been simplified and sped up. Afghan transit cargo, previously limited to one Pakistani port, now may go to three. That encourages rate-reducing competition. Afghan trucks also may travel across Pakistan to India, although goods must still be transferred to Indian trucks at the border.**

**For an impoverished country, these improvements may seem modest, but they can make a difference. Landlocked nations face numerous obstacles to joining world trade flows, especially as global exports travel most cheaply – and in greatest quantity -- by sea. But easing a few connections can boost traffic, increasing economies of scale. That can lead to better roads and railroads, to new investment, and to the production of a broader variety of goods. . . which can lead to still lower transit costs and still more economic growth.**


*A port in Benin now advertises for cargo from landlocked Niger.*

# Landlocked and least-developed: ending the isolation

Of the globe's 31 landlocked developing countries (LLDCs)[2], 16 are "least developed" – that is, among the world's poorest. Twelve are in Africa.

All face economic isolation. They are in less-wealthy regions, meaning nearby countries do not offer vast markets for their exports. Nor do coastal neighbors usually have state-of-the-art highways or railroads linking inland countries to ports – why should they? The closest ports often lack efficient equipment and procedures and frequently charge high fees. International freighters may not call there often, further slowing transport and boosting expenses. And all these disadvantages work in reverse, hindering LLDC imports.

In addition, coastal neighbors often set up impeding rules or fees. Tolls and other charges may be high. Or only domestic trucks are allowed to carry cargo. Or paperwork is slow and complicated, meaning that goods sit at the border for days or weeks (and meaning that customs officials often collect bribes). Or only a certain port may be used, which charges high rates.

Overall, being landlocked tends to increase a developing country's overseas shipping costs as much as 50%. That reduces trade, which is vital for economic growth. LLDCs currently contribute less than 1% of global merchandise exports, and their isolation makes it hard for them to create jobs and raise living standards.

But UNCTAD specialists argue that the pattern can be changed. A number of steps may be needed. . . and a shift in perspective. For example, coastal countries increasingly understand that easing the transit of goods from LLDCs can help their own economies. More traffic through a port reduces the cost per ton for everyone and may attract more ships, lowering costs further. And better routes inland mean more commerce flows in both directions, expanding regional markets for which distance – and shipping expenses – are much less of a factor.

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[2] *Afghanistan* (asterisks indicate least developed countries), Armenia, Azerbaijan, Bhutan*, Bolivia, Botswana, Burkina Faso*, Burundi*, Central African Republic*, Chad*, Ethiopia*, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic*, Lesotho*, Malawi*, Mali*, Moldova, Mongolia, Nepal*, Niger*, Paraguay, Rwanda*, Swaziland, Tajikistan, Former Yugoslav Republic of Macedonia, Turkmenistan, Uganda*, Uzbekistan, Zambia*, Zimbabwe.*

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# UNCTAD's work with landlocked developing countries

Switzerland, Austria, and Luxembourg are landlocked -- yet prosperous. Why? They export mostly to a surrounding, thriving regional economy. They benefit from numerous roads and railways and face few customs or administrative barriers (although Switzerland has some). They produce a wide variety of goods that "fit:" intellectual products such as banking and engineering are little hindered by geographic location; other items -- such as watches -- have high value per weight, making freight costs per unit low. These countries also have entrepreneurs who come up with good business ideas.

Can that situation be recreated elsewhere? UNCTAD economists think much can be done.

**Regional economic growth and wider varieties of appropriate goods.** UNCTAD has supported the recent rapid growth in trade between developing countries. "South-South" commerce can expand regional markets for LLDC exports and broaden what LLDC economies produce – an important process economists call "building productive capacity." Among other efforts, UNCTAD worked with the Royal Philips Corp. and the Southern African Development Community from 2006-2008 to establish an energy-saving light-bulb factory in landlocked Lesotho. The factory now employs 250 and sells bulbs in 14 neighboring countries.

**Improving transport links and lowering customs and administrative barriers.** UNCTAD has helped with the establishment of several transport corridors that connect LLDCs to ports. An UNCTAD project to improve collaboration along the Laos-Thailand and Zambia-Namibia corridors contributed to decreasing transit times by several days and to cutting costs by up to 25%. UNCTAD's computerized customs system, ASYCUDA, has been installed in several LLDCs, including Afghanistan, where it has significantly reduced customs delays. (See Issues in Brief No. 3.) UNCTAD's port-training programme helps ports in developing countries operate more efficiently, saving time and money -- and making them eager for more cargo, including from LLDCs. The port of Cotonou, Benin, now advertises for cargo from landlocked Niger. Overall, such efforts to eliminate bottlenecks can add up. Research suggests that reducing shipping delays by 10% can increase a country's exports by 10%.

**Advice and training on investment, exports, and entrepreneurship.** UNCTAD's Investment Guide series provides potential foreign investors with information on opportunities and operating conditions in the LLDCs Rwanda, Mali, Uganda, Ethiopia, Nepal, and Laos. UNCTAD has carried out Investment Policy Reviews (see Issues in Brief No. 4) for landlocked Burkina Faso, Burundi, Ethiopia, Laos, Lesotho, Nepal, and Zambia. These prescribe steps governments can take to attract more foreign investment and channel it effectively to create employment and improve living conditions. A 2010 UNCTAD workshop in Niger prepared diplomats on how to defend that LLDC's particular interests in complex negotiations at the World Trade Organization. And UNCTAD's Empretec programme, which trains entrepreneurs, has centres in the LLDCs Ethiopia and Uganda. Guenet Fresenbet Azmach of Ethiopia took the basic Empretec course and created Gigi Ethiopia, a fashionwear firm that now has 42 employees and some 100 subcontractors who produce hand-loomed fabrics. Half the company's goods are sold within Africa. The firm also exports to Europe and the United States.