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## An action programme for land-locked LDCs

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□ Provisions which can have a constrictive effect on trade such as, e.g., control, health, safety, and packaging and marking regulations;

□ Import regulations like quotas, embargoes, bilateral import agreements, minimum price stipulation and voluntary self-constraint agreements which are being introduced on an increasing scale in lieu of tariffs and quantitative restrictions under threats of more incisive measures;

□ Import and export restrictions operating through the price mechanism or tax equalisation measures.

If these non-tariff-barriers are regarded as the basis for a new GATT round, many opportunities will be found to exist for extending and safeguarding the peace in the sphere of trade. This is bound to be a protracted process, and for this reason the most important of the 800 obstructions should be tackled first so as to make sure of an efficient round of negotiations. Among these most important obstacles should be not only those which in percentage terms present the greatest danger to world trade as a whole but also such as are of special importance to a few states, as for instance the barriers in the fields of raw materials and agricultural products which impinge relatively more strongly on third world states than on industrial nations.

If a recrudescence of protectionism is to be resisted, unequivocal decisions will have to be taken in the next GATT round on the issues of trade preferences for LDCs, the trade in agricultural products, the formation of integration areas and on non-tariff-barriers. In view of the stubborn conflicts of interest in these sectors it will certainly be very difficult to find reasonable compromises. But if appropriate attention is paid to the fact that, all conflicts notwithstanding, there is a common interest in the continuing development of world trade because even great industrial nations depend on it, that the continuing development of world trade requires new rules and that growth in the industrialised countries also depends decisively on the state of the international division of labour, there are grounds for cautious optimism.

In conclusion it may be pointed out that the success of any further measures of trade liberalisation can at any time be put in jeopardy if a challenge arises from the interests of anyone state. GATT must be upgraded by being given more power, so that it can resist such eventualities, for until now GATT has not been an "organ" but a "secretariat". It has done very valuable preparatory work for conferences and is supervising the effectuation of decisions, but so far it has no possibility of imposing sanctions for contraventions.

## An Action Programme for Land-locked LDCs

by Professor Ernst Becher, MCD, Paris \*

**High on the agenda of the UNCTAD III Conference is the problem of least developed countries. It is realised that these countries need special cooperative action to improve their chances of overcoming the worst handicaps of poverty stabilised by stagnation. The hard-core cases within the group of least developed countries are the land-locked countries.**

**F**or a developing country to be land-locked is to suffer additional handicaps in the field of trade and payments". ... as well as in other areas, one might add to this statement of a group of experts invited by the Trade and Development Board of UNCTAD to identify the problems peculiar to land-locked countries. There are 18 such countries in the Southern hemisphere, of which 13 figure also on the list of Least Developed Countries which has recently been drawn up after prolonged discussions in various international fora (see table below). The remaining countries are *Bolivia, Paraguay, the Central African Republic (CAR), Swaziland and Zambia*, of which only Zambia has managed to achieve above-average rates of growth in recent years.

Only a look at the map is needed to single out the land-locked countries, but to agree on the criteria that define the least developed countries is a complex task. In the event, one major indicator (GNP per capita) and two supplementary indicators (rates of industrialisation and literacy) were retained and 25 countries identified with GNP's per head close to \$ 100 or less per year and with comparatively very low levels of manufacturing and general education. It is of course generally known that the data base is shaky. This is part of the very problem of underdevelopment and ill suited as an excuse for indifference in face of a need that is felt politically and among devel-

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opment experts. Yet, why not expand the list of least developed countries to 30 or cut it down to 20? Here lies the real difficulty. In the absence of objective and reliable criteria (and they do not exist) any choice or cut-off point is open to criticism, especially if being on the list entails preferential treatment under aid arrangements in various forms<sup>1</sup>. Hopefully, the number agreed upon should correspond to the capacity of the international development system to operate and fulfil a specially designed action programme.

**List of 25 Least Developed Countries**  
(Land-locked countries underlined)

Country	GNP <sup>a</sup> per capita (US \$ mn)	Industry's share of GNP (p.c.)	Adults able to read and write (p.c.)	Total GNP <sup>a</sup> (US \$ mn)	Total Population (mn)
<u>Afghanistan</u>	90	11	8	1,470	16.1
<u>Botswana</u>	105	8	20	70	0.6
Bhutan (no data available)					
<u>Burundi</u>	50	4	10	180	3.4
<u>Chad</u>	70	4	7	250	3.5
Dahomey	90	5	10	230	2.6
Ethiopia	65	9	5	1,550	24.2
Guinea	90	6	5	340	3.8
Haiti	80	12	11	390	4.7
<u>Laos</u>	70	n.a.	15	200	2.8
<u>Lesotho</u>	90	1	40	80	0.9
Maldives (no data available)					
<u>Malawi</u>	70	8	15	290	4.3
<u>Mali</u>	90	8	n.a.	440	4.8
<u>Nepal</u>	80	11	9	870	10.7
<u>Niger</u>	90	6	n.a.	340	3.8
<u>Rwanda</u>	40	n.a.	10	150	3.4
Sikkim (no data available)					
Somalia	60	n.a.	5	170	2.7
Sudan	115	7	12	1,690	14.8
Tanzania	70	6	17	870	12.2
<u>Uganda</u>	95	8	25	770	8.1
<u>Upper Volta</u>	50	6	7	270	5.2
Western Samoa (no data available)					
Yemen	110	n.a.	10	550	5.0

Total population of 25 countries about 140 mn, or close to 10 p.c. of people living in developing countries.

<sup>a</sup> Rounded figures.

Source of data: ECOSOC, E/4990, (1971), p. 17.

To date, the major suggestions made in favour of the least developed countries, including the 13 land-locked on the list, emphasise the need

<sup>1</sup> Some countries, such as India and Indonesia, easily qualify under the income per head criterion and are hardly better off than other countries on the list as regards the supplementary criteria. The opinion prevailed among the experts that they were in a more favourable position because of economic size and previous efforts which were bearing fruit. Their major constraint was financing not finding projects, it was concluded. Are these convincing arguments? Is it not more to the point that with India and Indonesia on the list the programme would lose its auxiliary character and the many small countries on the list would lose attention they are hoping for?

for agricultural development aid, for the softest financial terms available (through increased IDA contributions), for possible budgetary assistance in exceptional cases, for more systematic regional efforts combining the richer and poorer countries of the area, and for some specialised body to deal with the coordination of assistance to the least developed and land-locked countries. The IBRD is opposed to the idea of setting up consultative groups for these countries and expects the recipient countries to coordinate the donor efforts themselves. As proposals to establish new institutions are highly unpopular in the present international climate, it was suggested to use the practically defunct but legally still existing UN Capital Development Fund as the nucleus for the task. Provided the idea of devising a special programme is accepted at Santiago, the operational responsibility will probably be located with the UN Development Programme. As long as a sizeable proportion of total assistance continues to be channelled bilaterally, however, these measures are unlikely to improve much on the present situation.

A certain degree of pessimism results from the fact that already in 1964 the problem of the least developed land-locked countries was on the agenda of the 1st UNCTAD<sup>2</sup>. The countries concerned pleaded for urgent action to draw up an international convention to ensure freedom of transit trade of land-locked countries and to establish a committee to look after their particular difficulties and suggest appropriate remedial action. Most of these difficulties remain to be solved.

### The Current Situation

Some land-locked countries depend on transit countries, which themselves belong to the group of least developed countries. Burundi relies for most, and Rwanda as well as Zambia for some of their trade upon Tanzanian facilities. Much of Niger's trade passes through Dahomey. Botswana, Lesotho, and Nepal have practically no choice among alternative land/river connections and rely exclusively upon South Africa and India, respectively. 95 p.c. of Paraguay's trade passes through Argentine.

Transit distance from the land-locked country's economic centre/capital to the seaport used for most of its trade with the world exceeds 2,000 km for Afghanistan, Chad and Zambia. It is less than 1,000 km for Bolivia, Botswana, Lesotho, Laos, Malawi, Nepal and Swaziland. The major portion of the total route is in most cases situated in the

<sup>2</sup> cf. Proceedings of 1st UNCTAD Conference, Vol. VI, part 1: 'Problems of land-locked countries'; Note submitted by Afghanistan, Laos and Nepal. United Nations, New York 1964.

transit countries. No action programme is feasible without their participation.

The initial handicap is exacerbated with different modes of transport connecting source and sink. This applies to the CAR, Burundi, Chad, Laos and Rwanda (road/river/rail), and to Afghanistan, Mali, Nepal, Niger and Upper Volta (road/rail). Air service and electronic communications have, on the other hand, helped to reduce the predicament of being land-locked. Comparatively well equipped within the group are Bolivia and Paraguay, to a lesser degree Afghanistan, Laos, and Nepal, and in Africa Botswana, CAR, Uganda and Zambia, if both international connections and the internal network are considered. In the CAR, internal air service is used extensively for freight. Most countries are connected to international lines through their traditional transit neighbours.

#### **Possible Approach**

On the average, international activities as indicated by the mostly available data on trade beyond the region remain within the 10–20 p.c. range of GNP. The land-locked position as such is less significant in the regional exchange which is often hardly controlled and controllable, so that estimates of flows of people and goods are hazardous. In West Africa, these flows have been found to be substantial.

The development problem is often identical on either side of the border separating the land-locked and the transit country. It becomes further acute as one moves towards the interior of the land-locked country, whereas its impact in the peripheral area of the transit country can be diminished through nationally supported subsidies, transfers, and regional action programmes (national burden sharing).

The specific measures to be devised for land-locked countries will probably include

- privileged versions of bilateral and multilateral action in favour of developing countries generally, and of the least developed among them in particular;
- measures reserved altogether for the land-locked countries;
- measures including transit countries, for the ultimate benefit of the land-locked countries.

Each country's case will require a different policy package adjusted to the present situation built upon previous efforts. There will be measures from which immediate beneficial results can be expected and others with longer-term effects. Their time and cost profiles must be estimated and their mutual consistency and interdependence checked. Targets to guide the action and

to evaluate the chosen strategy constitute the key decisions.

Does it make sense to set different, and that would have to mean more ambitious, growth targets for global indicators such as GDP, agricultural output, exports, employment or education levels than for developing countries as a group or in a region, in order to reduce the gap for the land-locked least developed countries?

#### **Action Programme Choices**

The required effort in terms of inputs of financial and technical assistance would have to be disproportionately higher than to date because of the additional transformation difficulties in most of these countries with substantial subsistence sectors, a low degree of division of labour, scarce skills, rudimentary basic facilities including administration, transport and communication, and faced with high margins and quick write-offs in the modern business sector because of prevailing risk evaluation and factual monopolies.

To back up such targets, certain broad guidelines on the volume and terms of external assistance would have to be formulated earmarking some minimum flow or percentage of funds at the softest available terms, together with relaxed conditions on performance requirements or counterpart efforts. But the trouble with this approach is that such global targets for the countries concerned could neither be controlled nor verified because of the poor data base. It is also questionable whether they respond appropriately to the particular predicament of being land-locked.

#### **Necessary Priority Measures**

It appears more rewarding to formulate operational targets directly addressing the qualifying problems: long-distance transport channels and accompanying communication systems offering no or little choice among carriers, operating at high costs (due to different modes of transport, unreliable transit times, loading imbalances in opposite directions, high insurance rates reflecting added uncertainties, monopolistic pricing) and reducing the already shaky competitiveness of the external sector accordingly. The gap notion mentioned above can be brought to bear in this narrower context, for the problems of these countries are bound to increase as faster and cheaper means of transportation and communication are being introduced elsewhere, unless they are enabled to keep pace.

Priority measures improve the development, trade, and payments situation at once and continuously without costing much nor depending

on separate prior, concurrent or subsequent action. This would be the case for transport and trade facilitating removals of administrative and procedural obstacles by agreement between land-locked and transit countries. Examples are simplified customs treatment and documentary requirements, preferably within the framework of agreements on the free circulation of road vehicles and on the free movement of railway rolling stock, subject to well-established security (sealing) and guarantee (bonds) arrangements. Authorised agents of the land-locked country at the major nodes of merchandise handling in the transit country would also smooth procedures, as would warehousing and similar agreements for the stocking of goods, where they have been lacking. Any of these measures have been implemented between certain countries, developed or developing. The point is to apply them in all fitting instances. The initiative would have to come from international bodies with expertise in these matters. They would also verify compliance with obligations incurred under an agreement.

The coordination of transport and communications network planning on a regional scale, while important and cost saving, will exert beneficial effects only over time. More focus on this problem would result from the above-mentioned action. Especially the Regional Commissions have their role to play in this area. There have been consultant studies covering some land-locked countries, for instance in Africa, and many separate pieces of research exist which could be screened to save effort and to obtain guidance for setting priority tasks.

Planning in the land-locked countries, especially for agro-allied processing projects, will have to consider transport in present conditions as one, and sometimes the major constraint in project and cost analysis.

#### **Supplementary Measures**

Measures high on the list because of their immediate impact but with more cost involved and often depending on side action (e.g. clearance in international fora) are: the removal of any residual tariffs or non-tariff barriers, re-transfer of tariff/tax revenue collected by importing countries either to the budgets of the land-locked countries or to special funds earmarked for easing the land-locked situation, exemptions from fees and charges connected with commodity agreements, or reduced shipping and insurance fees. To such subsidy-based approaches can be added certain technical assistance activities to facilitate the bargaining position of land-locked countries for exports and imports, on transport and insurance markets, and to conduct related research.

A link could be established between concessions to be made by transit countries or other further advanced developing countries on the one hand and developed countries on the other. The latter could forego certain service payments due to them from the former, or they could agree to offset foreign exchange costs to the former arising from concessional measures, or to make certain flows of funds available to developing countries depending on similar flows to the land-locked least developed countries (e.g. in the form of transport rate concessions).

There is the disadvantage that many, including private, parties would be involved in some of the proposals, and there is the danger that inefficient production activities might be encouraged as a result of some of the measures, which at some point could be discontinued unless they were made clearly binding and enforceable.

Next on the list are measures with rapid and lasting effects requiring, however, substantial investments apart from concurrent action by the transit countries. The major potential in the near future is likely to remain the use of standard methods, together with improvements in the transport system and its current operation, i.e. diesel locomotives, hard surface roads, telecommunication improvements and further investments that would expand capacities, reduce transit times, remove costly bottlenecks, and diminish environmental adversities (refrigerated cars for perishable goods).

The last group of measures with longer-term impact and comparatively heavy investment outlays concerns new roads and rail, river, and air links in order to speed up the flow of goods and to reduce the factual monopoly situation of one major transport link on which many land-locked countries depend at present. In a number of cases the blueprints for system network extensions do exist but have not been implemented for lack of capital.

Finally, there is no dearth of propositions advocating latest technologies in the fields of education and more generally of public communications in order to jump barriers to progress (e.g. illiteracy, lack of technical skills) or remove specific bottlenecks (e.g. too few teachers and trainers, too little regular information exchange between regions, sectors, and social groups). Compared to investments in the transport sector, where economic and physical resource considerations prevail and generally suffice, judgment becomes more complex and delicate when questions of culture and social systems become part of the problem. Our knowledge in this area is still poor.