

Statement by the
Secretary-General of UNCTAD

Third Meeting of Trade Ministers of Landlocked Developing Countries,
21-22 October 2009
Ezulwini, Swaziland

Honourable Ministers and senior trade officials,
Distinguished representatives of international and regional organizations,
Ladies and gentlemen,

Mr. Chairman,

I wish to express my pleasure in taking part in this important event.

Allow me at the onset to commend you for the excellent work that the Government of the Kingdom of Swaziland has done to organise the Third Meeting of Trade Ministers of Landlocked Developing Countries in such a wonderful setting. I am confident that this meeting will significantly contribute to the discussion of policies and measures on how to tackle best the challenges facing LLDCs in their efforts to reap more benefits from international trade.

Mr. Chairman,

It is undisputed that the lack of a territorial access to the sea, and hence the need for transit transport, poses a special impediment to international trade, both in financial and non-financial terms. Moreover, geographical remoteness and long distances to major markets, as it is the reality for many LLDCs, lead to high transport costs.

Given the geographical constraints, the 31 member states of the Group of landlocked developing countries face a tremendous development challenge. The additional transaction costs due to their landlockedness impair the international competitiveness of their firms and diminish the attractiveness of these countries as host for foreign direct investment (FDI). As a consequence, many LLDCs find themselves marginalized in the world economy and cut-off from the global flows of knowledge, capital and innovations.

Since its foundation in 1964, UNCTAD has undertaken research, launched technical assistance projects and provided advisory services to LLDCs with a view to mitigating the adverse affects of the landlockedness on economic development.

LLDCs have benefited from UNCTAD's expertise in the area of trade facilitation. We strongly believe that the simplification, harmonization and standardization of procedures affecting border-crossing goods will help to make transit transport more fluid and less costly. The ASYCUDA customs management system has modernised the handling foreign trade transactions in about two-thirds of the LLDCs and in many of their transit neighbours. As a result, customs procedures have been streamlined and made more transparent, thus reducing administrative burden and increasing government revenue. UNCTAD has also provided advisory services to LLDCs in the context of the multilateral trade negotiations, in particular with regard to GATT Articles V, VIII and X, and assisted LLDCs seeking accession to the WTO.

Mr. Chairman,

Watching closely the impact of global economic developments on LLDCs, we have noted with great concern the fall-out that the current global economic and financial crisis is producing for these countries. This year's UNCTAD Trade and Development Report forecasts a shrinking of world trade by 9 to 11% in real terms in 2009, which will have a deleterious impact on the trade-intensive economies of LLDCs. We also expect a significant deterioration in the access of LLDCs to external financial resources, notably with regard to FDI flows, trade finance facilities and remittances. Moreover, it must not be forgotten that this crisis comes on the heels of sharp increases in food and energy prices in the recent past that had already caused enormous balance of payment difficulties to many LLDCs.

As a sum-total of the effects of the current global situation, economic growth in the group of LLDCs will diminish markedly in 2009. In fact, 27 of the 31 LLDCs are expected to record slower economic growth in 2009 than in the previous year. In several LLDCs, economic growth will even turn negative.

Mr. Chairman,

Although landlocked developing countries are not responsible for the current global and financial crisis, they belong to those countries that are worst affected by it. The sluggishness of the global economy not only threatens hard-won development gains, but also puts at risk the full achievement of the Millennium Development Goals. And yet, an economic crisis, and the current one is no exception, also offers opportunities. The theme of this Ministerial Meeting "Strengthening trade competitiveness in times of global economic crisis - challenges faced by LLDCs" is therefore timely and pertinent.

While each and every LLDCs has to find its own national strategy for improving its trade competitiveness, we could envisage three major avenues towards this objective.

First of all, there is the urgent need to improve the transport and trade-related infrastructure in LLDCs and in transit countries along the transit corridors. In many LLDCs the obsolescence of a large part of the truck fleet and the rolling stock is a key problem in addition to problems of the physical state of road and rail infrastructure, increasing operating costs and causing accidents. Many transport units lack equipment that could help expedite transit transport. For instance, they cannot be sealed or cannot be connected to cargo-tracking facilities. Moreover, improved coordination of border post management and administration through the operation of one-stop border posts could raise border post efficiency and help reduce delays in transit traffic. In this context I would also like to highlight the relevance of the Almaty Programme of Action which puts a priority on infrastructure development and maintenance.

Secondly and building on the necessity for LLDCs to cooperate closely with transit neighbours, LLDCs need to better integrate in regional cooperation and integration schemes. The smooth and efficient functioning of regional transit transport systems requires proper connection between national transport services and infrastructure networks across national borders. Regional integration provides an ideal framework for such connectivity and helps to create "win-win" situations between LLDCs and their transit neighbours.

Progress in regional integration can have several beneficial effects on the transit environment. Issues relating to border crossing such as the harmonization of transit documents or the mutual recognition of insurance contracts, driving licences and vehicle registrations can find easier solutions if protocols and agreements pertaining to broadly defined regional integration programmes are implemented. In short, the greater is the degree of regional integration, the lesser becomes the effect of landlockedness.

Thirdly, strengthening trade competitiveness also implies addressing the issues of quality, quantity and diversity of tradeables of LLDCs. Currently, low-value added primary commodities account for the bulk of LLDCs exports, which is paradoxical in view of the transport handicap of these countries. A strategic policy choice of LLDCs governments should be to develop industries and activities that are not sensitive to transport distance to and from the sea. The development of service activities can help minimize transit transport-dependence. To this end, LLDCs need to modernize, diversify and re-specialize their economies to develop location-specific advantages that enable them to take part in the global service and knowledge economy.

Foreign direct investment can play a major role in these efforts. FDI promotion should target service activities such as tourism, back-office services, and in some cases even banking or other financial

services. In manufacturing, LLDCs should promote the production of high-value but low-bulk goods, such as high-precision instruments, IT components or pharmaceuticals. In agriculture, LLDCs should target high-value products, such as cut flowers or off-season fruits and vegetables that lend themselves to expeditious and cost-efficient air transport. In view of the small size of many LLDC economies, policies to attract FDI should also capitalize on regional and subregional integration and cooperation

Mr Chairman,

This was in brief an outline of three broad avenues which we believe could lead to strengthened international competitiveness of LLDCs and a better integration of these countries in the global economy. Progress in transport infrastructure development, deeper regional integration and broader economic diversification would also enhance the resilience of LLDC economies to external shocks and economic crises. Let me conclude by emphasizing that UNCTAD stands ready to continue its assistance to the Group of LLDCs for the achievement of these goals. In this sense, I wish you, Mr. Chairman, every success for your deliberations.