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Third Meeting of Trade Ministers of Landlocked Developing Countries (LLDCs)

The Experience of Switzerland as a landlocked country :

Skills is the name of the game

Statement by

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Mr. President, honourable Minister Lacognata,
Excellencies,

Lack of territorial access to the sea, high transit costs as well as remoteness and isolation from world markets impose serious constraints on the overall socio-economic development of landlocked developing countries (LLDCs).

Transit time for overseas goods to LLDCs is extremely long because of their long distance away from the nearest maritime port, difficult terrain, as well as bad road and railway conditions. This increases the total expenses for the transport services. The high transport costs constitute an important barrier to trade. Hence, the impact of the geographical situation substantially hampers the economic performance of the LLDCs. They have generally very weak growth rates, and out of all 31 LLDCs, 16 are classified as least developed.

I acknowledge: LLDCs face specific hurdles in their development that countries bordering the sea do not. However, some of those hurdles can be addressed and overcome. Thus, geography is certainly a challenge for LLDCs, but not necessarily a destiny.

To exemplify my statement, I would like to reflect on the experience of my country, Switzerland. I will point to the fact that Switzerland is a highly industrialized, knowledge based economy, although it is a landlocked country deprived of access to natural resources. I will, thereby, focus especially on the importance of research and innovation in Switzerland. I will also highlight the importance of the regional integration of LLDCs with their respective neighboring countries. Finally, I will underline that Switzerland's success is due – at least partly – to the fact that it has become a transit hub of its own.

Switzerland's experiences

Switzerland has a stable, modern and well performing economy. The following figures illustrate this:

- The World Economic Forum's Global Competitiveness Report currently ranks Switzerland's economy as the most competitive in the world.
- Switzerland's economy continues to be characterized by an excellent capacity for innovation and a very sophisticated business culture, ranked 3rd for its business sophistication and 2nd for its innovation capacity.

Switzerland has overwhelmingly a private sector economy and reasonable tax rates by Western standards. Chemicals and pharmaceutical, machinery, watches and measuring instruments, banking and insurance, tourism and logistics are important industries in Switzerland. Most of these industries depend greatly on a highly skilled work force.

a) Skills is the name of the game

Indeed, the competitiveness of Switzerland is due to a large extent to the considerable investment in research. Switzerland has highly advanced qualities and skills in education, science and technology which are recognised internationally. The strong collaboration between the academic and business sectors ensures that much of this research is translated into marketable products and processes, reinforced by strong intellectual property protection. On a percentage basis, the amount Switzerland spends on research and development in relation to its GDP is considerable. More than two-thirds of these resources come from the private sector with the major interest coming from the chemical, pharmaceutical, electronics and metallurgical industries. Basic research is carried out in Switzerland mainly by universities as well as the two Federal Institutes of Technology in Zurich and Lausanne, which both have an excellent international reputation.

At this point, I would like to sum up by saying: The good economic performance of Switzerland is due to a great extent to education, research and innovation. Thus, in Switzerland skills is the name of the (economic) game.

These reflections may have a meaning for LLDCs, too: A qualified workforce as well as investment in research is crucial for a well performing economy. Specializing in economic activities which demand low input in terms of raw materials, which have a high value added and which have low transport costs is certainly a key to a successful economic development. Such a specialization calls, in turn, for a highly qualified workforce. Therefore, skills is the name of the game.

b) Regional cooperation with neighbouring countries

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I would like to highlight another important factor which partly explains the success of Switzerland, namely the regional cooperation with its neighbouring countries. Switzerland is by all accounts globalized. Nevertheless, about 80% of our exports go to our immediate neighbour, the European Union, and about 60% from our imports come from there. This is to say that the markets of neighbouring countries may provide LLDCs with a regional alternative or complement to overseas markets. The negative effects of high transport costs and the dependence on a functioning transit corridor can be reduced in cases where strong performers are in the immediate vicinity of landlocked developing countries.

c) Transit hub of its own

Finally, I would like to indicate that the success of Switzerland is also due, in part, to the fact that it has become a transit hub of its own. Switzerland's access to the sea is reasonably safe because it controls an important transit route for its trading partners, in particular the north-south-axis through the Alps. Switzerland invests billions in building railway and highway infrastructure to serve this transit traffic through its country. This can

be seen as an indirect investment in its own access to the sea, that is through its neighbors. Of course, this particular strategy is highly dependent on geography and not suitable to all LLDCs.

Conclusion

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I would like to conclude by pointing to the importance of looking at the very specific conditions of every single country:

The Almaty Programme of Action has helped to bring together a wide range of countries facing similar concerns under one heading – that is the LLDCs. At the same time, transit countries and development partners have joined the process in a spirit of partnership. Yet, while the Programme has been firmly established and recognized, further progress is needed. The priorities and needs of landlocked developing countries have become much more differentiated. Their starting points, their comparative advantages, their economic policies and their transport infrastructures are developing over time in response to both world market integration as well as stronger regional integration. It is therefore important that international organizations, such as the World Bank or UNCTAD, continue to work with the LLDCs.

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Geography can indeed be a challenge . But as I said at the very beginning of my speech: geography is no destiny. Switzerland, a landlocked country itself, remains deeply committed to assisting landlocked developing countries to better integrate in world markets and to enhance their cooperation in their own regional context.

Thank you.