



## IMPROVING TRADE AND TRANSPORT IN LANDLOCKED COUNTRIES



**From zero-sum to win-win**

For landlocked and transit countries

# Both transit and landlocked countries can benefit from expanded trade

- What are the potential benefits (and costs) for transit countries?
- How can they be measured?
- Which of them count most?

# Five layers of benefits and costs for transit countries

- Direct benefits: recovery of infrastructure costs from users
- Indirect benefits: scale economies in storage, warehousing, logistics
- Indirect costs: environment, accidents, wear & tear, disease
- Greater social and economic integration
- Greater political leverage

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# Recovering infrastructure costs

## The reality check...

- Balance is positive if transit traffic uses spare capacity and revenues go to government
- With congestion, pricing needs to reflect the costs and risks of adding infrastructure
- Transit rail traffic is profitable for railway, but service is poor and underused
- Road traffic can bring revenues to government if transit trucks pay fuel tax or other transit fees (consistent with WTO)
- Port traffic can bring revenues if capacity is available

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# Capturing scale economies

- Maritime shipping can offer bigger vessels, lower freight rates, more frequent and direct sailings to markets
- More business, more competition for truckers, freight forwarders, customs brokers, warehouseers

and so: lower tariffs, higher quality services, benefits to local customers

- All this drives the business logic for regional hubs

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# Hold down the diseconomies

- More road accidents
- More wear and tear
- More exhaust emissions
- More disease propagation
- All require monitoring and regulation

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# Greater social and economic integration

- Processing and assembly in transit countries benefit the transit and the landlocked
- Vientiane to US west coast—through Thailand

# Greater political leverage

- Transit countries benefit from greater leverage in regional development
- Regional hubs
- Regional infrastructure
- Regional economic communities

# Shared information and trust

- Game theory: win-wins require good information exchanges and trust
- Institutions to create incentives for cooperation
- Regular exchanges of information fight rent-seeking (TradePoint)
- Regional coordination bodies build trust among transit and landlocked governments and their business communities
- Private-public partnerships build trust and foster cooperation between traders and border agencies ("PRO committees")

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