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DRAFT DISCUSSION PAPER

**Constraints and Development Gaps Facing Asia Pacific Landlocked
Developing Countries: An Overview**

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The views expressed in this draft paper do not necessarily reflect those of the United Nations or any other landlocked developing country mentioned therein.

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Constraints and Development Gaps Facing Asia Pacific Landlocked Developing Countries: An Overview

I. Introduction

As a group, the landlocked developing countries (LLDCs) are among the poorest developing countries in many respects. Moreover, these countries have limited dependence on a small number of commodities for their export earnings. The growth rate of the LLDCs has also been low over the last decades. One major factor behind the relative deprivation of the LLDCs in the globalized world is their lack of territorial access to the sea and remoteness and isolation from the world markets which substantially inflate their transportation costs and lower effective participation in the world market. The trade reducing effect is significant for these countries as most of the LLDCs are commodity exporters for which high transportation costs constrain export development limiting potential exports and reducing competitiveness and profitability. The price of imports also tends to be high due to inflated transit transport costs.

One of the major UN mandates to assist the LLDCs is the Almaty Programme of Action (formulated in 2003) specifically designed to address the special needs of the LLDCs through (i) establishing a new global framework for developing efficient transit transport systems in landlocked and transit developing countries taking into account the interests of both landlocked and transit developing countries; and (ii) promoting trade for development (see, APoA 2003).¹ The identified priorities under the Almaty Programme of Action (APoA) covered several areas including the need to address fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, enhancing international support measures, and focused attention on implementation and review.

¹ The United Nations Millennium Declaration (2000) also recognized the special needs and problems of the LLDCs. Several other major UN conferences addressed the development issues and concerns of the LLDCs including the Third UN Conference on the Least Developed Countries (Brussels 2001), International Conference on Financing for Development (Monterrey 2002), and the World Summit on Sustainable Development (Johannesburg 2002). The International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation was convened in 2003 to review existing transit transport systems and implement the Global Framework for Transit Transport Cooperation of 1995 and formulate policy measures and action programmes aimed at developing efficient transport systems. The Programme was endorsed by the General Assembly in its resolution 58/201 of 23 December 2003 and 59/245 of 3 March 2005 as well as in the 2005 World Summit Outcome (see General Assembly resolution 60/1).

The midterm review of the APoA, undertaken in 2008, underscored the need to adopt strengthened initiatives for implementing the Programme especially in view of the high structural vulnerability of the LLDCs in the context of recent global developments. The world economy including the regional development scenario has undergone drastic changes since the review in 2008. The modest economic growth achieved by the LLDCs during the last decade has recently come under increasing threat due to successive global crises in the areas of food, fuel, and finance. As a result, most LLDCs are falling short in achieving various social targets including the Millennium Development Goals (MDGs) while many are severely affected by the climate change. Moreover, the absence of a voice in the evolving global economic governance has led to the marginalization of the LLDC concerns.

At present, the world economy is experiencing critical shifts in structure and governance requiring new approaches and modalities for forging development partnership among the LLDCs and the development partners. In view of the importance of the issue, ESCAP in cooperation with the Government of Mongolia, plans to organize the High-level Asia-Pacific Policy Dialogue in April 2011 on the implementation of the APoA and closing the development gaps by the LLDCs. The dialogue would involve all key stakeholders including member governments, the UN system, relevant regional organizations, development partners, and the broad spectrum of the civil society from the Asia Pacific region.

This overview paper on the constraints and development gaps faced by the 12 Asia Pacific LLDCs has been prepared to serve as input to the above High-level Policy Dialogue in Ulanbatar, Mongolia in April 2011.² The paper assesses the progress made in implementing the APoA keeping two broad objectives in view: (i) promoting connectivity and creating fundamental transit transport infrastructure in achieving overall development of the LLDCs; and (ii) enhancing the share of the LLDCs in global trade, aid, and financial flows and promoting further productive capacities of these countries. The paper also discusses the key development gaps faced by the LLDCs beyond the trade-transit issues, particularly in terms of the MDGs. The discussion encompasses the challenges faced by the LLDCs in coping with the recent global financial crisis and its impact on implementing the APoA and achieving the MDGs. The study also addresses other multiple risks and development gaps faced by the LLDCs (such as those arising from climate change) in the context of fast changing regional and global environment. Finally, the paper suggests several forward looking medium to long term recommendations that would be useful for enhancing regional action for accelerating further implementation of the APoA as well as positioning the LLDCs to confront their development challenges and filling the development gaps, especially the 'MDG gaps'.

II. The Almaty Programme of Action: Progress of Implementation

The main objectives of the Almaty Programme of Action (APoA) are to establish a new global economic framework for developing efficient transit transport systems in landlocked and transit developing countries taking into account the interests of both groups of countries and promote trade for development. In particular, the APoA aims to: (i) secure access to and

² The 12 LLDCs are: Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, Lao PDR, Mongolia, Nepal, Tajikistan, Turkmenistan, and Uzbekistan.

from the sea by all means of transport according to applicable rules of international law; (ii) reduce costs and improve services so as to increase the competitiveness of their exports; (iii) reduce the delivered costs of imports; (iv) address problems of delays and uncertainties in trade routes; (v) develop adequate national networks; (vi) reduce loss, damage and deterioration en route; (vii) open the way for export expansion; and (viii) improve the safety of road transport and the security of people along the corridors. It was stipulated that, along with streamlined policies and procedures, international conventions on transport and transit as well as regional and bilateral agreements ratified by landlocked and transit developing countries would be the main vehicles by which harmonization, simplification, and standardization of rules and documents can be achieved. It was expected that, at the international level, development partners especially the multilateral aid agencies would give high priority to sustainable transportation financing.

Regional and subregional cooperation and integration can play an important role in successfully addressing the specific problems of transit transport from, in, and through developing countries. The APoA called for more effective regional cooperation and integration initiatives to facilitate the participation of landlocked and transit developing countries in the global economy, better sharing its benefits, and containing its negative effects. Recognizing the importance of trade for the LLDCs and the adverse impact of high trade transaction costs, the Programme emphasized the need for enhanced and predictable access to all markets for the exports of the landlocked and transit developing countries along with assistance in the area of trade facilitation.

Almaty Programme of Action: Implementation Status and Major Issues

The implementation status of the APoA was assessed in the Midterm Review Meeting at the regional level jointly organized by ESCAP and the Economic Commission for Europe (ECE) in collaboration with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States during 22-23 April 2008 in Bangkok. The meeting assessed the progress and identified the obstacles along the five priorities of the APoA. While acknowledging the work undertaken at the national, subregional, and regional levels for the implementation of the Programme, the meeting recognized the continuing challenges faced by the LLDCs in integrating with the global economy and the need to expedite and strengthen the process of implementation of the APoA. In particular, the Review identified several priority actions for effective implementation of the Programme.

Priority 1: Create enabling environment by the landlocked and transit developing countries in order to establish efficient transit transport systems through genuine partnerships. Several fundamental transit policy issues have been identified that need urgent action: (i) harmonization of legal regimes relating to transport and transit; (ii) adoption of an integrated approach to trade and transport facilitation; (iii) elimination of physical and non-physical barriers to transit transport; and (iv) promotion of integrated training programmes encompassing all levels in both public and private sectors.

International conventions on transport and transit, including regional and bilateral agreements, are the main vehicles for achieving harmonization, simplification, and

standardization of rules and documentation. While the need is to provide quick accession by the concerned countries to conventions that provide at least the minimum level of international harmonization (e.g. seven conventions identified by ESCAP in its resolution 48/11 and another six additional international conventions administered by ECE and recommended by the Special Programme for the Economies of Central Asia Project Working Group on Transport and Border Crossing), priority should be given to capacity building assistance to countries for raising awareness and understanding of the process and implications of accession to international conventions on transport facilitation. For ESCAP, priority areas for technical and financial support include: (i) negotiation of an agreement among the Shanghai Cooperation Organization member States to facilitate international road transport; (ii) implementation of annexes and protocols to the Greater Mekong Subregion Cross Border Transport Agreement supported by the Asian Development Bank (ADB); and (iii) implementation of the Economic Cooperation Organization (ECO) Transit Transport Framework Agreement.

For adopting an integrated approach to trade and transport facilitation, ESCAP needs to expand its support to member countries in establishing and strengthening national coordination mechanisms for trade and transport facilitation, organizing subregional and regional forums for sharing knowledge and best practices, and working towards harmonization of trade and transport rules and documents. The countries may also need assistance in developing benchmark performance indicators for border crossing along their main international road and rail corridors.

The ESCAP also needs to assist the countries in identifying and addressing physical and non-physical bottlenecks through analyzing different transport routes e.g. Euro-Asian transport links and the transport network of the Special Programme for the Economies of Central Asia. Based on route data and analysis using ESCAP time/cost distance methodology, ESCAP should work with the landlocked and transit developing countries and other development partners to promote the intermodal transport corridor concept and assist the countries in formalizing cooperation along these corridors.

Priority 2: Develop transport infrastructure networks especially to complete the missing links, improve the infrastructure, promote intermodal transport, and develop integrated transport corridors and logistic services. Several areas of priority action may be identified for ESCAP to expedite progress in infrastructure development and maintenance: (i) develop, upgrade, and maintain the Asian Highway and Trans-Asian Railway networks by working jointly with traditional and non-traditional funding sources including public-private partnerships; (ii) implement capacity building programmes to enhance the capacity of Governments to promote, operate, and manage infrastructure development and provision of basic services; (iii) operationalize the Asian Highway and Trans-Asian Railway networks through organizing truck caravans along the highway routes and demonstration runs of container block trains along railway routes; (iv) assist landlocked and transit developing countries in promoting the Euro-Asian Transport Linkages by enhancing capacities to deal effectively with their transit transport requirements; and (v) continue with support to the Special Programme for the Economies of Central Asia Project Working Group on Transport and Border Crossing in developing and operationalizing the road and rail networks.

For developing intermodal transport and logistics, ESCAP needs to: (a) promote the intermodal transport corridor concept and assist countries in formalizing cooperation for efficient operation of such corridors; (b) provide assistance for developing intermodal interfaces such as dry ports and inland container depots, and for clustering economic activities around the intermodal interfaces to bring development inland; and (c) assist landlocked and transit developing countries in establishing sustainable training programmes in multimodal transport and logistics.

Priority 3: Enhance market access and trade opportunities. Despite some progress in enhanced integration of landlocked and transit developing countries into the global trading system, several LLDCs are still not members of the World Trade Organization (WTO). Similarly, the signing of a number of preferential trade agreements has not led to adequate materialization of the opportunities for enhanced market access and new South-South trade for the LLDCs. Along with domestic institutional reform, efforts are needed at the multilateral level for facilitating development friendly conditions for the accession of landlocked and transit developing countries to the WTO especially to cope with unavoidable adjustment costs.

For enhancing market access, the ESCAP needs to: (i) administer training programmes for the LLDCs on trade policy reform and economic policy coherence; (ii) conduct tracking and analysis of changes in market access for these countries; (iii) develop on line databases, analytical tools, and trade information sources (e.g. Asia Pacific Trade and Investment Agreements Database) as well as platforms for sharing best practices in trade policy reforms and trade facilitation (e.g. Macao Regional Knowledge Hub on Trade Policy and Asia Pacific Forum on Efficient Trade); (iv) promote measures for accessions to the Asia Pacific Trade Agreement for enhanced integration of the LLDCs into the regional economy and encourage land linkages for the LLDCs; (v) develop local and regional capacity for trade and trade policy analysis (e.g. using the experience of ESCAP with Asia Pacific Research and Training Network on Trade); and (vi) build capacity of LLDCs to implement the ECE commercial agricultural quality standards, manage regulatory harmonization and prepare for accession to WTO.

Although the majority of the LLDCs have implemented trade facilitation reforms aimed at simplifying trade regulations, procedures, and documents, four areas need increased focus for the LLDCs. These are: (i) harmonizing regulatory requirements, procedures, and documentation for imports, exports, and transit with international conventions and standards; (ii) creating or reinforcing an effective institutional framework for the implementation of trade facilitation measures; (iii) modernizing customs information systems and shifting to risk assessment and advance cargo information; and (iv) enhancing cooperation between neighbouring countries through harmonized trade regulations and joint border crossing posts, where feasible, or harmonizing the working hours of adjacent border crossing posts as articulated in the ECE International Convention on harmonization of frontier controls of goods. For capacity building in the above areas, several activities by ESCAP may be considered including: (a) assistance in negotiating on trade facilitation in the context of the WTO; (b) creating public-private cooperation mechanisms for effective implementation of

trade facilitation measures;³ (c) assisting for accession to and implementation of international conventions and use of standards and best practices in trade and transport facilitation including use of standards and recommendations on establishing single window systems for export and import clearance and trade data harmonization; and (d) establishing an Asia Pacific Forum on Efficient Trade covering expert networks to, among others, introduce and use electronic trade documentation aligned with United Nations standards.

Priority 4: International support measures. Although the primary responsibility of implementation of the APoA rests with the LLDCs, the Programme acknowledges the magnitude of the task of establishing and maintaining an efficient transit system and the role of development partners in providing assistance. The mandate of the international community is to work together in specific areas relating to fundamental transit, transport infrastructure and facilitation, and international trade and trade facilitation. For achieving the objectives, more emphasis is needed on mobilizing additional official development assistance (ODA) as well as financial and technical resources in undertaking the actions identified under different priorities. This is essential in order to move forward in implementing the APoA.

Priority 5: Implementation and review. It would be important to organize periodic review meetings at the subregional level in order to provide the required thrust to implement the Programme and monitor the implementation progress.

For the LLDCs, the urgent priority is to establish efficient transit transport systems for which genuine partnerships are required between the public and private sectors and between landlocked and transit developing countries and their development partners at the national, bilateral, subregional, regional, and global levels. For successful collaboration, the partnerships need to be based on mutual benefits emanating from specific actions agreed under the APoA aiming to establish efficient transit transport systems. The key to success would be the provision of financial and technical support by the international community including the financial and development institutions to help these countries to deal effectively with their transit transport problems and requirements.

It also needs to be recognized that the efficiency of the transit transport systems critically depends on the promotion of an enabling legal, administrative, and macroeconomic environment in both landlocked and transit developing countries for making effective policies, mobilizing required resources for implementation, and devising equitable cooperative frameworks between landlocked developing countries and their transit neighbours for ensuring transit transport safety and enabling to derive significant economies of scale especially by the LLDCs.

For the LLDCs, regional and subregional cooperation or integration can play an important role in successfully addressing their specific transit transport problems, facilitating more effective participation of these countries in the global economy to derive a more equitable share of benefits from global integration. For accelerating the speed of implementation of the APoA, it is important to ensure a more effective mobilization of concerted efforts by the landlocked and transit developing countries, their development partners, relevant

³ See, for example, ESCAP 2007.

organizations and bodies of the United Nations system, international financial and development organizations, and other relevant regional and subregional organizations.

III. Asia Pacific LLDCs: Multiple Imbalances and Development Gaps

The Asia Pacific LLDCs have achieved relatively rapid economic growth in the last decade and rebounded fast after the recent global economic recession of 2008-09. However, the rebound remains fragile and uneven characterized by a number of downside risks. The challenge for the LLDCs is to turn the rebound into sustained recovery leading to high economic growth along with creating capacity to address the multiple structural imbalances and large socioeconomic and development gaps that persist in these countries. The LLDCs also have considerable infrastructure gaps and these countries reflect varying patterns of progress towards the MDGs. In addition, these countries suffer from serious ecological imbalances reflected in the degradation of key natural resources, such as forests and fresh water, which are aggravated by the climate change impacts. The above point out that inclusive and sustainable growth is not only desirable for the LLDCs but also necessary for regaining dynamism and promoting social development goals.

Recent Economic Performance

The Asia Pacific region as a whole started to recover from the recession by the second half of 2009 and, for the developing economies of the region, GDP is expected to grow by 7.0 percent in 2010 following a growth of 4.0 percent in 2009 (ESCAP 2010a). The growth performance of the 12 Asia Pacific LLDCs is shown in Table 1.

In Afghanistan, real GDP growth is estimated at 15.1 percent in 2009/10 (compared with 3.4 percent in 2008/09), driven largely by the performance of the agriculture sector and increased spending by the government and the donors. Weather factors play the largest role in determining the level of agricultural production and hence the growth of GDP in the country. Nearly a third of the country's GDP originates in agriculture followed by 28 percent from industry. The rest comes from services. Afghanistan ran a trade deficit of around US\$ 6.3 billion in 2009/10. The potential for an increase in Afghanistan's traditional exports, such as carpets and dried fruits, is limited but greater transit trade from Central Asian countries and trade with Iran could provide a boost. Despite signing a bilateral transit agreement with Pakistan in July 2010, trade problems still remain affecting the country's exports and imports (see, EIU 2010).

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