

The Challenges Facing Landlocked Developing Countries

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Abstract In spite of technological improvements in transport, landlocked developing countries continue to face structural challenges to accessing world markets. As a result, landlocked countries often lag behind their maritime neighbours in overall development and external trade. While the relatively poor performance of many landlocked countries can be attributed to distance from coast, this paper argues that several aspects of dependence on transit neighbours are also important. Four such types of dependence are discussed: dependence on neighbours' infrastructure; dependence on sound cross-border political relations; dependence on neighbours' peace and stability; and dependence on neighbours' administrative practices. These factors combine to yield different sets of challenges and priorities in each landlocked country. The paper concludes with a brief set of policy recommendations. A detailed appendix presents maps and regional overviews that outline key challenges facing the landlocked countries in each region.

Key words: Globalization, Landlocked countries, Geography, Transit, Transport, Conflict, Markets, Economy

Introduction

In 1776, Adam Smith observed that the inland parts of Africa and Asia were the least economically developed areas of the world. Two hundred and twenty-six years later, the *Human Development Report 2002* still painted a stark picture for most of the world's landlocked countries. Nine of the twelve

countries with the lowest Human Development Index scores are landlocked, thirteen landlocked countries are classified as low human development and not one of the non-European landlocked countries is classified as high human development (UNDP, 2002).¹

Why do landlocked developing countries face such persistent challenges? Smith argued that, due to the difficulty of trade, geographically remote areas have difficulty realizing gains to specialization and associated benefits. He based his analysis on the difficulty of land transportation over great distances— a problem that, despite huge technological advances, remains today. High transportation costs typically place landlocked countries at a distinct disadvantage relative to their coastal neighbours when competing in global markets.

Distance alone, however, cannot explain why landlocked countries are at a disadvantage compared with equally remote, inland regions of large countries. For instance, some regions of China, India and Russia lie further from the coast than many landlocked countries like Azerbaijan and Moldova. While these inland subnational regions indeed face great distance-based cost disadvantages relative to their maritime counterparts, they do not have to face the challenges of border crossing that Smith also identified.

The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. (Smith, 1976, I.3.8)

Landlocked countries not only face the challenge of distance, but also the challenges that result from a dependence on passage through a sovereign transit country, one through which trade from a landlocked country must pass in order to access international shipping markets. While rivers were a more common form of trade transit in Smith's time, the principle of dependence on neighbours applies equally to the more modern transport modes of roads and railways. Such dependence can take several forms, many of which are less deliberate than the power politics suggested by Smith.

This paper describes the key ways in which landlocked developing countries face structural challenges to accessing global markets. After first outlining the relatively low development levels in landlocked developing countries, we outline the various forms of transit dependence and discuss ways in which they interact to inhibit the landlocked countries' economic development. Recognizing that these factors combine to affect specific countries and regions differently, we highlight the places most and least affected by each aspect of landlockedness. A series of policy implications is then briefly proposed. A detailed appendix presents regional overviews (including maps) that outline the key challenges facing the landlocked countries in each region.

Landlocked countries' indicators of development

Landlocked countries very often achieve lower average development levels than their maritime neighbours. This can be demonstrated by looking at the Human Development Index (HDI), trade costs, and per-capita export levels.

Human development

The relative state of human development in landlocked countries is presented in Table 1 and Map 1, where the landlocked countries are shaded. A brief examination of the table shows that landlocked countries are distributed across the table but concentrated towards the bottom. As stated earlier, nine of the twelve countries with the lowest human development are landlocked.

Overall, the landlocked countries do worse than their maritime neighbours in each component of the HDI. The average Gross Domestic Product (GDP) per capita of landlocked countries is approximately 57% that of their maritime neighbours. Life expectancy index scores are 0.3 lower on average, equivalent to 3.5 years, and education index scores are 0.36 lower. Progress in many landlocked developing countries has also been slow. In the *Human Development Report 2003*, twenty out of twenty-seven landlocked countries with adequate data are considered 'top priority' or 'high priority' due to their lack of progress towards the internationally agreed-upon Millennium Development Goals. (UNDP 2003)