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macroeconomía del desarrollo

Towards development in landlocked economies

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Abstract

This paper sets out with three objectives. Firstly, it reviews the theoretical and empirical literature on the relationship between the condition of being a landlocked developing country and the degree of economic development attained, measured by per capita income. Secondly, it contributes to the theoretical literature on the subject by suggesting a new possible reason why landlocked countries may have a low level of development: the greater relative uncertainty to which landlockedness gives rise may have a negative effect on investment incentives in the tradable sector of such countries. Thirdly, it suggests that development policy for landlocked countries should focus on investment in transport infrastructure and on regional integration.

I. Introduction

International trade barriers can have a substantial effect on the income level and economic growth rate of a small country. Obstacles to international trade often include tariffs, quotas and phytosanitary restrictions, among others, but transport costs can also be a major obstacle to international trade. Although the literature analysing the impact of transport costs on development is of long standing, the specific case of the high transport costs faced by landlocked developing countries (United Nations, 2002) has been largely overlooked in both the theoretical and the empirical literature.

The empirical evidence gathered in a number of studies indicates that landlocked **developing**[1] countries are usually among the world's poorest: according to MacKellar, Wörz and Wörgötter (2000), nine of the world's twenty poorest countries are landlocked, while the United Nations (2002) states that sixteen[2] of the thirty one landlocked developing countries in the world are classified among the "least developed". According to the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, the thirty one landlocked developing countries are: Afghanistan, Armenia,

1 This study excludes landlocked countries with higher per capita income levels, namely Andorra, Austria, Belarus, the Czech Republic, the Holy See, Slovakia, Hungary, Liechtenstein, Luxembourg, San Marino and Switzerland.

2 These sixteen countries are Afghanistan, Bhutan, Lao People's Democratic Republic and Nepal in Eurasia, and Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Uganda and Zambia in Africa.

Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, Lao People'sDemocratic Republic, the Former Yugoslav Republic of Macedonia,Moldova, Mongolia, Nepal, Tajikistan, Turkmenistan and Uzbekistan in Eurasia; Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia and Zimbabwe in Africa; and Bolivia and Paraguay in South America.

A number of previous studies have sought to establish the possible relationships between geographical conditions (such as distance to and from markets) and economic development. Within this literature (Gallup, Sachs and Mellinger, 1998; Radelet and Sachs, 1998; Venables and Limão, 2001 and 2002; and MacKellar, Wörz and Wörgötter, 2000), only a few studies have sought to test empirically whether landlocked countries as such suffer in terms of development, and if so, to understand the theoretical reasons behind this. The present study pursues this effort in three ways. Firstly, it reviews the theoretical and empirical literature on the subject with a view to synthesizing what is known about the implications that a landlocked situation has for a country's development level. Secondly, it contributes to the debate about the possible conceptual relationships involved, analysing the way in which incentives to invest in export industries oriented towards non-neighbouring countries might be affected by the greater relative uncertainty created by a country's landlocked position. Thirdly, it suggests general economic policy measures organized along two major lines, the aim being to minimize the impact that being landlocked has on a country's development[3].

The study is organized as follows. Section II shows how being landlocked may affect a country's economic development. Section II.I summarizes the arguments used to show how the higher transport costs faced by landlocked countries may adversely affect them. Possible effects of this kind on development are considered to include lower investment in the landlocked country and lower trade. Section II.II presents a theoretical model in which incentives to invest in a landlocked country in the current period are reduced by higher relative uncertainty about future transport costs, something that affects future international trade and economic development. Section III proposes two major lines of economic policy designed to reduce the impact of a landlocked situation. Section III.I discusses the importance of designing and implementing an appropriate transport policy that is properly financed and takes account of the "coordination failures" which may arise in multinational infrastructure projects. Section III.II sets forth the advantages of regional integration as a second axis in official strategies to minimize the problems faced by landlocked countries. Section IV concludes.